CLS HOLDINGS USA, INC. (the "Company")

FORM 2A

LISTING STATEMENT

The table below provides the corresponding section to page numbers between the Canadian Securities Exchange Form 2A Listing Statement and the Company's final prospectus dated November 30, 2018 (the "**Prospectus**") attached hereto as Schedule "A".

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2.5 Issuers Incorporated Outside of Canada

The Company is not required to have an audit committee under Chapter 78 of the Nevada Revised Statutes. As set out in the “Audit Committee” section on page 48 of the Prospectus, the Company is a listed on a U.S. marketplace and the Company is in compliance with the requirements of that U.S. marketplace and is therefore exempt from Parts 2 (Audit Committee Responsibilities), 3 (Composition of the Audit Committee), 4 (Authority of the Audit Committee), and 5 (Reporting Obligations) of National Instrument 52-110 – Audit Committees (“**NI 52-110**”) pursuant to section 7.1 of NI 52-110. Therefore, the provisions in sections 2.6 to 2.10 of Policy 4 of the Canadian Securities Exchange are not applicable to the Company.

4.3(3)(b) Leases

The Company itself does not have any material leases. The Company, via its subsidiaries, has two material leases: (i) a lease between Alternative Solutions, LLC and 1800 Industrial, LLC for suites 102,160 & 180 1800 Industrial Road, Las Vegas, Nevada 89101 (the “**Industrial Lease**”), and (ii) a lease between Serenity Wellness Growers, LLC and SFC Leasing, LP for 22,000 square feed located at 203E Mayflower Avenue, North Las Vegas, Nevada 89030 (the “**Mayflower Lease**”).

The Industrial Lease expires on January 1, 2020 and has one option to renew for a five year term with rent starting at the then market rate for like spaces, but not less than USD$8,441.30 per month. The basic rent is currently USD$8,195.45 per month.

The Mayflower Lease expires on February 28, 2021. The basic rent is currently USD$22,000 per month.

Both the Industrial Lease and the Mayflower Lease are in good standing and the landlords for both the Industrial Lease and the Mayflower Lease, respectively, are not related parties of the Company.

4.3(3)(f) Seasonality of the Business

The business of the Company is not materially affected by cyclical or seasonal changes.

4.3(3)(g) Termination of Contracts

The Company does not currently anticipate any material renegotiation or termination of contracts or sub-contracts in the 12 months following the date of this Listing Statement.

4.3(3)(k) Contracts upon which the Company is Substantially Dependent

The Company does not currently have any contracts upon which it is substantially dependent.

4.3(3)(l) Termination of Contracts

The Company does not currently anticipate any material renegotiation or termination of contracts or sub-contracts in the 12 months following the date of this Listing Statement.

18 Promoters

Staff of the Ontario Securities Commission (the "**OSC**") notified the Company that it was of the view that both Jeffrey Binder and Frank Koretsky were promoters of the Company within the meaning of applicable securities laws in Canada. Pursuant to section 58(5) of the *Securities Act* (Ontario) (the "**Act**") and Part 19 of NI 41-101, the Director consented to Messrs. Binder and Koretsky not signing a Certificate of Promoter for this prospectus in accordance with the requirement under section 58(6) of the Act. The Company was advised by the OSC that the issuance of a receipt by or on behalf of the applicable Canadian Securities Administrators by the OSC for this prospectus evidenced the granting of this consent. In applying for and receiving such relief, neither the Company, nor Messrs. Binder and Koretsky admit that Messrs. Binder and Koretsky are promoters of the Company.

CERTIFICATE OF THE ISSUER

The foregoing contains full, true and plain disclosure of all material information relating to the Company. It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated at Las Vegas, Nevada .

this 4th day of January, 2019.

"Jeffrey Binder"	*"Frank Tarantino"*
Jeffrey Binder Chief Executive Officer	Frank Tarantino Chief Financial Officer
"Frank Koretsky"	*"Andrew Glashow"*
Frank Koretsky Director	Andrew Glashow Director

SCHEDULE “A”

FINAL PROSPECTUS OF THE COMPANY

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and only by persons permitted to sell these securities in those jurisdictions.

PROSPECTUS

<u>*New Issue*</u> November 30, 2018

CLS HOLDINGS USA, INC.

33,463,837 Common Shares and 33,463,837 Warrants
issuable upon deemed exercise of 30,421,670 Special Warrants

This prospectus (the "**Prospectus**") is being filed by CLS Holdings USA, Inc. ("**we**", "**us**", "**CLSH**", or the "**Company**") to qualify the distribution of 33,463,837 units (the "**Units**") of the Company, each Unit being comprised of one share of common stock in the capital of the Company (a "**Unit Share**") and one common stock purchase warrant of the Company (a "**Warrant**") upon the deemed exercise of 30,421,670 special warrants (the "**Special Warrants**") of the Company consisting of 28,973,019 Special Warrants issued under the Offering (as defined below) (the "**Offering Special Warrants**") and 1,448,651 Special Warrants issued to the Agent (as defined below) comprising the corporate finance fee under the Agency Agreement (as defined below) (the "**Corporate Finance Fee Special Warrants**"). This number of Special Warrants includes the 3,042,167 Penalty Units (as defined below). The Special Warrants were issued on June 20, 2018 (the "**Closing Date**") to purchasers resident in British Columbia, Alberta, Manitoba and Ontario (the "**Qualifying Jurisdictions**") on a private placement basis at a price of CAD$0.45 per Special Warrant (the "**Offering Price**"), for aggregate gross proceeds to the Company of CAD$13,037,859 (the "**Offering**"). The Special Warrants were issued pursuant to the terms of a special warrant indenture dated June 20, 2018 (the "**Special Warrant Indenture**") between the Company and Odyssey Trust Company, as special warrant agent thereunder (the "**Special Warrant Agent**"), and an agency agreement dated June 20, 2018 (the "**Agency Agreement**") between the Company and Canaccord Genuity Corp, as sole bookrunner and agent (the "**Agent**"). The Offering Price and other terms of the Offering were determined by arm's length negotiations between the Company and the Agent. See "*Plan of Distribution*".

The Warrants will be issued pursuant to the terms of a warrant indenture dated June 20, 2018 (the "**Warrant Indenture**") between the Company and Odyssey Trust Company, as warrant agent thereunder (the "**Warrant Agent**"). Each Warrant entitles the holder thereof to purchase one share of common stock in the capital of the Company (a "**Warrant Share**") at a price of CAD$0.65 per Warrant Share for a period of 36 months following the date the common stock of the Company are listed on a recognized Canadian stock exchange (the "**Listing Date**"), subject to adjustment in certain events as set out in the Warrant Indenture. See "*Description of Securities Being Distributed*".

The outstanding shares of common stock of the Company (the "**Common Shares**") are listed for trading on the OTCQB Venture Market ("**OTCQB**") under the symbol "CLSH". On June 19, 2018, the last trading day before the closing of the Offering, the closing price of the Common Shares on the OTCQB was $0.65. The Canadian Stock Exchange (the "**CSE**") has conditionally approved the listing of the Common Shares of the Company, including the Unit Shares and the Warrant Shares issuable upon exercise of the Warrants. Listing will be subject to the Company fulfilling all of the listing requirements of the CSE, which cannot be guaranteed.

This Prospectus also qualifies the distribution of 1,752,303 compensation broker warrants of the Company ("Broker Warrants"), issued to the Agent upon closing of the Offering. Each Broker Warrant is

exercisable to acquire one Common Share and one Warrant, subject to adjustment in certain circumstances, at the Offering Price for a period of 36 months from the Listing Date. See "*Plan of Distribution*".

The Special Warrants are not available for purchase pursuant to this Prospectus and no additional funds are to be received by the Company from the distribution of the Units upon the deemed exercise of the Special Warrants.

There is no market through which the Warrants may be sold, and purchasers may not be able to resell the Warrants acquired pursuant to the deemed exercise of the Special Warrants. This may affect the pricing of the Warrants in the secondary markets, the transparency and availability of trading prices, the liquidity of the Warrants and the extent of issuer regulation. See "*Risk Factors*".

	Price to Subscribers	Agent's Fee(1)	Net Proceeds to Company(2)
Per Special Warrant:	CAD$0.45	CAD$0.04(3)	CAD$0.41(3)
Total:	CAD$13,037,859	CAD$1,046,029	CAD$11,991,830

Notes:

(1) The Agent was paid a cash fee of 8.0% of the gross proceeds from the Offering (the "**Agent's Fee**") and was paid a corporate finance fee of $651,893, all of which was paid in Corporate Finance Fee Special Warrants (totaling 1,448,651 Corporate Finance Fee Special Warrants) on closing of the Offering. The Agent was also granted 2,317,842 Broker Warrants, representing 8.0% of the Offering Special Warrants sold under the Offering. "*Plan of Distribution*".

(2) After deducting the Agent's Fee, but before deducting the expenses of the Offering and the qualification for distribution of the Unit Shares and Warrants. The expenses of the Offering and the qualification for distribution of the Unit Shares and Warrants are estimated to be $750,000, and will be paid by the Company out of the proceeds of the Offering.

(3) Amounts are rounded to the nearest whole cent.

Agent's Positions	Number of Additional Securities	Exercise Period	Exercise Price
Broker Warrants(1)	2,317,842 Units	Exercisable on or before the day that is thirty-six (36) months from the Listing Date	CAD$0.45 per Unit
Corporate Finance Fee Special Warrants(1)	1,593,516 Units	Automatically converted on the date that is the earlier of: (i) the fifth business day after the date a receipt is issued for a final prospectus qualifying the distribution of the Unit Shares and the Warrants by the securities regulatory authorities in the provinces of British Columbia, Alberta, Manitoba and Ontario; and (ii) November 30, 2018.(2)	Nil
Total Securities under option to Agent	3,911,358 Units	See above	See above

Notes:

(1) This Prospectus qualifies the grant of 1,752,303 Broker Warrants and the Corporate Finance Fee Special Warrants. Certain Broker Warrants, equal to 1.69% of the total base offering on an as-if-converted basis (or 565,539 Broker Warrants) remain unqualified by, and are removed from, the Prospectus. For greater certainty, the Prospectus will qualify the distribution of only 1,752,303 Broker Warrants (as opposed to 2,317,842 Broker Warrants) issued to the Agent upon closing of the Offering. See "*Plan of Distribution*".

(2) Effective as of October 26, 2018, written consent of over 66.6% of Special Warrant holders was obtained by the Company to extend the outside date of conversion to November 30, 2018, constituting an "Extraordinary Resolution" under the Special Warrant Indenture.

Each Special Warrant will be deemed to be automatically exercised on behalf of, and without any further action or payment required on the part of, the holder thereof at 5:00 p.m. (Toronto time) on the date (the "**Deemed Exercise Date**") that is the earlier of: (i) the fifth business day after the date a receipt (a "**Receipt**") is issued for a final prospectus (the "**Qualification Date**") qualifying the distribution of the Unit Shares and the Warrants by the securities regulatory authorities in the Qualifying Jurisdictions; and (ii) November 30, 2018 (the "**Time of Expiry**"). Effective as of October 26, 2018, written consent of over 66.6% of Special Warrant holders was obtained by the

Company to extend the outside date of conversion to November 30, 2018, constituting an "Extraordinary Resolution" under the Special Warrant Indenture. See "*Plan of Distribution*" and "*Description of Securities Being Distributed*".

The Company has not authorized anyone to provide purchasers with information different from that contained or incorporated by reference in this Prospectus. An investment in the securities of the Company is highly speculative and involves significant risks that should be carefully considered by prospective investors before purchasing such securities. The risks outlined in this Prospectus and in the documents incorporated by reference herein should be carefully reviewed and considered by prospective investors in connection with an investment in such securities. See "*Risk Factors*". Potential investors are advised to consult their own legal counsel and other professional advisers in order to assess income tax, legal and other aspects of this investment.

Unless otherwise indicated, all references to dollar amounts in this Prospectus are to United States dollars. Readers should not assume that the information contained in this Prospectus is accurate as of any date other than the date on the cover page of this Prospectus.

Reference to "United States" or "U.S." are references to the United States of America.

As a final Receipt was not issued by the Securities Commissions for this Prospectus on or prior to August 20, 2018, each unexercised Special Warrant will be exercised such that the holder will receive, for no additional consideration, 1.1 Units. See "*Plan of Distribution*".

Frank Koretsky, a director and principal shareholder of the Company, subscribed for 1,089,609 Special Warrants for an aggregate purchase price of CAD$490,324. Jeffrey Binder, the Chief Executive Officer, a director and principal shareholder of the Company, subscribed for 222,222 Special Warrants for an aggregate purchase price of CAD$99,999.90. Messrs. Koretsky's and Binder's participation represents approximately 3.76% and 0.77% of the Offering, respectively. No other insiders participated in the Special Warrant Offering.

Investors are advised to consult their own tax advisors regarding the application of Canadian federal income tax laws to their particular circumstances, as well as any other provincial, foreign and other tax consequences of acquiring, holding or disposing of the Special Warrants, the Unit Shares and the Warrants, including the Canadian federal income tax consequences applicable to a foreign controlled Canadian company that acquires the Special Warrants, the Unit Shares or the Warrants.

Certain legal matters in connection with the Offering and this Prospectus have been or will be reviewed on behalf of the Company by Cassels Brock & Blackwell LLP and Connor & Connor PLLC and on behalf of the Agent by Bennett Jones LLP.

The Company is neither a "connected issuer" nor a "related issuer" of the Agent as defined in National Instrument 33-105 – *Underwriting Conflicts*.

No additional proceeds will be received by the Company, and no commission or fee will be payable by the Company to the Agent, in connection with the issuance of the Units upon exercise or deemed exercise of the Special Warrants.

As at the date of this Prospectus, the Company does not have any of its securities listed or quoted, has not applied to list or quote any of its securities, and does not intend to apply to list or quote any of its securities, on the Toronto Stock Exchange, a U.S. marketplace (as defined in National Instrument 51-102 – *Continuous Disclosure Obligations*), or a marketplace outside Canada and the United States of America other than the Alternative Investment Market of the London Stock Exchange or the PLUS markets operated by PLUS Markets Group plc.

The Company is incorporated under the laws of a foreign jurisdiction, and all of the directors, officers, the auditors and Connor & Connor PLLC, counsel to the Company with respect to certain U.S. regulatory matters, reside outside of Canada. Each of the Company, its directors and officers, the auditors and Connor & Connor PLLC have appointed Cassels Brock & Blackwell LLP, Suite 2100 Scotia Plaza, 40 King Street West, Toronto, Ontario M5H 3C2, as agent for service of process in Canada. Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person or company

that is incorporated, continued or otherwise organized under a foreign jurisdiction or resides outside of Canada, even if the party has appointed an agent for service of process.

This Prospectus qualifies the distribution of securities of an entity that currently derives all of its revenues from the cannabis industry in Nevada and plans to derive revenues from the cannabis industry in Massachusetts which industry is illegal under U.S. Federal Law. CLSH is directly involved in the cannabis industry through the production, cultivation and sale of medical and adult-use cannabis by the Oasis Subsidiaries in the State of Nevada, which has regulated such activity. CLSH has entered into a loan agreement and an option agreement with a licensed medical dispensary in Massachusetts which results in the Company having an indirect interest in an entity directly engaged in the cultivation and sale of medical marijuana in Massachusetts. CLSH also has a non-binding letter of intent with an entity in Massachusetts to construct a cultivation facility. It is a condition precedent to the completion of the transaction contemplated in the non-binding letter of intent that the Massachusetts entity obtain regulatory approval from Massachusetts to grow and sell cannabis for recreational purposes. If this transaction is completed, CLSH would have a direct interest in an entity engaged in the cultivation and sale of recreational marijuana in Massachusetts. See "*History – IGH Transactions*" and "*History – Letter of Intent with CannAssist, LLC*".

Construction of the Leicester Facility and the CannAssist Earn-In will be funded from cash on hand and the second tranche of the Convertible Debenture Offering, which is expected to close on or about December 5, 2018. There is no guarantee that the Company will be able to close on the second tranche of the Convertible Debenture Offering on the terms or in the amount described herein or at all. See "*Letter of Intent with CannAssist, LLC*", "*2018 Convertible Debenture Offering*" and "*Risk Factors*".

While the states of Nevada and Massachusetts have authorized the cultivation, manufacture and sale of cannabis and cannabis related products for both medical and adult use, cannabis remains illegal under U.S. federal law and the approach to enforcement of U.S. federal laws against cannabis may be subject to change.

The cultivation, sale and use of cannabis and cannabis-related products is illegal under federal law pursuant to the U.S. Controlled Substances Act (the "CSA"). Under the CSA, the policies and regulations of the United States Federal Government and its agencies are that cannabis has no medical benefit and a range of activities including cultivation, sale and the personal use of cannabis is prohibited. The Supremacy Clause of the United States Constitution establishes that the United States Constitution and federal laws made pursuant to it are paramount to those of the states and in case of conflict between federal and state law, the federal law shall apply.

Despite the current state of the federal law and the CSA, the states of California, Nevada, Massachusetts, Maine, Washington, Oregon, Colorado, Vermont and Alaska, and the District of Columbia, have legalized recreational use of cannabis. Massachusetts and Maine have not yet begun recreational cannabis commercial operations. In early 2018, Vermont became the first state to legalize the use of recreational cannabis by passage in a state legislature but does not allow commercial sales of recreational cannabis. Although the District of Columbia voters passed a ballot initiative in November 2014, no commercial recreational operations exist because of a prohibition on using funds for regulation within a federal appropriations amendment to local District spending powers.

In addition, over half of the U.S. states have enacted legislation to legalize and regulate the sale and use of medical cannabis, while other states have legalized and regulate the sale and use of medical cannabis with strict limits on the levels of THC.

Because the Company engages in cannabis-related activities in the U.S., it assumes certain risks due to the conflicting state and federal laws. Unless and until the United States Congress amends the CSA with respect to cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a risk that federal authorities may enforce current federal law, and the business of the Company may be deemed to be producing, cultivating, extracting or dispensing cannabis in violation of federal law in the United States.

On November 7, 2018, Jeff Sessions tendered his resignation as Attorney General at the request of President Donald Trump. Following Mr. Sessions' resignation, Matthew Whitaker began serving as Acting United States Attorney General. It is unclear what impact, if any, Mr. Sessions' resignation will have on U.S. federal

government enforcement policy on marijuana.

For these reasons, the Company's involvement in the United States cannabis market may subject the Company to heightened scrutiny by regulators, stock exchanges, clearing agencies and other U.S. and Canadian authorities. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Company's ability to operate in the United States or any other jurisdiction. There are a number of risks associated with the business of the Company. See section entitled "*Risk Factors*" and "*Enforcement of United States Federal Laws*".

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GENERAL MATTERS

Unless otherwise noted or the context indicates otherwise "we", "us", "our", "CLSH" or the "Company" refer to CLS Holdings USA, Inc. and its direct and indirect subsidiaries.

Certain capitalized and other terms and phrases used in this Prospectus are defined in the "Glossary of Terms" beginning on page 98.

References to "management" in this Prospectus means the senior officers of the Company and/or its operating subsidiaries, as the case may be. See "*Directors and Executive Officers*". Any statements in this Prospectus made by or on behalf of management are made in such persons' capacities as officers of the Company and not in their personal capacities.

Prospective purchasers should rely only on the information contained in this Prospectus. We have not, and the Agent has not, authorized any other person to provide prospective purchasers with additional or different information. If anyone provides prospective purchasers with additional or different or inconsistent information, including information or statements in media articles about the Company, prospective purchasers should not rely on it. The Company is not, and the Agent is not, making an offer to sell or seeking offers to buy Common Shares or Warrants in any jurisdiction where the offer or sale is not permitted. Prospective purchasers should assume that the information appearing in this Prospectus is accurate only as at its date, regardless of its time of delivery or of any distribution of Units. The Company's business, financial conditions, results of operations and prospects may have changed since that date.

The Company presents its Consolidated Financial Statements (as defined below) in United States dollars.

In accordance with the Canadian Securities Administrators ("**CSA**") Staff Notice 51-352 (Revised) – *Issuers with U.S. Marijuana-Related Activities* ("**Staff Notice 51-352**"), this Prospectus contains a discussion of the current federal and state-level U.S. regulatory regimes in those jurisdictions where the Company is currently directly involved, either on its own or through its subsidiaries. In accordance with Staff Notice 51-352, the Company will evaluate, monitor and reassess this disclosure, and any related risks, on an ongoing basis and the same will be supplemented, amended and communicated to investors in public filings, including in the event of government policy changes or the introduction of new or amended guidance, laws or regulations regarding marijuana regulation. See "*United States Regulatory Environment*".

FINANCIAL STATEMENT PRESENTATION IN THIS PROSPECTUS

The following financial statements (the "**Consolidated Financial Statements**"), prepared in accordance with U.S. GAAP, have been included in this Prospectus:

(a) the unaudited interim consolidated financial statements of the Company for the three months ended August 31, 2018;

(b) the audited annual financial statements of the Company for the fiscal years ended May 31, 2018, May 31, 2017 and May 31, 2016;

(c) the interim financial statements of Alternative Solutions, LLC ("**Alternative Solutions**") as at and for the six month periods ended June 30, 2018 and 2017, the interim financial statements have been prepared as if Alternative Solutions is operating as a stand-alone entity up to June 30, 2018 irrespective of the June 27th acquisition by the Company;

(d) the audited consolidated financial statements of Alternative Solutions for the years ended December 31, 2017 and December 31, 2016; and

(e) pro forma financial information of the Company and Alternative Solutions for the 12 month period ended May 31, 2018.

FORWARD-LOOKING INFORMATION

This Prospectus contains "forward-looking information" within the meaning of applicable Canadian securities legislation, which is also referred to as "forward-looking statements" that relate to the Company's current expectations and views of future events. The forward-looking information is contained principally in the sections entitled "*Prospectus Summary*", "*Our Business*", "*Management's Discussion and Analysis*" and "*Risk Factors*".

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

- the Company's expectations regarding its revenue, expenses and operations
- Alternative Solutions' expectations that its revenues are expected to exceed investment and operating costs at a point during the next twelve months (see the MD&A for Alternative Solutions, LLC for the six months ended June 30, 2018)
- the Company's anticipated cash needs, its needs for additional financing, changes to its dividend policies
- the Company's intention to grow the business and its operations, including the addition of retail stores, grow operation expansion, including the expansion at the Warehouse Facility and the Greenhouse Expansion
- the Company's anticipated phases and timing of the expansion at the Warehouse Facility and the Greenhouse Expansion and the production capacity thereof
- increase in margins if and when an expansion is completed at City Trees
- the Company's expectations that Oasis' will have a positive cash flow prior to, or as a result of, the Warehouse Expansion and the Greenhouse Expansion become operational
- the Company being able to meet its future liquidity needs based on the resources available
- management's expectations with respect to the trajectory of Oasis' financial performance
- completion of the Convertible Debenture Offering as described in the "*2018 Convertible Debenture Offering"* section below
- the expected growth in the number of consumers using the Company's products
- the expected growth of the cannabis industry in Nevada, Massachusetts, and in the U.S.
- medical benefits, viability, safety, efficacy and dosing of cannabis
- expectations with respect to future production costs and capacity
- expectations with respect to the renewal and/or extension of the Company's licenses
- expectations with respect to the IGH Option
- expectations with respect to the Company's plan to apply for additional retail store licenses
- expectations with respect to the effects the Company's recently awarded patent will have on costs and revenues
- market reception of the Company's current product offerings and other new delivery mechanisms produced by the Company for use by consumers
- the Company's competitive position and the regulatory environment in which the Company operates
- any commentary related to the legalization of medical or recreational cannabis and the timing related to such commentary or legalization
- expectations with respect to the completion of the CannAssist Earn-In
- successful completion of the Convertible Debenture Offering on the terms described herein

Forward-looking information is based on certain factors, assumptions and analyses made by the Company in light of the experience and perception of historical trends, current conditions and expected future developments and other factors it believes are appropriate, and are subject to risks and uncertainties. The material factors and assumptions used to make the forward-looking information includes, among other things:

- the Company's revenue, expenses and operations not being subject to a material adverse effect
- the Company's anticipated cash needs, its needs for additional financing, changes to its dividend policies not being subject to a material adverse effect
- the Company's remaining able to grow the business and its operations, including the addition of retail stores, grow operation expansion, including the expansion at the Warehouse Facility and the Greenhouse Expansion
- the price of cannabis and cannabis products not being materially adversely affected
- with respect to the Company being able to meet its future liquidity needs, a number of the expenses for the three months ended August 31, 2018 were non-recurring expenses such as warrant compensation, agent fees and commission for financing activities and professional fees related to obtaining a public listing in Canada. Furthermore, Oasis has demonstrated improved financial performance due to a new marketing campaign, improved supply contracts for flower and oil distillate and improved average monthly sales.
- with respect to the incremental increase in margins if and when the phases of the Expansion Plan are completed at City Trees and Oasis' expectations that cash flow will improve as the Expansion Plan is implemented: (i) the current cost of cannabis produced at City Trees being reduced from approximately $3,000 per pound to approximately $700 per pound; (ii) the completion of the phases of the Expansion Plan at City Trees incrementally reducing Oasis' and City Trees' reliance on raw materials from third parties; and (iii) City Trees being able to consistently produce useable or high quality cannabis from its expanded facilities
- the Company being able to exercise the IGH Option on the timing and terms described herein or at all
- the Company being able to complete the CannAssist Earn-In on the timing and terms described herein or at all
- the Company being able to complete the Convertible Debenture Offering on the timing and terms described herein or at all
- with respect to the Convertible Debenture Offering, the market for cannabis company financings remaining relatively stable
- there being no material adverse effect on the Company's ability or capacity to produce cannabis or cannabis products
- there being no material adverse effect in the anticipated phases and timing of the expansion at the Warehouse Facility and the Greenhouse Expansion and the production capacity thereof
- the continued growth in the number of consumers using the Company's products
- the continued growth of the cannabis industry in Nevada and in the U.S. and there being no material adverse effect in the market for cannabis or the regulatory environment in Nevada or at the federal level in the U.S.
- there being no material adverse effect with respect to the medical benefits, viability, safety, efficacy and dosing of cannabis, including there being no loss of public trust in the medical benefits, viability, safety, efficacy and dosing of cannabis
- there being no material adverse effect with respect to the Company's expectations for future production costs and capacity
- the Company being able to renew and/or extend the Company's licenses
- the Company being able to apply for additional retail store licenses
- there being no material adverse effect with respect to the Company's expectations on the effects the Company's recently awarded patent will have on costs and revenues
- there remaining a positive market reception of the Company's current product offerings and other new delivery mechanisms produced by the Company for use by consumers
- the Company maintaining its competitive position and there being no material adverse effect in regulatory environment in which the Company operates
- there being no material adverse effect related to the legalization of medical or recreational cannabis and the timing related to such legalization

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

- ongoing compliance with regulatory requirements relating to our business
- changes in laws, regulations and guidelines relating to our business
- risk of prosecution of cannabis business at the federal level in the U.S. due to ambiguity of law in relation to medical cannabis and cannabis business
- reliance on current research regarding the medical benefits, viability, safety, efficacy and dosing of cannabis
- a history of losses
- failure or delay in grow the business and its operations, including the addition of retail stores, grow operation expansion and the Greenhouse Expansion
- with respect to the Company being able to meet its future liquidity needs, the Company having higher expenses than expected or a number of the non-recurring expenses for the financial period ending August 31, 2018 recurring. Oasis failing to continue to improve financial performance
- with respect to the incremental increase in margins if and when the phases of the Expansion Plan are completed at City Trees and Oasis' expectations that cash flow will improve as the Expansion Plan is implemented: (i) the current cost of cannabis produced at City Trees having unforeseen costs that result in the cost of cannabis produced being higher than $700 per pound; (ii) City Trees and/or Oasis requiring substantial raw materials from third parties even as the phases of the Expansion Plan are completed; and (iii) City Trees not being able to consistently produce useable or high quality cannabis from its expanded facilities
- inability to exercise the IGH Option on the timing and terms described herein or at all
- inability to complete the CannAssist Earn-In on the timing and terms described herein or at all
- inability to complete the Convertible Debenture Offering on the timing and terms described herein or at all
- reliance on the stability of the market for cannabis company financings
- failure or delay in the anticipated phases and timing of the expansion at the Warehouse Facility and the Greenhouse Expansion and a consequently reduced production capacity
- reliance on Management and loss of members of Management or other key personnel or an inability to attract new management team members
- inability to raise financing to fund on-going operations, capital expenditures or acquisitions
- inability to realize growth targets
- requirement of additional financing
- competition in our industry
- inability to acquire and retain new clients
- inability to develop new technologies and products and the obsolescence of existing technologies and products
- vulnerability to rising energy costs
- vulnerability to increasing costs and obligations related to investment in infrastructure, growth and regulatory compliance
- regulatory approval of the Oasis Acquisition
- dependence on third party transportation services to deliver our products
- unfavorable publicity or consumer perception
- product liability claims and product recalls
- reliance on key inputs and their related costs
- dependence on suppliers and skilled labour
- difficulty associated with forecasting demand for products
- operating risk and insurance coverage
- inability to manage growth

- conflicts of interest among our officers and directors
- environmental regulations and risks
- managing damage to our reputation and third party reputational risks
- inability to adequately protect the Company's intellectual property due to Cannabis being illegal under U.S. federal law
- potential reclassification/re-categorization of cannabis as a controlled substance in the U.S.
- changes to safety, health and environmental regulations
- exposure to information systems security threats and breaches
- management of additional regulatory burdens
- volatility in the market price for the Common Shares
- potential imposition of additional sales practice requirements by the SEC
- no dividends for the foreseeable future
- future sales of Common Shares by existing shareholders causing the market price for the Common Shares to fall
- the issuance of Common Shares in the future causing dilution

If any of these risks or uncertainties materialize, or if assumptions underlying the forward-looking information proves incorrect, actual results might vary materially from those anticipated in the forward-looking information.

Forward-looking information in this Prospectus is provided as of the date of this Prospectus, and we disclaim any obligation to update any forward-looking information, whether as a result of new information or future events or results, except to the extent required by applicable securities laws. Accordingly, potential investors should not place undue reliance on forward-looking information.

MARKET AND INDUSTRY DATA

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

Unless otherwise indicated, the Company's estimates are derived from publicly available information released by independent industry analysts and third-party sources as well as data from the Company's internal research, and include assumptions made by the Company which it believes to be reasonable based on its knowledge of the Company's industry and markets. The Company's internal research and assumptions have not been verified by any independent source, and the Company has not independently verified any third-party information. While the Company believes the market position, market opportunity and market share information included in this Prospectus is generally reliable, such information is inherently imprecise. In addition, projections, assumptions and estimates of the Company's future performance and the future performance of the industry and markets in which it operates are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described under the heading "*Forward-Looking Statements*" and "*Risk Factors*".

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. Certain capitalized terms and phrases used in this Prospectus are defined in the "Glossary of Terms" beginning on page 98.

OUR BUSINESS

Overview

The Company owns 100% of Alternative Solutions, a Nevada-based holding company that owns three separate entities with licenses to operate cannabis businesses within the State of Nevada: Serenity Wellness Center, LLC dba Oasis Cannabis; Serenity Wellness Growers, LLC dba City Trees Fresh Cannabis Cultivation Wholesale; and Serenity Wellness Products, LLC dba City Trees Fresh Cannabis Production Wholesale. Oasis currently operates a retail marijuana dispensary within walking distance to the Las Vegas Strip. City Trees Cultivation and City Trees Production currently operate a small-scale cultivation and product manufacturing facility, respectively, as well as a wholesale distribution operation in North Las Vegas.

Oasis' retail dispensary is a single location operation in Nevada. Oasis submitted retail applications for seven different local jurisdictions in Nevada. The application scores and rankings will be available no later than December 5, 2018. Oasis will know how many retail store licenses it received at that time. Oasis is currently scouting potential locations within each jurisdiction. The existing location, which is easily accessible by tourists, is currently open 24 hours per day for walk-in customers and in-store pickup. It also delivers cannabis to residents between the hours of 10:00 AM and 8:00 PM. The central location provides logistical convenience for delivery to all parts of the Las Vegas valley.

City Trees' wholesale operations began sales to third parties in August 2017. It had made sales to over 25 external customers by Q2 2018. Its existing product line includes vaporizers, tinctures, capsules, and concentrates. Raw materials for manufacturing are all sourced from third parties so there is a significant opportunity to capture additional margin if construction is completed on Phase 1, Phase 2 and the Greenhouse Expansion (as defined below). City Trees currently occupies 1,150 square feet in a 22,000 square feet warehouse. City Trees plans to use state of the art LED grow lights to dramatically reduce energy costs from what they would be with conventional methods. The lights will be used with a vertical racking system that can accommodate up to three tiers of cannabis plants. This method increases the overall size of the growth canopy that can be placed within a single building. It will further reduce raw materials and manufacturing costs by using mostly sunlight instead of electricity. See "*Our Business*".

History

The Company was initially incorporated on March 31, 2011 as Adelt Design, Inc. under Chapter 78 of the Nevada Revised Statutes. On April 29, 2015, the Company entered into a merger agreement with CLS Labs and a newly-formed, wholly-owned subsidiary and effected the Merger. Upon the consummation of the Merger, the separate existence of the wholly-owned subsidiary ceased and CLS Labs, the surviving corporation in the Merger, became a wholly owned subsidiary of the Company, with the Company acquiring the stock of CLS Labs, abandoning its previous business, and adopting the existing business plan and operations of CLS Labs.

Since 2014, one of the founders of CLS Labs has been developing a proprietary method of extracting cannabinoids from cannabis plants and converting the resulting cannabinoid extracts into concentrates such as oils, waxes, edibles and shatter. Recently, the Company began pursuing other revenue producing opportunities, which resulted in the Acquisition. See "*History*".

2018 Special Warrant Financing

On June 20, 2018, the Company closed the Special Warrant Offering for aggregate gross proceeds of CAD$13,037,859. Canaccord Genuity Corp. acted as the sole agent and sole bookrunner in connection with the Offering. Pursuant to the Offering, the Company issued 28,973,019 Special Warrants, at a price of CAD$0.45 per Special Warrant. Each Special Warrant is automatically exercisable, for no additional consideration, into Units on the earlier of: (i) the date that is five business days following the date on which the Company obtains a Receipt from the Securities Commissions for a (final) prospectus qualifying the distribution of the Units issuable upon exercise of the Special Warrants, and (ii) November 30, 2018. Effective as of October 26, 2018, written consent of over 66.6% of Special Warrant holders was obtained by the Company to extend the outside date of conversion to November 30, 2018, constituting an "Extraordinary Resolution" under the Special Warrant Indenture. See "*History – 2018 Special Warrant Financing*".

Acquisition of Alternative Solutions

On June 27, 2018, the Company completed the purchase of all of the membership interests in Alternative Solutions and the Oasis Subsidiaries from the members of such entities (other than Alternative Solutions). The closing occurred pursuant to a Membership Interest Purchase Agreement entered into between the Company and Alternative Solutions on December 4, 2017, as amended. Pursuant to the Acquisition Agreement, the Company acquired all of the membership interests in Alternative Solutions, the parent of the Oasis LLCs, from its members, and the membership interests in the Oasis Subsidiaries owned by members other than Alternative Solutions. See "*History – Acquisition of Alternative Solutions*".

Our Operations and Products

Dispensary Operations

Oasis opened as a medical cannabis dispensary in 2015 and began retail sales to adults over the age of 21 on July 1, 2017. Oasis is a retail cannabis location where customers and patients can browse the selection of inventory in a display and ask questions to qualified staff with minimal wait times. Automated payments allow for safety, convenience, and scalability. See "*Our Business – Dispensary Operations*".

Cultivation, Production & Wholesale Sales Operations

City Trees wholesale operations primarily consists of purchasing finished distilled cannabis oil from third party vendors and formulating it into a variety of finished products for sales and distribution to retail cannabis stores and medical dispensaries throughout Nevada.

The vaporizer and concentrate product line of City Trees consists of proprietary blends of cannabis oil and terpenes filled into custom branded City Trees vaporizers that utilize ceramic heating technology to deliver clean, even heat without using a wick like most traditional vaporizers. The product line of capsules is known as City Caps and includes CBD and THC blends in ratios of 10 to 1, 4 to 1, and 1 to 4. The blends are named CBD, Rise, and Rest, respectively. The recently introduced line of tinctures include a 20 to 1, 10 to 1, and a 1 to 1 CBD to THC ratio as well as a THC only version. See "*Our Business – Cultivation, Production and Wholesale Sales Operations*" and "*Our Business – Product Line*".

Listing

The Company's Common Shares trade on the OTCQB under the symbol "CLSH". As an OTCQB-listed issuer, the Company is subject to the disclosure requirements of Regulation 13A under the Securities Exchange Act of 1934, as amended, which requires the Company to file annual reports on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K. Copies of these documents are available on the Company's EDGAR profile at www.sec.gov. See "*Name, Incorporation and Overview*".

The CSE has conditionally approved the listing of the Common Shares of the Company, including the Unit Shares and the Warrant Shares issuable upon exercise of the Warrants. Listing will be subject to the Company fulfilling all of the listing requirements of the CSE, which cannot be guaranteed. See "*Plan of Distribution*".

United States Regulatory Environment

In accordance with the CSA Staff Notice 51-352 (Revised) – *Issuers with U.S. Marijuana-Related Activities*, this Prospectus contains a discussion of the current federal and state-level U.S. regulatory regimes in those jurisdictions where the Company is currently directly involved either on its own or through its subsidiaries. In accordance with Staff Notice 51-352, the Company will evaluate, monitor and reassess this disclosure, and any related risks, on an ongoing basis and the same will be supplemented, amended and communicated to investors in public filings, including in the event of government policy changes or the introduction of new or amended guidance, laws or regulations regarding marijuana regulation. See “*United States Regulatory Environment*”.

Use of Proceeds

The proceeds of the Offering were used to fund part of the cash consideration for the acquisition of Alternative Solutions, which owns the outstanding equity interests in the Oasis Subsidiaries. Upon completion of the Acquisition, Alternative Solutions became a wholly-owned subsidiary of the Company. The remainder of the proceeds of the Offering was used for general working capital. See “*Our Business*” and “*Use of Proceeds*”.

The Company had negative cash flow from operating activities for the year ended May 31, 2018 and a portion of the net proceeds from the Offering, specifically proceeds used for “General Working Capital”, were used to fund such negative cash flow. The Company also had negative cash flow from operations for the three months ended August 31, 2018. The Company is of the view that the negative cash flow from operations for the three months ended August 31, 2018 is not representative of future operational cash needs and the Company is confident that it will be able to meet its future liquidity needs based on the resources available. A number of the expenses for the three months ended August 31, 2018 were non-recurring expenses such as warrant compensation, agent fees and commission for financing activities and professional fees related to obtaining a public listing in Canada. Furthermore, Oasis has demonstrated improved financial performance due to a new marketing campaign, improved supply contracts for flower and oil distillate and improved average monthly sales and management expects this performance to continue. See the “*Risk Factors*” section below.

Risk Factors

An investment in the Common Shares is speculative and involves a high degree of risk. Prospective purchasers should carefully consider the information set out under “*Risk Factors*” and the other information in this Prospectus before purchasing Common Shares.

Financial Information

Below is the consolidated condensed balance sheet of the Company for the three months ended August 31, 2018. This financial information is derived from the interim financial statements attached as Schedule “A” to this Prospectus. **Neither the information below, the interim financial statements of the Company for the three months ended August 31, 2018 nor the pro forma financial statements attached as Schedule “E” to this Prospectus have been audited.**

CLS HOLDINGS USA, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	August 31, 2018	May 31, 2018
ASSETS		
Current assets		
Cash and cash equivalents	$ 5,953,925	$ 52,964
Accounts Receivable	59,981	-
Inventory	499,399	-
Prepaid expenses	258,308	1,410
Total current assets	6,771,613	54,374
Investment	-	2,050,000
Property, plant and equipment, net of accumulated depreciation of $27,509 and $2,674	905,633	-
Intangible assets, net of accumulated amortization of $22,757 and $828	1,619,325	898
Goodwill	25,742,899	-
Other assets	158,500	-
Total assets	$ 35,197,970	$ 2,105,272

LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$ 1,199,525	$ 826,621
Accrued compensation, related party	54,993	120,417
Due to related party	17,930	17,930
Accrued interest	22,830	24,748
Accrued interest, related party	7,393	5,143
Notes payable	3,834,242	310,000
Notes payable, related parties	5,716	75,137
Convertible notes payable, net of discount of $0 and $561,599	-	43,401
Deferred rent obligation	136,707	-
Contingent liability	678,111	-
Derivative liability	-	1,265,751
Total current liabilities	5,957,447	2,689,148
Noncurrent liabilities		
Accrued interest, long-term	44,155	-
Convertible notes payable - Long Term, net of discount of $982,098 and $733,928	292,902	41,072
Convertible notes payable, related parties, net of discount of $57,322 and $65,918	17,678	2,832
Total Liabilities	6,312,182	2,733,052
Commitments and contingencies	-	-
Stockholder's equity		
Preferred stock, $0.001 par value; 20,000,000 shares authorized; no shares issued	-	-
Common stock, $0.0001 par value; 250,000,000 shares authorized; 90,087,236 and 50,128,972 shares issued and outstanding at August 31, 2018 and May 31, 2018, respectively	9,009	5,013
Additional paid-in capital	63,939,091	17,628,717
Common stock subscribed	163,722	307,584
Accumulated deficit	(35,226,034)	(18,569,094)
Total stockholder's equity (deficit)	28,885,788	(627,780)
Total liabilities and stockholders' equity (deficit)	$ 35,197,970	$ 2,105,272

CORPORATE STRUCTURE

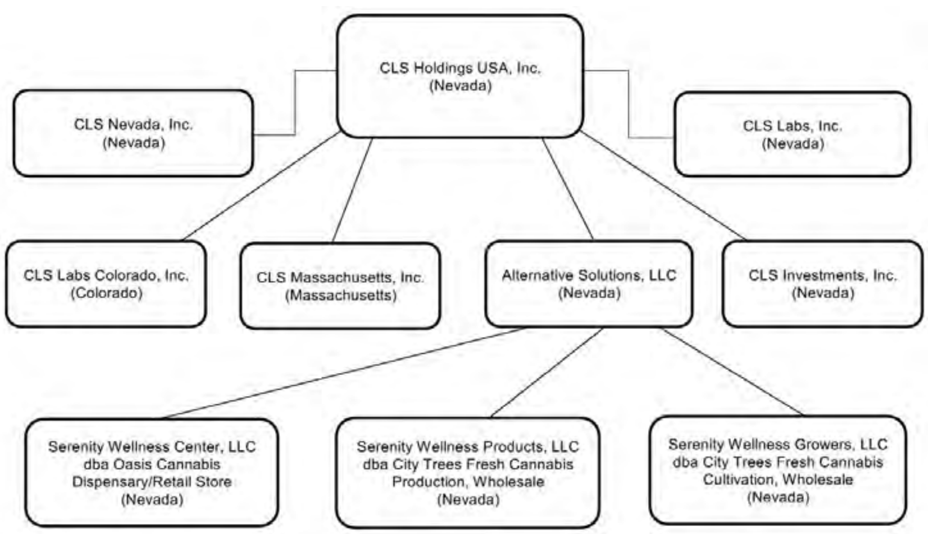
Name, Incorporation and Overview

The Company's mailing address is located at 11767 South Dixie Highway, Suite 115, Miami, Florida 33156 and the Company's registered office is located at 1810 E. Sahara Ave. Suite 613, Las Vegas, Nevada 89104. The Company is incorporated under Chapter 78 of the Nevada Revised Statutes. The Company was initially incorporated on March 31, 2011 as Adelt Design, Inc. under Chapter 78 of the Nevada Revised Statutes. Effective August 21, 2013. The Company's Common Shares became eligible for quotation on the OTCQB under the symbol ADSN. On November 12, 2014, CLS Labs acquired 6,250,000 shares, or 55.6%, of the outstanding common stock of the Company from its founder, Larry Adelt. As a condition to CLS Labs' purchase of these shares, and pursuant to five stock purchase agreements each dated November 12, 2014, five people or entities unaffiliated with the Company purchased an aggregate of 4,984,376 shares of common stock in the Company from twenty-four stockholders other than Mr. Adelt. The total number of shares acquired by these five purchasers represented 44.3% of the Company's outstanding Common Shares (the "**Merger**"). On November 20, 2014, the Company adopted amended and restated articles of incorporation therein changing the Company's name to CLS Holdings USA, Inc. Effective December 10, 2014 the Company changed its stock symbol to "CLSH" to reflect the name change of the Company. The Common Shares are currently eligible for quotation on the OTC Bulletin Board under the symbol "CLSH". As of the date of this Prospectus, there were 73,995,795 Common Shares outstanding.

As an OTCQB-listed issuer, the Company is subject to the disclosure requirements of Regulation 13A under the Securities Exchange Act of 1934, as amended, which requires the Company to file annual reports on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K. Copies of these documents are available on the Company's EDGAR profile at www.sec.gov.

Inter-Corporate Relationships

The Company has three direct and three indirect, active, wholly-owned subsidiaries, CLS Labs and Alternative Solution are owned directly and Alternative Solutions owns 100% of the issued and outstanding shares of: (i) Serenity Wellness Center, LLC dba Oasis Cannabis ("**Oasis**"); (ii) Serenity Wellness Products, LLC dba City Trees Fresh Cannabis Production, Wholesale ("**City Trees Production**"); and (iii) Serenity Wellness Growers, LLC dba City Trees Fresh Cannabis Cultivation, Wholesale ("**City Trees Cultivation**", together with City Trees Production, "**City Trees**" and together with Oasis and City Trees Production, the "**Oasis Subsidiaries**"). The following diagram illustrates the inter-corporate relationships of the Company. The Company owns 100% of CLS Nevada, Inc. ("**CLS Nevada**") and CLS Labs, Inc. and Alternative Solutions owns 100% of Oasis, City Trees Production and City Trees Cultivation. All consideration has been given from the Company for the Oasis Subsidiaries to be considered fully owned subsidiaries and the necessary documentation to transfer the remaining 90% interest in Alternative Solutions to the Company was submitted to the Nevada Department of Taxation ("**NV DOT**") on June 29, 2018. See "*Acquisition of Alternative Solutions*".



Notes:

(1) The Company owns 100% of CLS Nevada, CLS Labs, Inc., CLS Massachusetts, Inc., CLS Investments, Inc. and CLS Labs Colorado, Inc.

(2) All consideration has been given from the Company for the Oasis Subsidiaries to be considered fully owned subsidiaries and the necessary documentation to transfer the remaining 90% interest in Alternative Solutions to the Company was submitted to the NV DOT on June 29, 2018.

(3) Alternative Solutions owns 100% of Oasis, City Trees Production and City Trees Cultivation.

(4) All entities in the corporate chart were incorporated and are existing under the laws of the state of Nevada except for CLS Massachusetts, Inc. and CLS Labs Colorado, Inc.

(5) The directors and officers of the Company are set out in the "*Directors and Officers*" section. Frank Koretsky and Jeffrey Binder are the directors of CLS Nevada CLS Labs, Inc. and CLS Massachusetts, Inc. Jeffrey Binder is the Chief Executive Officer of CLS Labs, Inc. and CLS Massachusetts, Inc. Ben Sillitoe is the Chief Executive Officer of CLS Nevada and Don Decatur is the Chief Operating Officer of CLS Nevada. David Noble is the President of CLS Massachusetts, Inc. Alternative Solutions and the Oasis Subsidiaries are limited liability companies that each are governed by a "manager". The Company is the manager of Alternative Solutions and Alternative Solutions is the manager of all three Oasis Subsidiaries.

(6) CLS Investments, Inc. is not active and has no assets or revenue.

(7) CLS Labs Colorado, Inc. is not active and has no assets or revenue.

OUR BUSINESS

Overview

The Company owns 100% of Alternative Solutions, which is a Nevada-based holding company that owns three separate entities with licenses to operate cannabis businesses within the State of Nevada. Oasis currently operates a retail marijuana dispensary within walking distance to the Las Vegas Strip. Its other subsidiaries, which do business as City Trees Cultivation and City Trees Production, currently operate a small-scale cultivation and product manufacturing facility, as well as a wholesale distribution operation in North Las Vegas. Management expects that the vertically integrated business model will drive strong margins to the bottom line on a large portion of existing sales at the dispensary as the build out of the Warehouse Facility becomes operational. See "*Expansion of Cultivation Facilities*".

Oasis' retail dispensary is a single location operation in Nevada and occupies over 5,000 square feet of an over 20,000 square foot building (the "**Retail Facility**"). Oasis submitted retail applications for seven different local jurisdictions in Nevada. The application scores and rankings will be available no later than December 5, 2018. Oasis will know how many retail store licenses it received at that time. Oasis is currently scouting potential locations within each jurisdiction. Although Oasis believes that it is a strong candidate to be granted additional licenses, there is no guaranty that it will be granted several or even one additional license, see "*Licenses*". The existing location, which is easily accessible by tourists, is currently open 24 hours per day for walk-in customers and in-store pickup. It also delivers cannabis to residents between the hours of 10:00 AM and 8:00 PM. The central location provides logistical convenience for delivery to all parts of the Las Vegas valley.

City Trees' wholesale operations, which occupies approximately 1,150 square feet of a 22,000 square foot warehouse (the "**Warehouse Facility**"), began sales to third parties in August 2017. It had made sales to over 25 external customers by Q2 2018. Its existing product line includes vaporizers, tinctures, capsules, and concentrates. At present, the City Trees cultivation facility only grows breeding stock to preserve valuable genetics and does not offer its crops for sale or processing, As a result, all raw materials for manufacturing are sourced from third parties.

Market Growth

According to the 2017 report compiled by ArcView Market Research, legal cannabis sales in the U.S. grew by over 37% in 2017 to $9.5 billion. This growth trend is expected to continue as more states legalize medical and retail cannabis and as more consumers choose to make legal cannabis purchases instead of buying through traditional sources. Consumers who are learning about new research supporting the health and the perceived medical benefits of cannabis will be a secondary source of strong growth in the market for the next several years.

Cannabis sales in Nevada have exceeded all expectations since recreational sales began on July 1, 2017. The NV DOT indicated it had exceeded its marijuana tax collection projection for the entire fiscal year after only nine months of sales.[1] Management believes that the Nevada market will continue to grow at double digit rates for the next few years. This expectation is supported by sales trends in other legal markets like Colorado and Washington.

Internal Growth Strategy

Oasis expects to continue to grow its dispensary market share both organically and by adding additional locations within the Nevada market. Locations will be added if and when Oasis is awarded new licenses following open application periods and through strategic acquisitions in select jurisdictions in Nevada. The NV DOT opened a new application period on September 7, 2018, which lasted for 10 days. Oasis submitted retail applications for seven different local jurisdictions in Nevada. The application scores and rankings will be available no later than December 5, 2018. Oasis will know how many retail store licenses it received at that time. It is expected that there will be up to 35 licenses awarded in Southern Nevada and up to 20 additional licenses awarded throughout other parts of the state. Only existing license holders may apply for new licenses during this application period and Oasis believes that it will be granted a new license or licenses during this application period, see "*Licenses*" for further information. There is currently a legal limitation on the number of licenses that may be issued during the upcoming licensing period. After the licenses are awarded, absent a change in legislation, the only way to obtain a new retail dispensary location in Nevada will be through acquisition.

Oasis plans to focus on acquisitions after the new license opportunity has passed if new locations are desired beyond what is awarded during the upcoming round of licensing. Oasis will seek to expand its footprint throughout the state in select locations with access to tourists or in residential areas with above-average median income. The locations of the potential acquisitions will only matter to the extent that they are in preferable local jurisdictions. For licensing purposes, the physical location of a marijuana establishment in Nevada may be moved if it remains in the same local municipality or jurisdiction.

City Trees' wholesale growth strategy focuses on completion of Phase 1 of the planned build out of the Warehouse Facility with secondary focus on adding new customers and increasing product line penetration at each customer's retail location. City Trees has about 25 customers with regular recurring orders at dispensaries located throughout Nevada. Oasis currently purchases about $30,000 per month in products from City Trees, which represents only about 10% – 15% of the total retail sales. When City Trees is able to grow and release its wholesale cannabis flower, Oasis will be able to purchase about $100,000 worth of product as it replaces some of its current third party vendors with City Trees. It is expected that other existing wholesale customers will also replace some of their current suppliers' flower with City Trees once it has become available. At present, City Trees competes with companies that grow their own raw materials. Because City Trees currently purchases raw materials from third parties, and because competition prevents City Trees from pricing its product in a manner that would generate a typical gross margin, at present, City Trees is generally unable to generate positive cash flow from its sales. Oasis expects cash flow to improve as the build out of the Warehouse Facility becomes operational. See "*Expansion of Cultivation Facilities*".

Dispensary Operations

Oasis opened as a medical cannabis dispensary in 2015 and began retail sales to adults over the age of 21 on July 1, 2017. Customers and patients can browse the selection of inventory on display and ask questions to qualified staff with minimal wait times. Automated payments allow for safety, convenience, and scalability.

Inventory Management

All inventory is tracked in the state-mandated METRC seed to sale tracking system. Additionally, the Company has recently implemented MJ Platform for its point of sale and internal inventory management system. Each item is stored in a designated physical location that is also reflected in the inventory control system. All products are prepackaged before arriving at the retail store and a barcode is added to each package to ensure the proper products are fulfilled in each order. MJ Platform synchronizes its sales and inventory data with METRC for

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[1] State of Nevada Department of Taxation "April Marijuana Revenue Statistics News Release". June 28, 2018, accessed July 3, 2018. Available at: https://tax.nv.gov/uploadedFiles/taxnvgov/Content/TaxLibrary/News-Release-April-Marijuana.pdf.

additional assurance of compliance with state mandated inventory tracking accuracy. Regular, independent inventory counts ensure that any physical variances from the tracking system are detected and addressed immediately. All product that is unusable is destroyed and logged with photo-evidence according to state regulations.

Product Selection

Product selections are currently managed by a team comprised of the General Manager, Assistant General Manager, and Inventory Team Leader. As Oasis adds new locations, it will form a centralized purchasing team that will ensure there is consistent product selection across all locations. The General Manager is responsible for negotiating bulk purchase discounts in conjunction with the Oasis CEO. The General Manager is also responsible for quality assurance and product mix. Each new vendor is researched, and their operations are visited whenever possible. Product samples are distributed to various employees and feedback is reviewed before making final product decisions. Oasis carries between 30 and 40 different cultivars or "strains" of cannabis flowers in addition to a wide variety of cannabis products such as vaporizers, concentrated oil, edibles, capsules, tinctures, and beverages.

Payment System

Payments made at Oasis are completed via both cash and electronic payment methods. All cash payments are made by customers through their use of an on-site kiosk. Electronic payments, such as those where a customer wishes to use a credit card, require an Oasis employee to load a closed loop gift card that can then be used for purchases. The kiosks operate using semi-custom and proprietary software that interfaces with the point of sale and inventory system. Oasis is in the process of implementing electronic payment methods that can be processed through a self-checkout technology as opposed to involving an Oasis employee. All cash payments are made into the kiosk, which stores the cash in a steel safe. All kiosk units are bolted to the ground and locked. By utilizing the kiosks, the exposure of operating a cash-intensive business is reduced and Oasis is able to scale and grow while minimizing labor costs associated with maintaining multiple cashiers and increasing operational efficiency.

Home Delivery and In-Store Pickup

Home delivery is currently about 15% of the total sales mix of Oasis. Customers can call or place orders online for both pickup and delivery. There is currently no fee for delivery but there are minimum order amounts based on the distance from the store. Home deliveries average well over $100 per order, which is about 75% higher than in-store orders. Oasis is centrally located within the Las Vegas valley which makes it roughly equally distant from all areas of town. This allows the store to have a much wider geographic reach than it otherwise would. Many locals work on the Las Vegas Strip close to the store and will shop there when going to and from a shift. Offering delivery also allows them to conveniently make a purchase from Oasis without having to drive past a cannabis store that might be located closer to their homes. Many consumers prefer the convenience of home delivery and this allows Oasis to be their dispensary of choice regardless of how close they live to the store.

Pricing Strategy (Oasis)

Oasis targets at least a 50% gross margin when determining pricing for any given product. Market dynamics such as supply, demand, and competitive pressure can cause variances from the target. The assistant general manager of Oasis, as part of the purchasing team, will conduct or oversee a pricing survey to determine which of the competition in close proximity carries the product and how much such competition is charging for similar products. Oasis offers a price match guarantee to minimize the risk of losing customers to competitors' daily specials or discounts, and also sets prices to be consistent with the selection of product that is offered by competitor dispensaries in the area.

Marketing Strategy

Oasis Cannabis uses a variety of methods to reach consumers including billboards, paid digital static and video online ads, social media, marketing to rideshare drivers, and social engagement through a calendar of events at its community center called Community Oasis.

Cultivation, Production & Wholesale Sales Operations

City Trees' wholesale operations primarily consists of purchasing finished distilled cannabis oil from third party vendors and formulating it into a variety of finished products for sales and distribution to retail cannabis stores and medical dispensaries throughout Nevada. Although City Trees has the capability to conduct extraction, conversion and processing activities, it does not presently conduct many of these activities because it is not manufacturing its own raw materials. In the future, City Trees plans to conducts these activities using both its internally developed methods as well as the Company's patented process. See "*Expansion of Cultivation Facilities*".

Due to the small size of the existing City Trees grow operation, it currently only cultivates plants for breeding and to preserve quality stock and does not harvest its plants for either production or for sale to third parties.

Expansion of Cultivation Facilities

City Trees Cultivation is in the preliminary stages of expanding its grow operation and implementing additional manufacturing operations using both Alternative Solutions' existing processing methods and the Company's patented processing methods. City Trees Cultivation intends to build out a processing facility and a grow operation to manufacture product for Oasis. City Trees Cultivation intends to construct a multi-level grow operation in the Warehouse Facility.

During the next twelve months the Company expects to complete phase 1 ("**Phase 1**") of its expansion plan (the "**Expansion Plan**"). The timeline for the commencement and completion of phase 2 of the Expansion Plan ("**Phase 2**") is currently not known. At present, management of the Company estimates that the Company will require up to $3,000,000 to complete Phase 1 and up to $2,000,000 to complete Phase 2 of the Expansion Plan (excluding development of the outdoor space). The Company expects to fund the cost of Phase 1 from the proceeds of the Convertible Debenture Offering, provided that the proceeds of the Convertible Debenture Offering exceed the consideration required for the CannAssist Earn-In. Phase 2 and the Greenhouse Expansion will also be financed from the proceeds of the Convertible Debenture Offering, provided that the proceeds of the Convertible Debenture Offering exceed the consideration required for the CannAssist Earn-In and Phase 1. If the proceeds from the Convertible Debenture Offering are not sufficient to fund Phase 1, Phase 2 and the Greenhouse Expansion, the Company may need to complete other debt or equity financings in order to complete Phase 1, Phase 2 and the Greenhouse Expansion or the Company may elect not to proceed with one or all of the projects.

Phase 1 includes tenant improvements to expand within the current facility to add one room for mother plants and two rooms for flowering stage in addition to rooms for trimming, curing, drying, packaging, and storage and to add seven additional rooms for the flowering stages. The Company expects the power upgrade aspect of Phase 1 to take six months. The Company expects Phase 1 will be completed within the next 12 months. Phase 2 includes the possible addition of additional flower rooms to the remaining unused portion of the building. The Company anticipates that City Trees Cultivation will use state of the art LED grow lights and a vertical racking system to dramatically reduce energy costs and increase growth capacity.

The anticipated steps for Phase 1 are as follows:

Step	Anticipated Timing	Anticipated Cost
Finalize construction plan revisions and execute a construction contract for Phase 1 cultivation and production.	December 31, 2018	$40,000
Floor plans and operational plans including standard operating procedures and required equipment will be submitted for approval to the NV DOT.	December 31, 2018	$0
Building permits will be obtained from North Las Vegas Building Department.	December 31, 2018	$25,000

Finalize construction plans for Phase 1 and execute a construction contract for Phase 1 cultivation.	December 31, 2018	$0
Power upgrades will be completed.	April 30, 2019	$150,000
Tenant improvements for Phase 1 will be completed.	April 30, 2019	$2,785,000

The anticipated timing and steps for Phase 2 are to be determined at a later date.

Provided that the Company raises sufficient proceeds in the Convertible Debenture Offering, the Company currently anticipates commencing Phase 1 in December 2018 and anticipates completion of Phase 1 in the second quarter of 2019.

The Warehouse Facility also has a 34,000 square foot enclosed yard that City Trees Cultivation may develop into a greenhouse (the "**Greenhouse Expansion**") in the future as doing so would further reduce raw materials and manufacturing costs by using mostly sunlight instead of electricity. The Greenhouse Expansion is separate from the Phase 1 and Phase 2 expansions and would be completed on the existing, enclosed asphalt yard after the Warehouse Facility is operating at full capacity within the current structure, i.e. Phase 1 and Phase 2 are completed. The Greenhouse Expansion will be constructed in one phase. The anticipated cost for the Greenhouse Expansion is approximately $2,000,000. There is no current timeline for when the Greenhouse Expansion will be undertaken subsequent to completion of Phase 2.

As City Trees Cultivation completes the phases of the Expansion Plan, the Company expects to capture additional margin as less of the raw materials will be purchased from third parties. The Company expects to capture incremental improvements to margin at each phase of the Expansion Plan, including Phase 1, Phase 2, and the Greenhouse Expansion.

Product Line

City Trees offers the following product lines to its wholesale customers:

- The vaporizer and concentrate product line consists of proprietary blends of cannabis oil and terpenes filled into custom branded City Trees vaporizers that utilize ceramic heating technology to deliver clean, even heat without using a wick like most traditional vaporizers. The City Trees product line of capsules is known as City Caps and includes CBD and THC blends in ratios of 10 to 1, 4 to 1, and 1 to 4. The blends are named CBD, Rise, and Rest, respectively.

- The recently introduced City Trees line of tinctures includes a 20 to 1, 10 to 1, and a 1 to 1 CBD to THC ratio as well as a THC only version.

Pricing Strategy (City Trees)

The raw materials cost inputs are very high for the current product line relative to what would be seen in a normal market. Because of competitive pressure from companies that are producing their own raw materials, City Trees has not been able to set prices high enough to achieve targeted margins in the short term. City Trees has chosen to remain very competitive with pricing in order to grow and maintain market share during its expansion project. After construction of Phase 1 is completed and the Company is harvesting its own raw materials, the margins are expected to be recaptured from the third party suppliers.

Vertical Farming

As wholesale cannabis flower and trim moves toward becoming priced like a commodity, minimizing output costs will become more important than ever before. Wholesale price compression will reduce profitability and put many operators who are not able to grow outdoors or in greenhouses in difficult positions. Vertical farms use cubic feet instead of square feet to calculate how much space is available for cultivation. The Phase 1 and Phase 2 construction project plans for 20-foot ceilings that can accommodate up to 3 tiers of grow canopy, essentially tripling the potential output in the building. Management expects City Trees will start with 2 tiers in most areas during Phase 1 of its expansion and test 3 tiers on a smaller scale before rolling it out across the entire facility in Phase 2.

The vertical farm will reduce electricity and rent costs per pound but has the potential to increase labor costs per pound if proper automation is not used. City Trees plans to utilize a moderate amount of automated technology to offset the potential additional labor costs. Automated watering, feeding, lighting systems are in the design phase.

Energy Efficient Heating & Cooling

In addition to using LED lights to conserve energy, City Trees plans to utilize natural gas heat pumps to minimize its heavy reliance on electricity. The units are able to heat and cool critical areas of the building using natural gas instead of relying on the already over-burdened electrical system of an indoor cultivation facility.

Single Stream Inventory

In Nevada, as long as a wholesale facility holds both a medical and a recreational license, it may sell products to dispensaries that may be sold to both recreational and medical customers. As long as the dispensary also holds both licenses, the inventory may be sold to either type of customer as long as it came from a wholesale company with both license types. This reduces logistical challenges that would otherwise arise from having two separate streams of inventory to service the medical and adult-use segments.

Licenses

A Retail Marijuana Store License or Medical Marijuana Dispensary Registration Certificate allows for the sale of cannabis products to the applicable end consumer. A company must hold both licenses to be able to sell products to both types of consumers. A retail marijuana store may also deliver to residents in Nevada without any additional licensing. Both local and state licenses are required.

A Retail (adult-use or recreational) Marijuana Cultivation or Medical Marijuana Cultivation Registration Certificate allows the holder to grow as much cannabis as it can in its approved production space. There is no limitation to the number of plants that maybe be grown at any time. The state only approves the production space regarding compliance, not size.

A Retail (adult-use or recreational) Marijuana Product Manufacturing license or Medical Marijuana Production Registration Certificate allows for the extraction, conversion, and manufacturing of raw cannabis material into finished consumer packaged goods. The NV DOT must approve all formulas, processes, equipment, products, and packaging prior to any manufacturing or sales.

A Retail (adult-use or recreational) Marijuana Distributor License allows licensees to deliver wholesale products from a cultivator or manufacturer to a retail store. This is only a requirement for products that could be sold to recreational customers. Many vertically integrated operators are forced to use third party distributors to deliver products from their wholesale facilities to their own stores and to other customers. City Trees holds one of only 29 distributor licenses that exist to serve the more than 60 dispensaries and 195 wholesalers in the State. Oasis is licensed to operate in the city of Las Vegas as a Dual Use Marijuana Business, and in the State of Nevada as a Medical Marijuana Dispensary Establishment and a Retail Marijuana Store. City Trees Production is licensed to operate in the state of Nevada as a Medical Marijuana Production Establishment, a Retail Marijuana Product Manufacturing facility and a Retail Marijuana Distributor. City Trees Production is also licensed to operate in the state of Nevada as a Medical Marijuana Cultivation Facility and a Retail Marijuana Cultivator. Please see "*United States Regulatory Environment – Oasis Subsidiary Licenses*" for a complete list of state and local licenses held by the Oasis Subsidiaries.

Oasis submitted retail applications for seven different local jurisdictions in Nevada. The application scores and rankings will be available no later than December 5, 2018. Oasis will know how many retail store licenses it received at that time. Oasis is currently scouting potential locations within each jurisdiction.

When considered against the criteria the NV DOT uses to evaluate applicants, Oasis believes it is a strong candidate for the following reasons:

NV Dot Criteria	Application to Oasis
The description of the proposed organizational structure of the proposed marijuana establishment and information concerning each owner, officer and board member including key personnel of the proposed marijuana establishment including the information provided pursuant to R092-17. (60 Points)	*Oasis has a nearly three-year operating history and the relevant experience with operating a Nevada dispensary. concerning each owner, officer and board member including key personnel of the proposed marijuana establishment including the information provided pursuant to R092-17 was submitted as part of the Acquisition.*
Evidence of the amount of taxes paid or other beneficial financial contributions made to the State of Nevada or its political subdivisions within the last five years by the applicant or the persons who are proposed to be owners, officers or board members of the proposed establishment. (25 Points)	*Oasis and previous owners have paid taxes and financial contributions to the State of Nevada in the last five years, including state retail sales taxes, local government taxes and fees, and state marijuana taxes. This section favors existing dispensaries, which generally pay more in taxes than other marijuana companies.*
A financial plan which includes: • *Financial statements showing the resources of the applicant, both liquid and illiquid.* • *If the applicant is relying on funds from an owner, officer or board member, or any other source, evidence that such source has unconditionally committed such funds to the use of the applicant in the event the Department awards a recreational marijuana establishment license to the applicant and the applicant obtains the necessary local government approvals to operate the establishment.* • *Proof that the applicant has adequate funds to cover all expenses and costs of the first year of operation. (30 Points)*	*Oasis has a financial plan that includes financial resources from the Issuer as a partner. Alternative Solutions has also prepared audited financial statements.*
Documentation from a financial institution in this state or in any other state or the District of Columbia which demonstrates: • *That the applicant has at least $250,000 in liquid assets which are unencumbered and can be converted within 30 days after a request to liquidate such assets.* • *The source of those liquid assets. (10 Points)*	*Through the Company, Oasis has access to at least $250,000 in liquid assets which are unencumbered and will be able to provide documentation from a financial institution evidencing this.*
Documentation concerning the integrated plan of the proposed marijuana establishment for the care, quality and safekeeping of marijuana from seed to sale, including: • *A plan for testing recreational marijuana.* • *A transportation plan.* • *Procedures to ensure adequate security measures for building security.* • *Procedures to ensure adequate security measures for product security. (40 Points)*	*Oasis has integrated plans for security, transportation, and testing that have been proven with almost 3 years of operating history in the state.*
Evidence that the applicant has a plan to staff, educate and manage the proposed recreational marijuana establishment on a daily basis, which must include: • *A detailed budget for the proposed establishment including pre-opening, construction and first year operating expenses.* • *An operations manual that demonstrates compliance with the regulations of the Department.* • *An education plan which must include providing educational materials to the staff of the proposed establishment.* • *A plan to minimize the environmental impact of the proposed establishment. (30 Points)*	• *Oasis has a staffing plan including operations manuals and educational materials that have been refined during the almost 3 years of operating history.* • *Oasis has an environmental impact plan that is currently in place that utilizes natural lighting, LED lights, and encourages recycling with customers and employees.*
A plan which includes: • *A description of the operating procedures for the electronic verification system of the proposed marijuana establishment.* • *A description of the inventory control system of the proposed marijuana establishment. (20 Points)*	*Oasis has inventory control systems that have been refined and improved over the last 3 years.*
Documentation concerning the adequacy of the size of the proposed	*Oasis has a large retail space planned with the*

NV Dot Criteria	*Application to Oasis*
marijuana establishment to serve the needs of persons who are authorized to engage in the use of marijuana, including: • *Building plans with supporting details. (20 Points)*	*same proven floor plan that is more than adequate to serve the needs of persons authorized to use marijuana in the state.*
A proposal demonstrating: • *The likely impact of the proposed marijuana establishment in the community in which it is proposed to be located.* • *The manner in which the proposed marijuana establishment will meet the needs of the persons who are authorized to use marijuana (15 Points)*	*Oasis has a history of positively impacting the community, including sponsoring farmers markets featuring philanthropic organizations at which a percentage of the proceeds were donated to charity, making food deliveries to local firehouses, hosting neighbourhood clean-up events, and facilitated clothing drives for the homeless.*

Although Oasis believes that it is a strong candidate to be granted additional licenses, there is no guarantee that it will be granted several or even one additional license. Oasis submitted applications in the following jurisdictions in Nevada, which will improve Oasis' chances of obtaining approval in at least one jurisdiction:

- City of Las Vegas
- Unincorporated Clark County
- Henderson
- North Las Vegas
- Nye County
- Reno
- Sparks

Domains

The Company has protected its Internet domain names with the following registered domains as of the date of this Prospectus:

- https://www.clsholdingsinc.com/
- https://oasiscannabis.com/
- http://www.citytrees.com/

Employees

As of November 30, 2018, the Company had 56 employees. The employees are distributed among the following departments:

CLS Management & Operations	**Number of Employees**
Management	1
Operations	1
Nevada Market Administration	
Administrative	2
Accounting	1
Oasis Cannabis Retail	
Product Sales and Customer Service	20
Inventory Control	9
Dispatch / Delivery	8
Safety / Security	6
Leadership	2
Communications	1

City Trees Wholesale	
Wholesale Sales and Distribution	2
Leadership	1
Cultivation / Product Manufacturing	1
Inventory Control	1
Total Employees	56

The Company believes in equal opportunity employment and we recruit, hire and promote individuals that are best qualified for each position without regard to race, color, creed, sex, national origin or handicap. We pride ourselves on using a selection process that recruits people who are trainable, co-operative and share the core values of the Company. The Company's employees are highly-talented individuals who have educational achievements ranging from masters and undergraduate degrees in a wide range of disciplines, as well as staff who have been trained on the job to uphold the highest standards set as a Company.

The Company recruits based on a rigorous interview process to ensure the right candidates are selected for the Company and the individual team. In addition to adherence to the Company's core values, it requires that each employee acts with integrity and constant striving to uphold the highest professional standards.

In addition, the safety of the Company's employees is a priority and the Company is committed to the prevention of illness and injury through the provision and maintenance of a healthy workplace. The Company takes all reasonable step to ensure staff are appropriately informed and trained to ensure the safety of themselves as well as others around them.

In addition to the Oasis employees, the Company employs three executive and management personnel and engages one consultant in a management capacity.

Specialized Skill & Knowledge

Commercial cannabis cultivation requires access to employees with specialized skills and knowledge in order to maximize harvest quality and yield in addition to having the capacity for developing new varieties. Botanical extraction of concentrated oils, product formulation and product manufacturing each require their own specific sets of specialized skill and knowledge to ensure maximization of yields and quality from extraction and to create consistent, high quality products. Additionally, the operation of a quality retail cannabis store requires extensive product knowledge to provide the optimal experience for customers. Each of these operations requires extensive knowledge and understanding of the Nevada regulatory landscape to ensure compliance with all local and state laws and regulations.

The COO of CLS Nevada (formerly employed at Oasis) has gained important skills and knowledge through experience with all areas needed to run a successful cultivation operation. With these skills and knowledge, the Company expects to continue to develop unique, new strains that are only available to City Trees and will build on the current knowledge of the organization through testing new techniques and technologies in a small research and development room within the cultivation facility. The previous experience of the management team of CLS Nevada, along with independent consultation, is the basis for Oasis' proprietary standard operating procedures that we believe will ensure consistent quality and yield performance. The COO of CLS Nevada has practical experience with the extraction of cannabis including no-solvent, butane, carbon dioxide and the finishing of the extracts into consumer-packaged goods.

The extraction/product formulation team includes employees with hands on experience in cannabis extraction and product manufacturing in addition to employees with undergraduate chemistry degrees and limited experience in cannabis extraction. This provides access to both the technical and hands-on applications of knowledge that benefits product formulation in addition to extraction efficiency and productivity.

The leadership at CLS Nevada is knowledgeable in all the products available in the United States market because the leadership at Oasis has operated in Nevada since the beginning of medical cannabis sales.

The Company conducts ongoing training to ensure compliance with all laws and regulations. The leadership of each business unit attends regular compliance training conducted by local and state officials which provides content and updates for internal training.

In addition to the Company's internal resources, there is a broad market of skilled employees with cannabis knowledge and experience in Nevada to facilitate growth of the labor force.

Competitive Conditions

The Company currently only operates in the Nevada cannabis market, which has limited licensing opportunities for retail locations in accordance with state regulations. There is currently no legal limitation on the number of cultivation and product manufacturing licenses that may be issued and there is no limitation on how much can be grown or produced with those licenses. These conditions create significant barriers to entry for new competition.

The limitation on the number of licenses available for retail creates a significant barrier to entry for potential competition in the retail cannabis market. Prospective competitors will not be able to acquire any of the currently proposed new licenses unless they are operating in Nevada. This leaves acquisition as the only method available for most companies to enter the state's retail cannabis market absent changes in legislation. There is also a 10% legal limitation on the number of retail licenses that may be owned by any one entity within a given county. The size and number of locations in a potential acquisition are limited as a result. These conditions mitigate the risk of losing market share to new companies entering the Nevada retail market.

Nevada wholesale prices have increased since recreational sales began as a result of a demand spike being met with a limited supply. Expansion projects, like the City Trees cultivation facility, have been completed or are underway to meet the additional demand. Most of the additional supply is coming from existing participants within the market as very few new cultivation licenses have been issued. The ability to expand facilities without limitation will allow the market to reach an equilibrium wholesale price point without the need to license additional operators. Although there is no legal limitation on cultivation and production licenses, we do not currently anticipate that new licenses will be issued.

Massachusetts has fewer barriers to entry and more closely reflects free market dynamics typically seen in mature retail and manufacturing industries. The growth of this market poses a risk of increased competition if the Company becomes operational in Massachusetts. The Company will face competition in Massachusetts from other companies that may have a higher capitalization, access to public equity markets, more experienced management or may be more mature as a business.

Components

Raw materials for processing and manufacturing are available from a variety of sources. Oasis maintains relationships with various suppliers for each key component of the raw materials to mitigate vendor concentration risk. City Trees wholesale operations is the sole purchaser of raw materials within the organization because the retail operation only stocks finished consumer packaged products. All raw materials are currently purchased from third parties. City Trees is expected to be able to supply a large portion of the raw cannabis material upon completion of Phase 1, but certain items will always come from third parties. The following table describes the key components of the supply chain for City Trees products:

Raw Material Item	Description	Sources	# of Suppliers	Pricing	Internal Sourcing
Raw Cannabis Trim	Raw cannabis leaf that is trimmed from raw flowers that will be sold directly to consumers. Trim makes up the majority of what is extracted into oil.	Nevada Licensed Cultivators (115 active licenses as of April 2018)	5+	Wholesale prices are currently in the range of $500 - $750 per pound. Target pricing is $350 per pound in order to match the cost of sourcing finished bulk oil.	Gradually increasing amount will be sourced internally upon completion of Phase 1 and Phase 2.
Raw Cannabis Flower	Raw cannabis flower is typically trimmed, packaged and sold to consumers or it is rolled into pre-rolled joints, packaged and sold to consumers. City Trees is currently not purchasing or harvesting flower.	Nevada Licensed Cultivators (115 active licenses as of April 2018)	5+	Wholesale prices currently range from $2,000 - $3,000 per pound.	Gradually increasing amount will be sourced internally for City Trees upon completion of Phase 1 and Phase 2..
Bulk Distillate Cannabis Oil	Cannabis oil refined through distillation processes that maximize potency and remove impurities.	Nevada Licensed Product Manufacturers (80 active licenses as of April 2018)	4+	Wholesale prices currently range from $16 - $18 per gram.	Gradually increasing amount will be sourced and processed internally upon completion of Phase 1 and Phase 2.
Custom All-in-One Disposable Vaporizer Pens	Cannabis oil vaporizer "pens" with ceramic heating that contain a single use battery charge customized with City Trees logos and imagery.	Distributors of Chinese Manufacturing Products	2	$3.35 each	N/A
Vaporizer Pen Cartridges and Custom Batteries	Cannabis oil vaporizer cartridges with ceramic heating that attach to a rechargeable battery customized with City Trees logos and imagery.	Distributors of Chinese Manufacturing Products	2	Cartridges: $2.50 each Custom Batteries: $3.25 each	N/A
Vegan Capsules	Empty capsules that are filled with proprietary blends of cannabis oil and terpenes	Online Medical Supply Companies	2	1.3 cents per capsule	N/A
Botanical Terpenes	Natural compounds found in essential oils of plants with strong fragrance and flavor. Some terpenes have been shown to be biologically active with specific effects	Domestic online suppliers of cannabis-derived and non-cannabis derived terpenes.	2	Isolated Terpenes: $290 per kilogram	Some terpenes will be sourced internally through a fractional distillation process.
CBD Isolate	Cannabidiol (CBD) in powder form that is 99.9% pure CBD	Domestic Industrial Hemp Growers and Processors	2	Wholesale prices range from $7,000 - $10,000 per kilogram	N/A

Trademarks and Other Intellectual Property

The Company has developed extraction and processing methods that are proprietary and, on April 24, 2018, the Company (via CLS Labs) was awarded a non-provisional U.S. utility patent for cannabidiol extraction and conversion process (the "**Extraction Process**") by the United States Patent and Trademark Office (U.S. patent number 9,950,976 B1, the "**Patent**"). The Extraction Process is expected to result in increased product consistency, cost savings for growers, and increased anticipated revenues for the Company due to the larger amount of Delta-9

THC that the Company believes it can produce. The Company expects to use a version of the patented technology on a smaller scale in connection with Phase 1, Phase 2 and the Greenhouse Expansion, on completion.

Internal testing of the Extraction Process has revealed that such process produces a cleaner, higher quality product and a higher yield than the cannabinoid extraction processes currently existing in the marketplace. The Company has not commercialized the Extraction Process. The Company plans to generate revenues through licensing, fee-for-service and joint venture arrangements related to the Extraction Process from cannabis plants and converting the resulting cannabinoid extracts into saleable concentrates.

The Company intends to monetize the Extraction Process and generate revenues through (i) the licensing of its patented processes to others, (ii) the processing of cannabis for others, and (iii) the purchase of cannabis and the processing and sale of cannabis-related products. The Company plans to accomplish this through the acquisition of companies, the creation of joint ventures, through licensing agreements, and through fee-for-service arrangements with growers and dispensaries of cannabis products. The Company then intends to explore the creation of its own brand of concentrates for consumer use, which it would sell wholesale to cannabis dispensaries. The Company believes that it can standardize the testing, compliance and labeling of its products in the cannabis industry.

History

Since 2014, one of the founders of CLS Labs has been developing the Extraction Process. The concentrates that result from the Extraction Process may be ingested in a number of ways, including through vaporization via e-cigarettes, and used for a variety of pharmaceutical and other purposes. Internal testing of the cannabinoids extracted through the Extraction Process versus the cannabinoids resulting from the processes commonly used in the industry, the results of which were reviewed and confirmed by an independent laboratory, has revealed that the Extraction Process produces a cleaner, higher quality product and a significantly higher yield than the cannabinoid extraction processes currently existing in the marketplace. On April 24, 2018, the Company (via CLS Labs) was awarded the Patent on its proprietary process.

As CLS Labs was unable to obtain a license in Colorado to operate a cannabis processing facility due to residency requirements, on April 17, 2015, it entered into an arrangement (the "**Colorado Arrangement**") through a wholly owned subsidiary incorporated in Colorado with Picture Rock Holdings, LLC ("**PRH**"), which was to be licensed by the State of Colorado as a marijuana infused product manufacturer and retailer, to, among other things, (i) license its patent pending proprietary technology, methods and processes to PRH in exchange for a fee; (ii) build a processing facility and lease such facility, including equipment, to PRH; and (iii) loan certain funds to PRH to be used by PRH in connection with its financing of the building out, equipping, and development of the grow facility that will be operated by a licensed third-party marijuana grower.

On April 29, 2015, the Company entered into a merger agreement with CLS Labs and a newly-formed, wholly owned subsidiary of the Company (the "**Merger Sub**") and effected the Merger. Upon the consummation of the Merger, the separate existence of the Merger Sub ceased and CLS Labs, the surviving corporation in the Merger, became a wholly owned subsidiary of the Company, with the Company acquiring the stock of CLS Labs, abandoning its previous business, and adopting the existing business plan and operations of CLS Labs. CLS Labs is a company that plans to generate revenues through licensing, fee-for-service and joint venture arrangements related to its patent pending proprietary method of extracting cannabinoids from cannabis plants and converting the resulting cannabinoid extracts into saleable concentrates.

On May 31, 2017, the Company entered into an Omnibus Loan Agreement (the "**Omnibus Loan Agreement**") with Jeffrey Binder, Frank Koretsky, Newcan and an affiliate of Frank Koretsky (collectively, the "**Insiders**"). Pursuant to the Omnibus Loan Agreement, the Company agreed with the Insiders to amend certain terms of loans the Insiders made to the Company for working capital purposes, which loans were initially demand loans, and, except for recent loans made in 2017, were later memorialized as convertible loans (the "**Insider Loans**"), in exchange for the agreement of the Insiders to convert all Insider Loans where funds were advanced prior to January 1, 2017, which total $2,537,750, plus $166,490 of accrued interest thereon, into an aggregate of 10,816,960 Common Shares, and forego the issuance of warrants to purchase our common stock upon conversion. This resulted in the issuance of an additional 7,609,910 Common Shares compared to the original number of shares issuable upon conversion of the Insider Loans prior to the Omnibus Loan Agreement. The Company valued the

Common Shares at $0.125, which was the market price of its stock at the conversion date, and charged the amount of $951,239 to loss on modification of debt during the twelve months ended May 31, 2017.

In 2017, the Company suspended its plans to proceed with the Colorado Arrangement due to regulatory delays and began pursuing other revenue producing opportunities, which resulted in the Acquisition.

2018 Special Warrant Financing

On June 20, 2018, the Company closed the Offering of Special Warrants for aggregate gross proceeds of CAD$13,037,859. The Agent acted as the sole agent and sole bookrunner in connection with the Offering.

Pursuant to the Offering, the Company issued 28,973,019 Special Warrants, at a price of CAD$0.45 per Special Warrant. Each Special Warrant is automatically exercisable, for no additional consideration, into Units on the earlier of: (i) the date that is five business days following the date on which the Company obtains a Receipt from the Securities Commissions for a (final) prospectus qualifying the distribution of the Units issuable upon exercise of the Special Warrants, and (ii) November 30, 2018. Effective as of October 26, 2018, written consent of over 66.6% of Special Warrant holders was obtained by the Company to extend the outside date of conversion to November 30, 2018, constituting an "Extraordinary Resolution" under the Special Warrant Indenture.

Upon automatic exercise of the Special Warrants, each Unit shall consist of one Common Share and one Warrant. Each Warrant will be exercisable to acquire one Common Share at a price of CAD$0.65 for a period of 36 months from the Listing Date, subject to adjustment in certain events.

As a final Receipt was not issued by the Securities Commissions for this Prospectus on or prior to August 20, 2018, each unexercised Special Warrant will be exercised such that the holder will receive, for no additional consideration, 1.1 Units (the "**Penalty Units**"); provided, however, that any fractional entitlement to Penalty Units will be rounded down to the nearest whole Penalty Unit. See "*Plan of Distribution*".

Acquisition of Alternative Solutions

On June 27, 2018, the Company completed the purchase of all of the membership interests in Alternative Solutions and the Oasis Subsidiaries from the members of such entities (other than Alternative Solutions) (the "**Acquisition**"). The closing occurred pursuant to a Membership Interest Purchase Agreement (the "**Acquisition Agreement**") entered into between the Company and Alternative Solutions on December 4, 2017, as amended. Pursuant to the Acquisition Agreement, the Company initially contemplated acquiring all of the membership interests in the Oasis Subsidiaries from Alternative Solutions. Just prior to closing, the parties agreed that the Company would instead acquire all of the membership interests in Alternative Solutions, the parent of the Oasis Subsidiaries, from its members, and the membership interests in the Oasis Subsidiaries owned by members other than Alternative Solutions. The revised structure of the transaction is referenced in the Oasis Note (as defined below), which modified the Acquisition Agreement.

Pursuant to the Acquisition Agreement, the Company paid a non-refundable deposit of $250,000 upon signing, which was followed by an additional payment of $1,800,000 paid in February 2018, for an initial 10% of each of the Oasis Subsidiaries. At that time, the Company applied for regulatory approval to own an interest in the Oasis Subsidiaries, which approval was received. On June 27, 2018, the Company made the payments to indirectly acquire the remaining 90% of the Oasis Subsidiaries, which were equal to cash in the amount of $6,200,000, a $4.0 million promissory note due in December 2019 (the "**Oasis Note**"), and 22,058,823 Common Shares (the "**Purchase Price Shares**") (collectively, the "**Closing Consideration**"). The Company used the proceeds of its Special Warrant Financing to fund the cash portion of the Closing Consideration. The necessary documentation to transfer the remaining 90% interest has been submitted to the NV DOT on June 29, 2018. To date, the Company's transfer request is still pending and has been delayed due to a backlog at the DOT. On June 21, 2018 the Company was approved for the transfer of the ownership interests of Alternative Solutions as part of the closing of the Acquisition. This is a procedural approval process because the Company has already been approved as an owner of Alternative Solutions. The Company completed all necessary background checks and approvals in order to be listed as 100% owner of Alternative Solutions. The change of ownership in the Oasis Subsidiaries to the Company will be recorded upon receipt of such regulatory approvals.

The number of Purchase Price Shares was equal to 80% of the offering price of the Company' Common Shares in its last equity offering, which price was $0.34 per share. The Oasis Note is secured by a first priority security interest over the membership interests in Alternative Solutions and the Oasis Subsidiaries, as well as by the assets of the Oasis Subsidiaries. The Oasis Note bears interest at the rate of 6% per annum and both principal and accrued interest are due and payable in full on December 4, 2019 but may be prepaid at any time without penalty. The Company also delivered a confession of judgment to a third party neutral representative of the parties that will become effective, in general, if we default under the Oasis Note.

Oasis currently owes certain amounts to a consultant known as 4Front Advisors, LLC. If the Company makes any payments to this company post-closing, the Company will be entitled to deduct the present value of such payments from the principal amount due under the Oasis Note.

The sellers of the membership interests in Alternative Solutions are also entitled to a $1,000,000 payment from the Company on May 30, 2020 if the Oasis Subsidiaries have maintained an average revenue of $20,000 per day during the 2019 calendar year.

None of the sellers of the membership interests in Alternative Solutions or the Oasis Subsidiaries was affiliated with the Company prior to the closing. In connection with the closing, however, the Company employed Mr. Ben Sillitoe, the CEO and a member of Alternative Solutions, as the Chief Executive Officer of CLS Nevada Chief Operating Officer.

Navy Capital Financing

On July 31, 2018, the Company entered into a subscription agreement with Navy Capital Green International, Ltd., a British Virgin Islands limited company ("**Navy Capital**"), pursuant to which the Company agreed to sell to Navy Capital, for a purchase price of $3,000,000, 7,500,000 units at a price of $0.40 per unit, representing: (i) 7,500,000 Common Shares; and (ii) three-year warrants (the "**Navy Warrants**") to purchase an aggregate of 7,500,000 Common Shares (the "**Navy Warrant Shares**") at an exercise price of $0.60 per Common Share. The closing occurred on August 6, 2018. The Company also agreed to file, on or before November 1, 2018, a registration statement with the SEC registering the Common Shares and Navy Warrant Shares issued to Navy Capital. If the Company fails to file the registration statement on or before that date, it must issue to Navy Capital an additional number of units equal to ten percent (10%) of the units originally subscribed for by Navy Capital (which will include additional Navy Warrants at the original exercise price).

Between August 8, 2018 and August 10, 2018, the Company entered into five subscription agreements pursuant to which the Company agreed to sell, for an aggregate purchase price of $2,750,000, 6,875,000 units ($0.40 per unit), representing (i) 6,875,000 Common Shares and (ii) Navy Warrants to purchase an aggregate of 6,875,000 shares of Navy Warrant Shares at an exercise price of $0.60 per share of Common Share to arm's length investors (the "**Investors**") affiliated with Navy. The Company also agreed to file, on or before November 1, 2018, a registration statement with the SEC registering the shares of Common Shares and Navy Warrant Shares issued to the Investors. If the Company fails to file the registration statement on or before that date, it must issue to the Investors an additional number of units equal to ten percent (10%) of the units originally subscribed for by the Investor (which will include additional Navy Warrants at the original exercise price).

The Navy Warrants are exercisable from time to time, in whole or in part, for three years. The Navy Warrants have anti-dilution provisions that provide for an adjustment to the exercise price in the event of a future sale of Common Shares at a lower price, subject to certain exceptions as set forth in the Navy Warrants. The Navy Warrants also provide that they are callable at any time after the bid price of the Common Shares exceeds 120% of the exercise price of the Navy Warrants for a period of 20 consecutive business days.

The Navy Capital financing proceeds were originally intended to fund the Expansion Plan but have been retained as cash on hand and have not been deployed.

IGH Transaction

On October 31, 2018, the Company, a wholly-owned subsidiary of the Company, CLS Massachusetts, Inc. ("**CLS Massachusetts**") and In Good Health, Inc. ("**IGH**") entered into an option agreement (the "**IGH Option**

Agreement") and the Company and IGH entered into a loan agreement, secured promissory note and security agreement with respect to the IGH Loan (the "**IGH Loan Agreements**", together with the IGH Option Agreement, the "**IGH Agreements**"), copies of which are available on the Company's profile on EDGAR at www.sec.gov/edgar.shtml and on SEDAR at www.sedar.com.

The IGH Loan Agreements provide for a loan (the "**IGH Loan**") in the amount of $5,000,000 which bears interest at a rate of 6% per annum. On March 1, 2020, all accured interest shall be added to the outstanding principal due under the IGH Loan Agreements. The secured IGH Loan matures on October 31, 2021. The IGH Loan is secured by all of the personal property of IGH.

In consideration for the Company providing the IGH Loan to IGH, CLS Massachusetts was granted an exclusive option to acquire IGH (the "**IGH Option**") for a purchase price of $47,500,000 payable as follows: $35,000,000 in cash, $7,500,000 in the form of a five-year promissory note and $5,000,000 in the form of Common Shares that vest at certain intervals. There is no outside date by which the acquisition of IGH must be completed following exercise of the IGH Option. IGH does not have the ability to revoke the IGH Option. The Massachusetts recreational and medical marijuana market is very competitive and is growing rapidly, with recreational marijuana sales expected to begin imminently.[1] The IGH Option provides the Company with flexibility to acquire a foothold in Massachusetts' medical and recreational marijuana markets, provided that IGH is able to secure a recreational dispensary license, a condition precedent to the exercise of the IGH Option in favour of CLS Massachusetts.

Under the IGH Option Agreement, the IGH Option commences one year from the earlier of: (i) the effective date that IGH converts from a Massachusetts not-for-profit corporation to a Massachusetts for-profit corporation (the "**Conversion**"); and (ii) December 1, 2019 (the "**Commencement Date**"). The IGH Option is exercisable by CLS Massachusetts for 60 days (the "**Option Period**") after the Commencement Date (the "**Option Termination Date**"). If CLS Massachusetts does not exercise the IGH Option on or prior to the date that is 30 days following the end of the Option Period, the amount of the IGH Loan will be reduced by US$2,500,000 (the "**Break-Up Fee**"), provide that no reduction of the IGH Loan amount will occur in the event a Purchase Exception (as defined below) has occurred or is reasonably likely to exist as of the IGH Option Termination Date.

Assuming that the Conversion will not be completed prior to December 1, 2018, the IGH Option will be exercisable commencing on December 1, 2019 until February 29, 2020.

Under no circumstances is CLS Massachusetts obligated to exercise the IGH Option, and the Break-Up Fee will not be payable if any of the following have occurred or are reasonably likely to exist as of the Option Termination Date (each a "**Purchase Exception**"):

(a) IGH's earnings before interest, taxes, depreciation and amortization ("**EBITDA**") for the trailing twelve months is less than $5,000,000; provided, however, that in this event, CLS Massachusetts will have the option to exercise the IGH Option and reduce each component of the purchase price by a proportionate amount by which IGH's EBITDA is less than $5 million;

(b) David Noble is unable or unwilling to become employed by CLS Massachusetts on the terms set forth in the employment agreement to be entered into by CLS Massachusetts and Mr. Noble on completion of the acquisition of IGH by CLS Massachusetts for any reason;

(c) IGH has not received all necessary government licenses, including all state, local and federal licenses, as applicable, to grow, process and operate a dispensary to sell recreational marijuana in the Commonwealth of Massachusetts;

(d) IGH has violated any applicable laws or has been notified in writing by an applicable regulator that it has violated any applicable laws, even if IGH disputes such allegations;

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[1] Boston Globe: "Marijuana Sales Likely Days Away After Regulators OK Labs" November 7, 2018, available at https://www.bostonglobe.com/news/marijuana/2018/11/07/cannabis-commission-oks-testing-labs-recreational-sales-approach/1CpFiiwYDynMG2o5H83z0J/story.html.

(e) IGH has not delivered the following financial statements, prepared in accordance with U.S. GAAP, to the Company at least 45 days prior to the anticipated closing of the acquisition of IGH in the event that the IGH Option is exercised: audited financial statements, including balance sheet, income statement, statement of cash flows and statement of stockholder's equity, for its two most recently completed fiscal years and unaudited financial statements for each quarter (and year to end of each such quarter) and for the comparable period of the prior year, which unaudited financial statements have been reviewed by IGH's auditors, and which financial statements are accompanied by an unqualified report (where audited) or review report (where unaudited) of IGH's auditors;

(f) IGH no longer holds all cannabis licenses it holds on the date of the IGH Option Agreement or IGH no longer leases a property that it leases on the date of the IGH Option Agreement;

(g) the occurrence of a default or an event of default under any of the IGH Loan Agreements.

The Company does not currently have sufficient funds to complete the acquisition of IGH under the IGH Option Agreement. In the event the board of directors authorizes the exercise of the IGH Option, the Company will need to undertake one or more equity or debt financings or secure alternative financing pricing to exercise. There is no assurance that the Company will be able to secure such additional financing on terms acceptable to the Company or at all. See "*Risk Factors – IGH Option and Break-Up Fee*".

For further details on IGH's compliance with applicable licensing requirements and the regulatory regime in Massachusetts, see: "*Issuers with United States Cannabis-Related Assets – Massachusetts Summary*".

Letter of Intent with CannAssist, LLC

On September 13, 2018, the Company entered into a non-binding letter of intent (the "**CannAssist LOI**") with CannAssist, LLC ("**CannAssist**") setting forth the terms and conditions upon which the Company proposes to acquire an 80% membership interest in CannAssist from either CannAssist or the owners thereof. Pursuant to the CannAssist LOI, the Company would acquire an 80% membership interest in CannAssist over a prescribed period of time for total consideration of $25 million, to be paid as needed for construction, equipment, and working capital (the "**CannAssist Earn-In**").

CannAssist does not currently have any recreational or medical licenses in Massachusetts. The CannAssist Earn-In is conditional upon CannAssist receiving approval from the Commonwealth of Massachusetts to grow and sell cannabis for recreational purposes at a cannabis grow facility in Leicester, Massachusetts (the "**Leicester Facility**"), regulatory approval of the transfer of the 80% membership interest from CannAssist to the Company, and CannAssist having no debt as of the date a definitive agreement in respect of the CannAssist Earn-In is signed. See "*Risk Factors*".

2018 Convertible Debenture Offering

On October 5, 2018, the Company entered into an engagement letter (the "**Engagement Letter**") with the Agent in connection with a proposed commercially reasonable efforts private placement offering (the "**Convertible Debenture Offering**") of up to US$40 million aggregate principal amount of senior unsecured convertible debentures (the "**Convertible Debentures**") of the Company.

Under the terms of the Convertible Debenture Offering, the Company will issue up to US$40 million of Convertible Debentures at a price of US$1,000 per Convertible Debenture. The Convertible Debentures will be convertible into units of the Company (the "**Convertible Debenture Offering Units**") at the option of the holder at a price of US$0.80 per Convertible Debenture Offering Unit (the "**Conversion Price**") at any time prior to the close of business on the earlier of: (i) the last business day immediately preceding the date that is three years from the closing of the Convertible Debenture Offering; and (ii) the date fixed for redemption in connection with a change of control of the Company. Each Convertible Debenture Offering Unit will be comprised of one Common Share and one half of one common share purchase warrant (each whole warrant, a "**Convertible Debenture Offering Warrant**"). Each Convertible Debenture Offering Warrant will be exercisable into one Common Share at a price of US$1.10 per Convertible Debenture Offering Warrant for a period of 36 months from the closing of the Convertible Debenture Offering.

The Convertible Debentures will be unsecured obligations of the Company and will rank *pari passu* in right of payment of principal and interest and will be issued pursuant to the terms of a convertible debenture indenture to be entered into between the Company and a debenture trustee to be determined (the "**Convertible Debenture Indenture**"). The Convertible Debentures will bear interest at a rate of 8% per annum from the closing of the Convertible Debenture Offering, payable on the last business day of each calendar quarter. For a period of 18 months from the closing of the Convertible Debenture Offering, any interest payable on the Convertible Debentures shall automatically accrue and be capitalized to the principal amount of the Convertible Debentures and shall thereafter be deemed to be part of the principal amount of the Convertible Debentures.

Beginning on the date that is four months plus one day following the closing of the Convertible Debenture Offering, the Company may force the conversion of all of the principal amount of the then outstanding Convertible Debentures at the Conversion Price on not less than 30 days notice to the holders thereof should the daily volume weighted average trading price of the Common Shares be greater than US$1.20 per Common Share for the preceding 10 consecutive trading days.

Upon a change of control of the Company, holders of the Convertible Debentures will have the right to require the Company to repurchase their Convertible Debentures, in whole or in part on the date that is 30 days following notice of the change of control, at a price equal to 105% of the principal amount of the Convertible Debentures then outstanding plus accrued and unpaid interest thereon (the "**Offer Price**"). If 90% or more of the principal amount of the Convertible Debentures outstanding on the date of the notice of the change of control have been tendered for redemption, the Company will have the right to redeem all of the remaining Convertible Debentures at the Offer Price. The Convertible Debentures will also contain standard anti-dilution provisions.

Closing of the Convertible Debenture Offering is occurring in tranches on such dates as the Agent and the Company may agree. The first closings under the Convertible Debenture Offering occurred between October 25 and November 2 with certain US investors, raising an aggregate of $5,857,000. $5,000,000 of these proceeds were used to advance the IGH Loan and the remainder was used for working capital purposes. The Company anticipates closing the second tranche of the Convertible Debenture Offering on or about December 5, 2018 in the amount of approximately $25,000,000 and the third tranche of the Convertible Debenture Financing in January 2019 in the amount of approximately $15,000,000. There is no guarantee that the Company will be able to close on the second or third tranches of the Convertible Debenture Offering on the terms or amounts described herein or at all. See "*Risk Factors*".

Pursuant to the terms of the Convertible Debenture Offering, the Agent has been granted an option to increase the size of the Convertible Debenture Offering by 15%, which option is exercisable by the Agents at any time up until the closing of the Convertible Debenture Offering.

The Company will pay a cash commission to the Agent equal to 6.0% of the aggregate gross proceeds of the Convertible Debenture Offering (the "**Convertible Debenture Agent's Fee**") payable in cash or Convertible Debentures. The Agent will receive a corporate finance fee equal to 2.5% of the gross proceeds of the Convertible Debenture Offering divided by the Conversion Rate (as defined in the Convertible Debenture Indenture), payable on the closing of the Convertible Debenture Offering. The Company will also issue Agent's warrants to the Agent exercisable for a period of 36 months from the closing of the Convertible Debenture Offering to acquire that number of Convertible Debenture Offering Units which is equal to 6.0% of the aggregate gross proceeds of the Convertible Debenture Offering divided by the Conversion Rate, at an exercise price that is equal to the Conversion Rate.

It is not currently anticipated that any insiders will participate in the Convertible Debenture Offering. The Company intends to use, or in the case of the IGH Loan has used, the net proceeds of the Convertible Debenture Offering as follows:"

Use of Proceeds	Allocated Funds($)
IGH Loan	$5,000,000
CannAssist Earn-In	$25,000,000
Warehouse Expansion	$7,000,000
Working Capital	$3,000,000
Total:	$40,000,000

United States Regulatory Environment

Issuers with U.S. Cannabis-Related Assets

In light of the political and regulatory uncertainty surrounding the treatment of U.S. cannabis-related activities, including the rescission of the Cole Memorandum (as hereinafter defined) discussed below, on February 8, 2018 the CSA published the revised Staff Notice 51-352 - *Issuers with U.S. Marijuana-Related Activities* ("**Staff Notice 51-352**") setting out the CSA'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. The Company views Staff Notice 51-352 favourably, as it provides increased transparency and greater certainty regarding the views of its proposed exchange and its regulator of existing operations and strategic business plan as well as the Company's ability to pursue further investment and opportunities in the United States. Below is a table of concordance that is intended to assist readers in identifying those parts of this Prospectus that address the disclosure expectations outlined in Staff Notice 51-352.

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	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.	*Our Business (p.11)* *United States Regulatory Environment – Nature of Involvement (p.27)*
	Prominently state that marijuana is illegal under U.S. federal law and that enforcement of relevant laws is a significant risk.	*Cover Page (disclosure in bold typeface)* *United States Regulatory Environment - Compliance with Applicable State Law in the United States (p.43)* *Risk Factors – Cannabis Continues to be a Controlled Substance under the United States Federal Controlled Substances Act (p.86)*
	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.	*Nevada Summary (p.33)* *Massachusetts Summary (p.41)*
	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.	*United States Regulatory Environment - Ability to Access Public and Private Capital (p.33)* *Risk Factors – Access to Banks (p.84)* *- Reliance on Third Party Suppliers*

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	Prospectus Cross Reference
		(p.93)
	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.	*United States Regulatory Environment - Ability to Access Public and Private Capital (p.33)* *Risk Factors – Access to Banks (p.84)*
	Quantify the issuer's balance sheet and operating statement exposure to U.S. marijuana-related activities.	*Selected Consolidated Financial Information* Schedules "A", "B", "C" and "D" to this Prospectus. **Note: at the time of this Prospectus, the major operations of the Company are only in the United States**

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	Prospectus Cross Reference
	Disclose if legal advice has not been obtained, either in the form of a legal opinion or otherwise, regarding (a) compliance with applicable state regulatory frameworks and (b) potential exposure and implications arising from U.S. federal law.	In Nevada, Connor & Connor PLLC has provided and continues to provide legal advice to the Company regarding (a) compliance with applicable state regulatory frameworks and (b) potential exposure and implications arising from U.S. federal law. Connor & Connor PLLC provides such advice on an ongoing basis but has not provided the Company with a formal legal opinion on such matters. Please see "*Compliance with Applicable State Law in the United States" (p.43)* In Massachusetts, the Company has received and continues to receive legal advice regarding (a) compliance with applicable state regulatory frameworks and (b) potential exposure and implications arising from U.S. federal law. The Company receives such advice on an ongoing basis but does not have a formal legal opinion on such matters. Please see "*Compliance with Applicable State Law in the United States" (p.44)*
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.	*Our Business – United States Regulatory Environment – State Level Overview – Nevada Summary (p.33)* *Our Business – United States Regulatory Environment – Compliance with Applicable State Law in the United States (p.43)*
	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.	*Our Business – United States Regulatory Environment – Compliance with Applicable State Law in the United States (p.43)* *Risk Factors – Changes in Laws, Regulations and Guidelines (p.82)*

Industry Involvement	Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties	Prospectus Cross Reference
U.S. Marijuana Issuers with indirect involvement in cultivation or distribution	Outline the regulations for U.S. states in which the issuer's investee(s) operate.	*Our Business – United States Regulatory Environment – State Level Overview – Massachusetts Summary (p.41)*
	Provide reasonable assurance, through either positive or negative statements, that the investee's business is in compliance with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state. Promptly disclose any non-compliance, citations or notices of violation, of which the issuer is aware, that may have an impact on the investee's licence, business activities or operations.	*Our Business – United States Regulatory Environment – Compliance with Applicable State Law in the United States (p.43)*
U.S. Marijuana Issuers with material ancillary involvement	Provide reasonable assurance, through either positive or negative statements, that the applicable customer's or investee's business is in compliance with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state.	Not applicable.

Nature of Involvement

The Company, through the Oasis Subsidiaries, is directly involved in the cultivation, distribution and sale of cannabis in the State of Nevada. By virtue of the IGH Transaction, the Company has "indirect" involvement in the Massachusetts cultivation and distribution industry for the purposes of Staff Notice 51-352.

The Company intends to sell marijuana products containing CBD. Neither Massachusetts state law nor Nevada state law differentiate between sale of products containing THC and/or CBD. A Nevada or Massachusetts marijuana dispensary may sell CBD products produced from marijuana at a Nevada or Massachusetts licensed marijuana establishment**.**

Financial Exposure to U.S. Cannabis-Related Activities

All of the Company's operations are in the United States. Therefore, the Company's balance sheet and operating statement exposure to U.S. marijuana-related activities is 100%.

Enforcement of United States Federal Laws

In the United States, cannabis is highly regulated at the state level. To the Company's knowledge, there are to date a total of 30 states, plus the District of Columbia, Puerto Rico and Guam that have legalized medical cannabis in some form although not all states have fully implemented their legalization programs. Nine states and the District of Columbia have legalized cannabis for adult use. Fifteen additional states have legalized high-cannabidiol (CBD), low Tetrahydrocannabinol (THC) oils for a limited class of patients. Notwithstanding the permissive regulatory environment of cannabis at the state level, cannabis continues to be categorized as a Schedule I controlled substance under the Controlled Substances Act (codified in 21 U.S.C.A. Section 812). Under United States federal law, a Schedule I drug is considered to have a high potential for abuse, no accepted medical use in the United States, and a lack of accepted safety for the use of the substance under medical supervision. **Federal law**

prohibits commercial production and sale of all Schedule I controlled substances, and as such, cannabis-related activities, including without limitation, the importation, cultivation, manufacture, distribution, sale and possession of cannabis that remain illegal under U.S. federal law. It is also illegal to aid or abet such activities or to conspire or attempt to engage in such activities. Strict compliance with state and local laws with respect to cannabis may neither absolve the Company of liability under U.S. federal law, nor provide a defense to any federal proceeding brought against the Company. An investor's contribution to and involvement in such activities may result in federal civil and/or criminal prosecution, including, but not limited to, forfeiture of his, her or its entire investment, fines and/or imprisonments. The enforcement of relevant laws is a significant risk to any investment in securities of the Company.

As a result of the conflicting views between state legislatures and the federal government regarding cannabis, investments in, and the operations of, cannabis businesses in the U.S. are subject to inconsistent laws and regulations. The so-called "**Cole Memorandum**" or "**Cole Memo**" issued by former Deputy Attorney General James Cole on August 29, 2013 and other Obama-era cannabis policy guidance, discussed below, provided the framework for managing the tension between federal and state cannabis laws. Subsequently, as discussed below, former Attorney General Jeff Sessions rescinded the Cole Memo and related policy guidance. Although no longer in effect, these policies, and the enforcement priorities established within, appear to continue to be followed during the Trump administration and remain critical factors that inform the past and future trend of state-based legalization.

The Cole Memo directed U.S. Attorneys not to prioritize the enforcement of federal cannabis laws against individuals and businesses that comply with state medical or adult-use cannabis regulatory programs, provided certain enumerated enforcement priorities (such as diversion or sale of cannabis to minors) were not implicated. In addition to general prosecutorial guidance issued by the DOJ, the U.S. Department of the Treasury's Financial Crimes Enforcement Network ("**FinCEN**") issued a memorandum on February 14, 2014 outlining Bank Secrecy Act-compliant pathways for financial institutions to service state-sanctioned cannabis businesses, which echoed the enforcement priorities outlined in the Cole Memo (the "**FinCEN Memorandum**" or "**FinCEN Memo**"). On the same day the FinCEN Memorandum was published, the DOJ issued complimentary policy guidance directing prosecutors to apply the enforcement priorities of the Cole Memo when determining whether to prosecute individuals or institutions with crimes related to financial transactions involving the proceeds of cannabis-related activities (the "**Cole Banking Memorandum**").

On January 4, 2018, former Attorney General Jeff Sessions rescinded the Cole Memo, the Cole Banking Memorandum, and all other related Obama-era DOJ cannabis enforcement guidance. While the rescission did not change federal law, as the Cole Memo and other DOJ guidance documents were not themselves laws, the rescission removed the DOJ's formal policy that state-regulated cannabis businesses in compliance with the Cole Memo guidelines should not be a prosecutorial priority. Notably, former Attorney General Sessions' rescission of the Cole Memo and the Cole Banking Memorandum has not affected the status of the FinCEN Memorandum issued by the Department of Treasury, which remains in effect. In addition to his rescission of the Cole Memo, former Attorney General Sessions issued a one-page memorandum known as the "Sessions Memorandum." The Sessions Memorandum explains the DOJ's rationale for rescinding all past DOJ cannabis enforcement guidance, claiming that Obama-era enforcement policies are "unnecessary" due to existing general enforcement guidance adopted in the 1980s, in chapter 9.27.230 of the U.S. Attorney's Manual (the "**USAM**"). The USAM enforcement priorities, like those of the Cole Memo, are based on the use of the federal government's limited resources and include "law enforcement priorities set by the Attorney General," the "seriousness" of the alleged crimes, the "deterrent effect of criminal prosecution," and "the cumulative impact of particular crimes on the community." Although the Sessions Memorandum emphasizes that cannabis is a federally illegal Schedule I controlled substance, it does not otherwise instruct U.S. Attorneys to consider the prosecution of cannabis-related offenses a DOJ priority, and in practice, most U.S. Attorneys have not changed their prosecutorial approach to date. However, due to the lack of specific direction in the Sessions Memorandum as to the priority federal prosecutors should ascribe to such cannabis activities, there can be no assurance that the federal government will not seek to prosecute cases involving cannabis businesses that are otherwise compliant with state law. See "*Risk Factors*".

Such potential proceedings could involve significant restrictions being imposed upon the Company or third parties, and also divert the attention of key executives. Such proceedings could have a material adverse effect on the Company's business, revenues, operating results and financial condition as well as the Company's reputation, even if such proceedings were concluded successfully in favour of the Company. See "*Risk Factors*".

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

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

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

On November 7, 2018, Mr. Sessions tendered his resignation as Attorney General at the request of President Donald Trump. Following Mr. Sessions' resignation, Matthew Whitaker began serving as Acting United States Attorney General. It is unclear what impact, if any, Mr. Sessions' resignation will have on U.S. federal government enforcement policy on marijuana. See "*Risk Factors*".

United States Enforcement Proceedings

An appropriations rider contained in the fiscal year 2015, 2016, 2017, and 2018 Consolidated Appropriations Acts (formerly known as the "Rohrabacher-Farr" Amendment; now known as the "Rohrabacher-Blumenauer Amendment" and currently proposed for the next appropriations rider as the "Joyce Amendment", referred to herein as the "**Amendment**") provides budgetary constraints on the federal government's ability to interfere with the implementation of state-based *medical* cannabis laws. The Ninth Circuit Court of Appeals and other courts have interpreted the language to mean that the Department of Justice ("**DOJ**") cannot expend funds to prosecute state-law-abiding medical cannabis operators complying strictly with state medical cannabis laws. The Amendment prohibits the federal government from using congressionally appropriated funds to prevent states from implementing their own medical cannabis laws. The Amendment was extended until December 8, 2018 as part of the passage of an emergency aid package. Continued reauthorization of the Amendment is predicated on future political developments and cannot be guaranteed. If the Amendment expires, federal prosecutors could prosecute even state-compliant medical cannabis operators for conduct within the five-year statute of limitations. The Amendment does not protection to state legal adult-use cannabis businesses and the DOJ may spend funds to prosecute persons that are operating in accordance with state adult use cannabis laws.

Ability to Access Public and Private Capital

The Company has historically, and continues to have, access to equity and debt financing from the prospectus exempt (private placement) markets in Canada and the United States. The Company's executive team and board of directors of the Company (the "**Board of Directors**") also have extensive relationships with sources of private capital (such as funds and high net worth individuals), that could be investigated at a higher cost of capital.

While the Company is not able to obtain bank financing in the U.S. or financing from other U.S. federally regulated entities, it currently has access to equity financing through the private markets in Canada and the public and private markets in the United States. Since the use of marijuana is illegal under U.S. federal law, and in light of concerns in the banking industry regarding money laundering and other federal financial crime related to marijuana, U.S. banks have been reluctant to accept deposit funds from businesses involved with the marijuana industry. Consequently, businesses involved in the marijuana industry often have difficulty finding a bank willing to accept their business. Likewise, marijuana businesses have limited, if any, access to credit card processing services. As a result, marijuana businesses in the U.S. are largely cash-based. This complicates the implementation of financial controls and increases security issues.

Commercial banks, private equity firms and venture capital firms have approached the cannabis industry cautiously to date. However, there are increasing numbers of high net worth individuals and family offices that have made meaningful investments in companies and projects similar to the Company's projects. Although there has been an increase in the amount of private financing available over the last several years, there is neither a broad nor deep pool of institutional capital that is available to cannabis license holders and license applicants. There can be no assurance that additional financing, if raised privately, will be available to the Company when needed or on terms which are acceptable. The Company's inability to raise financing to fund capital expenditures or acquisitions could limit its growth and may have a material adverse effect upon future profitability. See "*Risk Factors – Additional Financing*".

State-Level Overview

The following sections present an overview of market and regulatory conditions for the marijuana industry in the state of Nevada, in which the Company has an operating presence in, and is presented as of August 2018, unless otherwise indicated. Although the Company's 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 the Company of liability under United States federal law, nor may it provide a defense to any federal proceeding which may be brought against the Company.

Nevada Summary

Nevada has a medical marijuana program and passed an adult-use legalization through the ballot box in November 2016. In 2000, Nevada voters passed an amendment to the Nevada state constitution 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 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 NV DOT. 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.

Each medical marijuana establishment must register with the NV DOT and apply for a medical marijuana establishment registration certificate. Among other requirements, there are minimum liquidity requirements and restrictions on the geographic location of a medical marijuana establishment as well as restrictions relating to the age and criminal background of employees, owners, officers and board members of the establishment. All employees must be over 21 and all owners, officers and board members must not have any previous felony convictions or had a previously granted medical marijuana registration revoked. Additionally, each volunteer, employee, owner, officer and board member of a medical marijuana establishment must be registered with the NV DOT as a medical marijuana agent and hold a valid medical marijuana establishment agent card. The establishment must have adequate security measures and use an electronic verification system and inventory control system. If the proposed medical marijuana establishment will sell or deliver edible marijuana products or marijuana-infused products, proposed operating procedures for handling such products which must be preapproved by the NV DOT.

In response to the rescission of the Cole Memorandum, Nevada Attorney General Adam Laxalt had issued a public statement, pledging to defend the law after it was approved by voters. Governor Brian Sandoval also stated, "Since Nevada voters approved the legalization of recreational marijuana in 2016, I have called for a well-regulated, restricted and respected industry. My administration has worked to ensure these priorities are met while implementing the will of the voters and remaining within the guidelines of both the Cole and Wilkinson federal memos," and that he would like for Nevada to follow in the footsteps of Colorado, where the U.S. attorneys do not plan to change the approach to prosecuting crimes involving recreational marijuana.

To the knowledge of the Company's management, there have not been any additional statements or guidance made by federal authorities or prosecutors regarding the risk of enforcement action in Nevada.

In determining whether to issue a medical marijuana establishment registration certificate pursuant to NRS 453A.322, the NV DOT, in addition the application requirements set out, considers the following criteria of merit:

(a) the total financial resources of the applicant, both liquid and illiquid;

(b) the previous experience of the persons who are proposed to be owners, officers or board members of the proposed medical marijuana establishment at operating other businesses or non- profit organizations;

(c) the educational achievements of the persons who are proposed to be owners, officers or board members of the proposed medical marijuana establishment;

(d) any demonstrated knowledge or expertise on the part of the persons who are proposed to be owners, officers or board members of the proposed medical marijuana establishment with respect to the compassionate use of marijuana to treat medical conditions;

(e) whether the proposed location of the proposed medical marijuana establishment would be convenient to serve the needs of persons who are authorized to engage in the medical use of marijuana;

(f) the likely impact of the proposed medical marijuana establishment on the community in which it is proposed to be located;

(g) the adequacy of the size of the proposed medical marijuana establishment to serve the needs of persons who are authorized to engage in the medical use of marijuana;

(h) whether the applicant has an integrated plan for the care, quality and safekeeping of medical marijuana from seed to sale;

(i) the amount of taxes paid to, or other beneficial financial contributions made to, the State of Nevada or its political subdivisions by the applicant or the persons who are proposed to be owners, officers or board members of the proposed medical marijuana establishment; and

(j) any other criteria of merit that the Division determines to be relevant.

A medical marijuana establishment registration certificate expires 1 year after the date of issuance and may be renewed upon resubmission of the application information and renewal fee to the NV DOT.

Adult-Use Retail Marijuana Program

The sale of marijuana for adult-use in Nevada was approved by ballot initiative on November 8, 2016 and Nevada Revised Statute 453D exempts a person who is 21 years of age or older from state or local prosecution for possession, use, consumption, purchase, transportation or cultivation of certain amounts of marijuana and requires the NV DOT to begin receiving applications for the licensing of marijuana establishments on or before January 1, 2018. The legalization of retail marijuana does not change the medical marijuana program.

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, beginning 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. Starting 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 have 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 Marijuana Enforcement Division of the NV DOT 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.

Under Nevada's adult-use marijuana law, the NV DOT 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." For the first 18 months, applications to the Department for adult-use establishment licenses can only be accepted from existing medical marijuana establishment certificate holders and existing liquor distributors for the adult-use distribution license. In November 2018, the NV DOT may open up the application process to those not holding a medical marijuana establishment certificate.

There are five types of retail marijuana establishment licenses under Nevada's retail marijuana program:

1. **Cultivation Facility** - licensed to cultivate (grow), process, and package marijuana; to have marijuana tested by a testing facility; and to sell marijuana to retail marijuana stores, to marijuana product manufacturing facilities, and to other cultivation facilities, but not to consumers.

2. **Distributor** - licensed to transport marijuana from a marijuana establishment to another marijuana establishment. For example, from a cultivation facility to a retail store.

3. **Product Manufacturing Facility** - licensed to purchase marijuana; manufacture, process, and package marijuana and marijuana products; and sell marijuana and marijuana products to other product manufacturing facilities and to retail marijuana stores, but not to consumers. Marijuana products include things like edibles, ointments, and tinctures.

4. **Testing Facility** - licensed to test marijuana and marijuana products, including for potency and contaminants.

5. **Retail Store** - licensed to purchase marijuana from cultivation facilities, marijuana and marijuana products from product manufacturing facilities, and marijuana from other retail stores; can sell marijuana and marijuana products to consumers.

Administration of the regular retail program in Nevada is governed by Nevada Revised Statutes Section 453D and the Adopted Regulation of the Nevada Department of Taxation, LCB File R092-17 (the "**Nevada Adult-Use Regulation**"). The Nevada Adult Use Regulation was adopted on February 27, 2018 and is a regulation relating to marijuana responsible for: (i) revising requirements relating to independent testing laboratories; (ii) providing for the licensing of marijuana establishments and registration of marijuana establishment agents; (iii) providing requirements concerning the operation of marijuana establishments; (iv) providing additional requirements concerning the operation of marijuana cultivation facilities, marijuana distributors, marijuana product manufacturing facilities, marijuana testing facilities and retail marijuana stores; (v) providing standards for the packaging and labeling of marijuana and marijuana products; (vi) providing requirements relating to the production of edible marijuana products and other marijuana products; (vii) providing standards for the cultivation and production of marijuana; (viii) establishing requirements relating to advertising by marijuana establishments; (ix) establishing provisions relating to the collection of excise taxes from marijuana establishments; (x) establishing provisions relating to dual licensees; and (xi) providing other matters properly relating thereto.

License and Regulations

In the state of Nevada, only cannabis that is grown or produced in the state by a licensed establishment may be sold in the state. The Nevada regulatory regime is not a vertically integrated system and only permits the holder of a retail dispensary license and registration certificate to purchase marijuana from cultivation facilities, marijuana and marijuana products from product manufacturing facilities and marijuana from other retail stores, and allows the sale of marijuana and marijuana products to consumers.

A medical cultivation license permits its holder to acquire, possess, cultivate, deliver, transfer, have tested, transport, supply or sell marijuana and related supplies to medical marijuana dispensaries, facilities for the production of edible medical marijuana products and/or medical marijuana-infused products, or other medical marijuana cultivation facilities.

The medical product manufacturing license permits its holder to acquire, possess, manufacture, deliver, transfer, transport, supply, or sell edible marijuana products or marijuana infused products to other medical marijuana production facilities or medical marijuana dispensaries.

Reporting Requirements

The state of Nevada uses a computerized track and trace system used to track commercial cannabis activity and seed-to-sale. Individual licensees whether directly or through third-party integration systems are required to push data to the state to meet all reporting requirements. See "*Compliance with Applicable State Law in the United States*".

Storage and Security

To ensure the safety and security of cannabis business premises and to maintain adequate controls against the diversion, theft, and loss of cannabis or cannabis products, Nevada state law requires the following:

(a) be an enclosed, locked facility;

(b) have a single secure entrance;

(c) train employees in security measures and controls, emergency response protocol, confidentiality requirements, safe handling of equipment, procedures for handling products, as well as the differences in strains, methods of consumption, methods of cultivation, methods of fertilization and methods for health monitoring;

(d) install security equipment to deter and prevent unauthorized entrances, which includes:

  a. devices that detect unauthorized intrusion which may include a signal system; and

  b. exterior lighting to facilitate surveillance;

(e) electronic monitoring must be in place, which includes:

  a. at least one call-up monitor that is 19 inches or more;

  b. a video printer capable of immediately producing a clear still photo from any video camera image;

  c. video cameras with a recording resolution of at least 704 x 480 which provides coverage of all entrances to and exits from limited access areas and all entrances to and exits from the building and which can identify any activity occurring in or adjacent to the building;

d. a video camera at each point-of-sale location which allows for the identification of any person who holds a valid registry identification card, including, without limitation, a designated primary caregiver, purchasing medical marijuana;

e. a video camera in each grow room which can identify any activity occurring within the grow room in low light conditions;

f. a method for storing video recordings from the video cameras for at least thirty (30) calendar days;

g. a failure notification system that provides an audible and visual notification of any failure in the electronic monitoring system;

h. sufficient battery backup for video cameras and recording equipment to support at least five (5) minutes of recording in the event of a power outage; and

i. security alarm to alert local law enforcement of unauthorized breach of security; and

(f) implement security procedures that:

a. restrict access of the establishment to only those persons/employees authorized to be there;

b. deter and prevent theft;

c. provide identification (badge) for those persons/employees authorized to be in the establishment;

d. prevent loitering;

e. require and explain electronic monitoring; and

f. require and explain the use of automatic or electronic notification to alert local law enforcement of an unauthorized breach of security.

Transportation

In Nevada, marijuana may only be transported from a licensed grow or production facility by a licensed marijuana distributor. Prior to transporting the marijuana or marijuana products, the distributor must complete a trip plan which includes: the agent name and registration number providing and receiving the marijuana; the date and start time of the trip; a description, including the amount, of the marijuana or marijuana products being transported; and the anticipated route of transportation.

During the transportation of marijuana or marijuana products, the licensed marijuana distributor agent must: (a) carry a copy of the trip plan with him or her for the duration of the trip; (b) have his or her marijuana establishment agent card in his or her immediate possession; (c) use a vehicle without any identification relating to marijuana and which is equipped with a secure lockbox or locking cargo area which must be used for the sanitary and secure transportation of marijuana, or marijuana products; (d) have a means of communicating with the marijuana establishment for which he or she is providing the transportation; and (e) ensure that all marijuana or marijuana products are not visible. After transporting marijuana or marijuana products a licensed marijuana distributor agent must enter the end time of the trip and any changes to the trip plan that was completed.

Each licensed marijuana distributor agent transporting marijuana or marijuana products must report any: (a) vehicle accident that occurs during the transportation to a person designated by the marijuana distributor to receive such reports within two (2) hours after the accident occurs; and (b) loss or theft of marijuana or marijuana products that occurs during the transportation to a person designated by the marijuana distributor to receive such reports immediately after the marijuana establishment agent becomes aware of the loss or theft. A marijuana distributor that receives a report of loss or theft pursuant to this paragraph must immediately report the loss or theft to the appropriate law enforcement agency and to the NV DOT. The distributor must report any unauthorized stop that lasts longer than two (2) hours to the NV DOT.

A marijuana distributor shall maintain the required documents and provide a copy of the documents required to the NV DOT for review upon request. Each marijuana distributor shall maintain a log of all received reports.

Employees of licensed marijuana distributors, including drivers transporting marijuana and marijuana products, must be 21 years of age or older and must obtain a valid marijuana establishment agent registration card issued by the NV DOT. If a marijuana distributor is co-located with another type of business, all employees of co-located businesses must have marijuana establishment agent registration cards unless the co-located business does not include common entrances, exits, break room, restrooms, locker rooms, loading docks, and other areas as are expedient for business and appropriate for the site as determined and approved by Department inspectors. While engaged in the transportation of marijuana and marijuana products, any person that occupies a transport vehicle when it is loaded with marijuana or marijuana products must have their physical marijuana establishment agent registration card in their possession.

All drivers must carry in the vehicle valid driver's insurance at the limits required by the State of Nevada and the NV DOT. All drivers must be bonded in an amount sufficient to cover any claim that could be brought, or disclose to all parties that their drivers are not bonded. Marijuana establishment agent registration cardholders and the licensed marijuana distributor they work for are responsible for the marijuana and marijuana product once they takes control of the product and leave the premises of the marijuana establishment.

There is no load limit on the amount or weight of marijuana and marijuana products that are being transported by a licensed marijuana distributor. Marijuana distributors are required to adhere to NV DOT regulations and those required through their insurance coverage. When transporting by vehicle, marijuana and marijuana product must be in a lockbox or locked cargo area. A trunk of a vehicle is not considered secure storage unless there is no access from within the vehicle and it is not the same key access as the vehicle. Live plants can be transported in a fully enclosed, windowless locked trailer or secured area inside the body/compartment of a locked van or truck so that they are not visible to the outside. If the value of the marijuana and marijuana products being transported by vehicle is in excess of $10,000 (the insured value per the shipping manifest), the transporting vehicle must be equipped with a car alarm with sound or have no less than two (2) of the marijuana distributor's marijuana establishment agent registration cardholders involved in the transportation. All marijuana and marijuana product must be tagged for purposes of inventory tracking with a unique identifying label as required by the NV DOT and remain tagged during transport. This unique identifying label should be similar to the stamp for cigarette distribution. All marijuana and marijuana product when transported by vehicle must be transported in sealed packages and containers and remain unopened during transport. All marijuana and marijuana product transported by vehicle should be inventoried and accounted for in the inventory tracking system. Loading and unloading of marijuana and marijuana products from the transporting vehicle must be within view of existing video surveillance systems prior to leaving the origination location. Security requirements are required for the transportation of marijuana and marijuana products.

Delivery & Online Distribution

There are specific situations in which the delivery of marijuana to customers is allowed under the NV DOT regulations. Delivery services to customers may only be carried out by retail stores that are licensed properly by the NV DOT. Deliveries can only be brought to the residential addresses of customers and only within the State of Nevada. Delivery was allowed as soon as retail marijuana sales began on July 1, 2017, although those regulations were only temporary. Drivers may not deliver more than the legal amount of marijuana, which is currently one ounce, in compliance with the existing seed-to-sale tracking system, see "*Nevada Reporting Requirements*". Marijuana or marijuana products may not be shipped via the US Postal Service or via any private courier.

Oasis Subsidiary Licenses

Oasis is licensed to operate in the City of Las Vegas as a Dual Use Marijuana Business, and in the State of Nevada as a Medical Marijuana Dispensary Establishment and a Retail Marijuana Store. City Trees Production is licensed to operate in the state of Nevada as a Medical Marijuana Production Establishment, a Retail Marijuana

Product Manufacturing facility and a Retail Marijuana Distributor. City Trees Production is licensed to operate in the state of Nevada as a Medical Marijuana Cultivation Facility and a Retail Marijuana Cultivator. The table below lists the licenses issued to the Oasis Subsidiaries in respect of the Oasis Subsidiaries' operations in Nevada (including municipal licenses). Under applicable laws, the licenses permit the Oasis Subsidiaries to cultivate, manufacture, process, package, sell, and purchase marijuana pursuant to the terms of the licenses, which are issued by the NV DOT under the provisions of Nevada Revised Statutes section 453A, 453D, their associated sections of the Nevada Administrative Code and local regulations pertaining to cannabis businesses. All provisional licenses owned by Oasis are, as of the date hereof, active with the state of Nevada. All licenses are independently issued for each approved activity for use at the Oasis Subsidiaries facilities in Nevada.

All marijuana establishments must register with the NV DOT. If applications contain all required information and after vetting by officers, establishments are issued a medical marijuana establishment registration certificate. In a local governmental jurisdiction that issues business licenses, the issuance by the NV DOT of a medical marijuana establishment registration certificate is considered provisional until the local government has issued a business license for operation and the establishment is in compliance with all applicable local governmental ordinances. Final registration certificates are valid for a period of one year and are subject to annual renewals after required fees are paid and the business remains in good standing. Renewal requests are typically communicated through email from NV DOT and include a renewal form. The renewal periods serve as an update for NV DOT on the licensee's status toward active licensure. Maintaining the licenses in good standing is critical to the success of a marijuana business in Nevada. Failure to adhere to the regulations can result in significant fines and penalties, including the suspension or revocation of the license.

The licenses are independently issued for each approved activity for use at Oasis Subsidiary facilities. The table below lists the licenses issued to the Oasis Subsidiaries in respect of their operations in Nevada (collectively, the "**Licenses**").

<u>Licenses in the State of Nevada</u>

Holding Entity	Permit/License	Location City	Expiration/Renewal Date	Description
Serenity Wellness Center LLC dba Oasis Cannabis	Dual Use Marijuana License License #: M62-00010	Las Vegas	6/30/19	City of Las Vegas Dual-Use Marijuana Business License for Medical and Recreational Dispensary
	Medical Marijuana Registration Certificate: # 02916424476864783141 ME Code: D046		6/30/19	State of NV Final Registration Certificate – Medical Marijuana Dispensary Establishment
	Retail Marijuana Store License Taxpayer ID: 1017566771-001		6/30/19	State of NV – Retail Marijuana Store License
Serenity Wellness Products LLC dba City Trees	MM08 Production – GS License #: 105437	North Las Vegas	7/31/18* *Renews every 90 days	City of North Las Vegas Marijuana Production License
	Medical Marijuana Registration Certificate: # 40297970315350477547 Code: P024		6/30/19	State of NV Final Registration Certificate – Medical Marijuana Production

Holding Entity	Permit/License	Location City	Expiration/Renewal Date	Description
				Establishment
	Retail Marijuana Product Manufacturing License Taxpayer ID: 1029305234-001		6/30/19	State of NV Retail Marijuana Product Manufacturing License
	Retail Marijuana Distributor License Taxpayer ID: 1029305234-001 Code: T073		6/30/19	State of NV Retail Marijuana Distributor License
	Inter-jurisdictional Business License #: 2017305794		N/A	City of Henderson license required to sell to dispensaries within its jurisdiction
	Medical Marijuana Production Facility OLV Marijuana Production License #: M65-00015		N/A	City of Las Vegas license required to sell to dispensaries within its jurisdiction
Serenity Wellness Growers LLC dba City Trees	MM02 Cultivation - GS License #: 105436	North Las Vegas	7/31/18* *Renews every 90 days	City of North Las Vegas Marijuana Cultivation License
	Medical Marijuana Registration Certificate: 36161311931874315998 Code: C039		6/30/19	State of NV Medical Marijuana Cultivation Facility Registration Certificate
	Retail Marijuana Cultivator License Taxpayer ID: 1029305170-001		6/30/19	State of NV Retail Marijuana Cultivator License

Nevada License and Regulations

The retail dispensary licenses permit the Oasis Subsidiaries to purchase marijuana from Nevada licensed cultivation facilities, marijuana and marijuana products from Nevada licensed product manufacturing facilities and marijuana from other Nevada licensed retail stores, and allows the sale of marijuana and marijuana products to consumers. No marijuana or marijuana infused products may be brought into Nevada from outside of Nevada. Unlicensed marijuana activities are subject to harsh criminal penalties under Nevada state law.

The medical cultivation licenses permit the Oasis Subsidiaries to acquire, possess, cultivate, deliver, transfer, have tested, transport, supply or sell marijuana and related supplies to Nevada licensed medical marijuana dispensaries, facilities for the production of edible medical marijuana products and/or medical marijuana-infused products, or other medical marijuana cultivation facilities.

The medical product manufacturing license permits the Oasis Subsidiaries to acquire, possess, manufacture, deliver, transfer, transport, supply, or sell edible marijuana products or marijuana infused products to other Nevada licensed medical marijuana production facilities or medical marijuana dispensaries.

Nevada Reporting Requirements

The state of Nevada uses METRC as the state's computerized T&T system for seed-to-sale. Individual licensees whether directly or through third-party integration systems are required to push data to the state to meet all reporting requirements. The Oasis Subsidiaries have designated an in-house computerized seed to sale software that integrate with METRC via API (GreenBits), which captures the required data points for cultivation, manufacturing and retail as required in Nevada Revised Statutes section 453A.

Massachusetts Summary

Massachusetts became the eighteenth state to legalize medical marijuana when voters passed a ballot in 2012. Adult use (recreational) marijuana is legal in Massachusetts as of December 15, 2016, following a ballot initiative in November of that year. The Department of Public Health (the "**DPH**") is the regulatory body that oversees the medical marijuana program, including all cultivation, processing and dispensary facilities. The Cannabis Control Commission, a regulatory body created in 2018, oversees the recreational program, including licensing of adult use cultivation, processing and dispensary facilities.

The Medical Use of Marijuana Program of Massachusetts was established following the ballot question three in the 2012 general election. Subsequently, voters legalized adult-use marijuana access on election night 2016. Being one of only a few adult-use states on the East Coast and with the sale of all product forms allowed, Massachusetts is widely considered to be one of the biggest legal marijuana markets. As of April 2018, there were approximately 35 wholesale operating facilities licensed for business and 120 retail dispensaries licensed for consumer sales. State applications for adult-use sales commenced on April 17, 2018 and recreational sales are expected to begin in winter of 2018.

In addition to the foregoing description, the applicable regulations in the State of Massachusetts are summarized below.

Registration and Certification

The DPH grants cannabis cultivation, processing and dispensary licenses. To obtain a license to cultivate, process and/or dispense cannabis, each applicant must file an application detailing the applicant's business structure, management profile, operations profile, capitalization, architectural plans and the proposed location of business operations.

Inspections

A license holder must be available for inspection by the DPH upon request. A license holder must maintain written records for a period of at least two (2) years regarding operating procedures, inventory, seed-to-sale tracking, personnel, financials and waste disposal.

Security Requirements

A license holder must implement sufficient security measures to deter and prevent unauthorized entrance into areas containing cannabis and theft of cannabis. A license holder is required to use and maintain security alarms, locks, surveillance equipment, safes, a lit outside perimeter and additional safeguards as required by the DPH if the DPH determines that additional safeguards are necessary. A license holder's written operating procedures must contain a policy requiring the immediate dismissal of any employee that diverts cannabis or engages in unsafe practices.

Operations

A license holder must maintain a set of detailed written operating procedures regarding security measures, employee security policies, hours of operations, pricing, inventory storage, record keeping procedures, quality control, staffing plan and records, emergency procedures, employee termination procedures, a list of board members and executives, and cash handling procedures. Each license holder must maintain minimum liability insurance coverage. A license holder's employees are required to complete training prior to performing job functions. Furthermore, a license holder is required to abide by packaging and labeling requirements and edible cannabis products cannot bear a reasonable resemblance to any product available for consumption as a commercially available candy. Certain license holders are required to provide educational materials about cannabis to customers.

Record Keeping and Inventory Tracking

Massachusetts requires license holders to maintain written records for a period of at least two (2) years regarding operating procedures, inventory, seed-to-sale tracking, personnel, financials and waste disposal. Each license holder is required to track cannabis inventory from seed-to-sale, including by tagging all cannabis inventory. A license holder is required to conduct a monthly inventory of cannabis inventory.

As of October 31, 2018, Massachusetts had 42 retail dispensaries open for sales to over 56,000 registered and active patients across the state. In the 2018 fiscal year, approximately 141,329 ounces of medical marijuana were dispensed across the state.[1]

Andrew E. Lelling is the U.S. Attorney for the District of Massachusetts. On January 24, 2018, Mr. Lelling issued the following statements: “Marijuana cultivation and trafficking is unambiguously illegal under federal law.” “That said, the number one enforcement priority from my office is the opioid crisis.” “Twenty-one hundred people in Massachusetts were killed by opioid overdoses, not marijuana overdoses.” “The number one drug enforcement priority for us is not marijuana, it’s opioids.” “Historically, the marijuana cases that we have pursued have almost always been bulk importation of marijuana from Canada or from Mexico accompanied by money laundering.”

IGH’s Licenses

Registered Marijuana Dispensaries (“**RMDs**”) are “vertically-integrated,” which means RMDs grow, process, and dispense their own marijuana. Under certain conditions, RMDs are able to acquire up to 45% of their annual inventory of product from other RMDs.[2] An RMD must have a retail facility, as well as cultivation and processing operations. Some RMDs elect to do cultivation, processing and retail operations all in one location, which is commonly referred to as a “colocated” operation. An RMD may also choose to have a retail dispensary in one location and grow marijuana at a remote cultivation location. It may conduct the processing of the marijuana at either the retail dispensary location or the remote cultivation location. The remote cultivation location need not be in the same municipality or even the same county as the retail dispensary.

Massachusetts uses the MMJ Online system through the Virtual Gateway portal as the state’s computerized T&T system for seed-to-sale. Individual licensees whether directly or through third-party integration systems are required to push data to the state to meet all reporting requirements.

The licenses are independently issued for each approved activity for use at IGH’s facility in Massachusetts. Please see the table below for a list of the licenses issued to IGH in Massachusetts.

Licenses in the State of Massachusetts

Holding Entity	Permit/License	Location City	Expiration/Renewal Date	Description
In Good Health, Inc. (1)	Certificate: 7, Colocated	Brockton, MA	Approved to sell on Sept. 3, 2015.	Registered Marijuana Dispensary

Notes:

(1) Please see the current status of all RMD and applicants through October 26, 2018, available at https://www.mass.gov/files/documents/2018/10/31/current-rmd-status.pdf

[1] The Medical Use of Marijuana Program. (2018 October 31). Massachusetts Medical Use of Marijuana Program: External Dashboard. Retrieved from https://www.mass.gov/lists/medical-use-of-marijuana-program-monthly-dashboards.

[2] 105 CMR 725.105(B)(2)(b)

Compliance with Applicable State Law in the United States

The Company, via the Oasis Subsidiaries, is classified as having a "direct" involvement in the U.S. marijuana industry and is in compliance with applicable licensing requirements and the regulatory framework enacted by the state of Nevada. Neither the Company nor the Oasis Subsidiaries are subject to any citations or notices of violation with applicable licensing requirements and the regulatory framework enacted by the State of Nevada which may have an impact on its licenses, business activities or operations.

In Nevada, the Company has in place a detailed compliance program overseen and maintained by external state and local regulatory/compliance counsel, Connor & Connor PLLC. The Company's internal compliance team (consisting of managers for each respective business unit) implements the compliance program.

The Company's internal compliance team oversees training for all employees, including on the following topics:

- compliance with state and local laws
- safe cannabis use
- dispensing procedures
- security and safety policies and procedures
- inventory control
- quality control
- transportation procedures

The Company's compliance program emphasizes security and inventory control to ensure strict monitoring of cannabis and inventory from delivery by a licensed distributor to sale or disposal. Only authorized, properly trained employees are allowed to access the Company's computerized seed-to-sale system.

The Company's internal compliance team, together with external state and local regulatory/compliance counsel, Connor & Connor PLLC, monitors all compliance notifications from the regulators and inspectors in each market, timely resolving any issues identified. The Company keeps records of all compliance notifications received from the state regulators or inspectors and how and when the issue was resolved.

Further, the Company has created comprehensive standard operating procedures that include detailed descriptions and instructions for receiving shipments of inventory, inventory tracking, recordkeeping and record retention practices related to inventory, as well as procedures for performing inventory reconciliation and ensuring the accuracy of inventory tracking and recordkeeping. The Company maintains accurate records of its inventory at all licensed facilities. Adherence to the Company's standard operating procedures is mandatory and ensures that the Company's operations are compliant with the rules set forth by the applicable state and local laws, regulations, ordinances, licenses and other requirements. The Company ensures adherence to standard operating procedures by regularly conducting internal inspections and ensures that any issues identified are resolved quickly and thoroughly.

In carrying out home deliveries, Oasis follows all local and state laws and regulations pertaining to delivery of marijuana to customers. The dispatch agent verifies the delivery address is a residence within Nevada before allowing the order to go out. The delivery agents use applications on their phones that share their location and notify the store when a delivery has been made.

By virtue of the IGH Transaction, the Company has "indirect" involvement in the U.S. marijuana industry in Massachusetts. The Company is not aware of any non-compliance of IGH with applicable licensing requirements and the regulatory framework enacted by the state of Massachusetts. Neither the Company nor IGH are subject to any citations or notices of violation with applicable licensing requirements and the regulatory framework enacted by the State of Massachusetts which may have an impact on its licenses, business activities or operations.

In January 2018, former United States Attorney General, Jeff Sessions rescinded the Cole Memorandum and thereby created a vacuum of guidance for enforcement agencies and the Department of Justice.[1] As an industry best practice, despite the recent rescission of the Cole Memorandum, the Company continues to do the following to ensure compliance with the guidance provided by the Cole Memorandum:

- Ensure the operations of its subsidiaries are compliant with all licensing requirements that are set forth with regards to cannabis operation by the applicable state, county, municipality, town, township, borough, and other political/administrative divisions. To this end, the Company retains appropriately experienced legal counsel to conduct the necessary due diligence to ensure compliance of such operations with all applicable regulations;

- the Company only works through licensed operators, which must pass a range of requirements, adhere to strict business practice standards and be subjected to strict regulatory oversight whereby sufficient checks and balances ensure that no revenue is distributed to criminal enterprises, gangs and cartels; and

- the Company conducts reviews of products and product packaging to ensure that the products comply with applicable regulations and contain necessary disclaimers about the contents of the products to prevent adverse public health consequences from cannabis use and prevent impaired driving.

The Company, together with external state and local regulatory/compliance counsel, Connor & Connor PLLC, will continue to monitor compliance on an ongoing basis in accordance with its compliance program and standard operating procedures. Connor & Connor PLLC has provided and continues to provide legal advice to the Company regarding (a) compliance with applicable state regulatory frameworks and (b) potential exposure and implications arising from U.S. federal law. Connor & Connor PLLC provides such advice on an ongoing basis but has not provided the Company with a formal legal opinion on such matters.

In Massachusetts, the Company has received and continues to receive legal advice regarding (a) compliance with applicable state regulatory frameworks and (b) potential exposure and implications arising from U.S. federal law. The Company receives such advice on an ongoing basis but does not have a formal legal opinion on such matters.

While the Company's operations are in full compliance with all applicable state laws, regulations and licensing requirements, such activities remain illegal under United States federal law. For the reasons described above and the risks further described in the "*Risk Factors*" section below, there are significant risks associated with the business of the Company. Readers are strongly encouraged to carefully read all of the risk factors contained in the "*Risk Factors*" section below.

USE OF PROCEEDS

The net proceeds to the Company from the sale of the Special Warrants, after deducting CAD$1,049,029, being the aggregate Agent's Fee and CAD$300,000, being the expenses of the Offering, was CAD$12,288,830. The Company will not receive any additional proceeds from the deemed exercise of the Special Warrants. As at the date hereof, the current cash balance of the Company is approximately $5,860,951 and the Company has no cash equivalents.

The net proceeds from the Offering were used, or will be used, as applicable, as follows:

Use of Proceeds	Allocated Funds($)
Acquisition of Alternative Solutions	CAD$8,260,260[(1)]
General Working Capital	CAD$4,028,570
Total:	CAD$12,288,830

Notes:

[1] U.S. Dept. of Justice. (2013). *Memorandum for all United States Attorneys re: Guidance Regarding Marijuana Enforcement.* Washington, DC: US Government Printing Office. Retrieved from https://www.justice.gov/iso/opa/resources/3052013829132756857467.pdf.

(1) The cash portion of the Closing Consideration for the Acquisition was $6,200,000. On June 27, 2018, the funds held in escrow from the Special Warrant Offering were converted from CAD to USD at a rate of CAD$1.00 for USD$1.33230 and applied to the cash portion of the Closing Consideration.

The Company had negative cash flow from operating activities for the year ended May 31, 2018 and a portion of the net proceeds from the Offering, specifically proceeds used for "General Working Capital", were used to fund such negative cash flow. The Company also had negative cash flow from operations for the three months ended August 31, 2018. The Company is of the view that the negative cash flow from operations for the three months ended August 31, 2018 is not representative of future operational cash needs and the Company is confident that it will be able to meet its future liquidity needs based on the resources available. A number of the expenses for the three months ended August 31, 2018 were non-recurring expenses such as warrant compensation, agent fees and commission for financing activities and professional fees related to obtaining a public listing in Canada. Furthermore, Oasis has demonstrated improved financial performance due to a new marketing campaign, improved supply contracts for flower and oil distillate and improved average monthly sales and management expects this performance to continue. See the "*Risk Factors*" section.

DIVIDEND POLICY

The Company has not declared dividends on its Common Shares for each of the three most recently completed financial years nor in its current financial year. The Company does not have any restrictions that could prevent it from paying dividends. The Company does not intend to pay dividends on its Common Shares in the foreseeable future. Any future determination to pay dividends will be at the discretion of the Board of Directors and will depend on the financial condition, business environment, operating results, capital requirements, any contractual restrictions on the payment of dividends and any other factors that the Board of Directors deems relevant.

MANAGEMENT'S DISCUSSION AND ANALYSIS

*The management's discussion and analysis of financial condition of the Company as at and for the years ended May 31, 2018, May 31, 2017 and May 31, 2016 and for the interim period ended August 31, 2018 (the "**MD&A**") are attached hereto as Schedule "B" to this Prospectus and should be read in conjunction the Consolidated Financial Statements of the Company included in this Prospectus. The MD&A is presented as of the date of this Prospectus and is current to that date unless otherwise stated. The financial information presented in the MD&A is derived from the Consolidated Financial Statements of the Company. The MD&A contains forward-looking statements that involve risks, uncertainties and assumptions, including statements regarding anticipated developments in future financial periods and our plans and objectives. There can be no assurance that such information will prove to be accurate, and readers are cautioned not to place undue reliance on such forward-looking statements. See "Forward-Looking Statements" and "Risk Factors" in this Prospectus.*

*The management's discussion and analysis of financial condition of Alternative Solutions as at and for the years ended December 31, 2017 and December 31, 2016 and as at and for the three and six month periods ended June 30, 2018 (the "**Alternative Solutions MD&A**") are attached hereto as Schedule "D" and should be read in conjunction the Consolidated Financial Statements of Alternative Solutions included in this Prospectus. The Alternative Solutions MD&A is presented as of the date of this Prospectus and is current to that date unless otherwise stated. The financial information presented in the Alternative Solutions MD&A is derived from the Consolidated Financial Statements of Alternative Solutions. The Alternative Solutions MD&A contains forward-looking statements that involve risks, uncertainties and assumptions, including statements regarding anticipated developments in future financial periods and our plans and objectives. There can be no assurance that such information will prove to be accurate, and readers are cautioned not to place undue reliance on such forward-looking statements. See "Forward-Looking Statements" and "Risk Factors" in this Prospectus.*

Unless otherwise stated all dollar amounts in the MD&A and Alternative Solutions MD&A are in United States dollars (other than per share amounts and operating statistics).

DESCRIPTION OF SECURITIES BEING DISTRIBUTED

Authorized Share Capital

The authorized capital of the Company consists of 250,000,000 Common Shares and 20,000,000 shares of preferred stock issuable in series, which may contain the rights, privileges and restrictions as determined by the Board. As at November 30, 2018, there were a total of 90,132,170 Common Shares issued and no preferred shares issued and outstanding.

Special Warrants

The Special Warrants were issued pursuant to and are governed by the Special Warrant Indenture. The following summary of certain provisions of the Special Warrant Indenture does not purport to be complete and is qualified in its entirety by reference to the provisions of the Special Warrant Indenture, a copy of which is available on the Company's EDGAR profile at www.sec.gov or which may be obtained on request without charge from the Company at 11767 South Dixie Highway, Suite 115, Miami, Florida, 33156.

Each Special Warrant will automatically be exercised into one Unit on behalf of, and without any further action or payment required on the part of, the holder thereof at 5:00 (Toronto time) on the Deemed Exercise Date (the "**Deemed Exercise Time**"), being the earlier of: (i) the fifth business day after the date a Receipt is issued for a final prospectus qualifying the distribution of the Unit Shares and the Warrants issuable upon exercise of the Special Warrants by the securities regulatory authorities in each of the Qualifying Jurisdictions; or (ii) November 30, 2018. Effective as of October 26, 2018, written consent of over 66.6% of Special Warrant holders was obtained by the Company to extend the outside date of conversion to November 30, 2018, constituting an "Extraordinary Resolution" under the Special Warrant Indenture. The Company has agreed with the Agent to continue to use its commercially reasonable best efforts to obtain the Receipt.

The Special Warrant Indenture provides for adjustment in the number of Units issuable upon the deemed exercise of the Special Warrants upon the occurrence of certain events prior to the Deemed Exercise Time, including: (i) the subdivision, re-division or change of the outstanding Common Shares into a greater number of Common Shares; (ii) the reduction, combination or consolidation of the outstanding Common Shares into a lesser number of Common Shares; (iii) the issuance of Common Shares or securities exchangeable for or convertible into Common Shares to all or substantially all of the holders of the Common Shares as a stock dividend; (iv) the fixing of a record date for the distribution to all or substantially all of the holders of the outstanding Common Shares of rights, options or warrants under which such holders are entitled, for a period expiring not more than 45 days after such record date, to subscribe for or acquire Common Shares (or securities exchangeable for or convertible into Common Shares) at a price per share to the holder (or at an exchange or conversion price per share) of less than 95% of the Current Market Price (as such term is defined in the Special Warrant Indenture) for the Common Shares on such record date; and (v) the fixing of a record date for the issuance or distribution to all or substantially all of the holders of the Common Shares of (a) securities of the Company including rights, options or warrants to acquire shares of any class or securities exchangeable for or convertible into or exchangeable into any such shares or property or assets and including evidence of its indebtedness; or (b) any property or other assets.

The Special Warrant Indenture also provides for adjustments in the number of Units issuable upon the deemed exercise of the Special Warrants prior to the Deemed Exercise Time, in the event of the following additional events: (i) a reclassification of the Common Shares, a change in the Common Shares into other shares or securities, or a capital reorganization of the Company other than as described in the foregoing, including for certainty a liquidation, dissolution or winding up of the Company, a consolidation, amalgamation, arrangement or merger of the Company with or into any other body corporate, trust, partnership or other entity; or (ii) a transfer, sale or conveyance of the property and assets of the Company as an entirety or substantially as an entirety to any other body corporate, trust, partnership or other entity.

Notwithstanding the foregoing, no adjustment shall be made in the acquisition rights attached to the Special Warrants if the issue of Common Shares is being made pursuant to or in connection with: (i) any stock option plan, share incentive plan or restricted share plan or share purchase plan in force from time to time for directors, officers, employees, consultants or other service providers of the Company, which plan has been approved by the Board of Directors of the Company; or (ii) the exchange, retraction or redemption or satisfaction of existing securities and instruments issued at the Closing Date of the Offering.

The Company has agreed that so long as any Special Warrants remain outstanding it will give not less than 14 calendar days' prior written notice in the manner provided for in the Special Warrant Indenture to the Special Warrant Agent, each holder of Special Warrants and to the Agent of any event which requires an adjustment pursuant to the Special Warrant Indenture. Such notice is to contain the particulars of such event in reasonable detail and, if determinable, the required adjustment. The Company has further agreed that it shall promptly, as soon as the adjustment calculations are reasonably determinable, file a certificate of the Company with the Special Warrant Agent, on which the Special Warrant Agent may act and rely, showing how such adjustment are to be computed and give notice to the holders of Special Warrants and the Agent of such adjustment computation.

No fractional Unit will be issuable upon the deemed exercise of any Special Warrants, and no cash or other consideration will be paid in lieu of fractional shares. Holders of Special Warrants do not have any voting or pre-emptive rights or any other rights that a holder of Common Shares would have.

From time to time, the Company and the Special Warrant Agent may amend or supplement the Special Warrant Indenture for certain purposes, including curing defects or inconsistencies or making any change that does not adversely affect the rights of any holder of Special Warrants. Any amendment or supplement to the Special Warrant Indenture that adversely affects the interests of the holders of the Special Warrants may only be made by "extraordinary resolution", which is defined in the Special Warrant Indenture as a resolution proposed to be passed as an extraordinary resolution at a meeting duly convened for that purpose and held in accordance with the provisions of the Special Warrant Indenture, and carried by not less than 66 2/3% of the votes cast on such resolution. A quorum for such meeting shall consist of two or more persons present in person and owning or representing by proxy not less than 25% of the aggregate number of the then outstanding Special Warrants.

Common Shares

Holders of Common Shares are entitled to receive notice of any meetings of shareholders of the Company and to attend and to cast one vote per Common Share at all such meetings. Holders of Common Shares do not have cumulative voting rights with respect to the election of directors and, accordingly, holders of a majority of the Common Shares entitled to vote in any election of directors may elect all directors standing for election. Holders of Common Shares are entitled to receive on a pro rata basis such dividends, if any, as and when declared by the Board of Directors of the Company at its discretion from funds legally available therefor and upon the liquidation, dissolution or winding up of the Company are entitled to receive on a pro rata basis the net assets of the Company after payment of debts and other liabilities, in each case subject to the rights, privileges, restrictions and conditions attaching to any other series or class of shares ranking senior in priority to or on a pro rata basis with the holders of Common Shares with respect to dividends or liquidation. The Common Shares do not carry any pre-emptive, subscription, redemption or conversion rights, nor do they contain any sinking or purchase fund provisions. The common stock is not convertible or redeemable and has no preemptive, subscription or conversion rights. There are no conversions, redemption, sinking fund or similar provisions regarding the Common Shares.

Warrants

The Warrants will be issued pursuant to the terms of the Warrant Indenture. The following summary of certain provisions of the Warrant Indenture does not purport to be complete and is subject in its entirety to the detailed provisions of the Warrant Indenture, a copy of which is available on the Company's EDGAR profile at www.sec.gov or may be obtained on request without charge from the Company at 11767 South Dixie Highway, Suite 115, Miami, Florida, 33156. A register of holders of Warrants will be maintained at the principal offices of the Warrant Agent in Calgary, Alberta.

Each whole Warrant will entitle the holder to purchase one Warrant Share at a price of CAD$0.65 per Warrant Share, subject to adjustment in certain circumstances, by no later than 5:00 p.m. (Toronto time) on the date that is 36 months from the Listing Date, after which time the Warrants will expire and become null and void.

The Warrant Indenture provides for adjustment in the number of Warrant Shares issuable upon the exercise of the Warrants and/or the exercise price per Common Share upon the occurrence of certain events, including: (i) the subdivision, re-division or change of the outstanding Common Shares into a greater number of Common Shares; (ii) the reduction, combination or consolidation of the outstanding Common Shares into a lesser number of Common Shares; (iii) the issuance of Common Shares or securities exchangeable for or convertible into Common Shares to all or substantially all of the holders of the Common Shares as a stock dividend or other distribution (other than upon exercise of Warrants); (iv) the fixing of a record date for the distribution to all or substantially all of the holders of the outstanding Common Shares of rights, options or warrants under which such holders are entitled, for a period expiring not more than 45 days after such record date, to subscribe for or purchase Common Shares, or securities exchangeable for or convertible into Common Shares, at a price per share to the holder (or at an exchange or conversion price per share) of less than 95% of the Current Market Price (as such term is defined in the Warrant Indenture), for the Common Shares on such record date; and (v) the fixing of a record date for the issuance or distribution to all or substantially all of the holders of the Common Shares of: (a) securities of any class, whether of the Company or any other trust (other than Common Shares), (b) rights, options or warrants to subscribe for or purchase Common Shares (or other securities convertible into or exchangeable for Common Shares), (c) evidences of its indebtedness, or (iv) any property or other assets.

The Warrant Indenture also provides for adjustments in the class and/or number of securities issuable upon exercise of the Warrants and/or exercise price per security in the event of the following additional events: (i) reclassifications of the Common Shares or a capital reorganization other than as described above; (ii) consolidations, amalgamations, arrangements, or mergers of the Company with or into another entity; or (iii) the sale or conveyance of the property or assets of the Company as an entirety or substantially as on entirety to any other entity.

Notwithstanding the foregoing, no adjustment shall be made in the acquisition rights attached to the Warrants if the issue of Common Shares is being made pursuant to the Warrant Indenture or in connection with: (i) any share incentive plan or restricted share plan or share purchase plan in force from time to time for directors, officers, employees, consultants or other service providers of the Company; or (ii) the satisfaction of existing instruments issued at the Closing Date.

The Company has agreed that, so long as any Warrant remains outstanding, it will give notice to the Warrant Agent and to the holders of Warrants of its intention to fix a record date that is prior to the expiry date of the Warrants for any matter for which an adjustment may be required pursuant to the Warrant Indenture. Such notice is to specify the particulars of such event and the record date for such event, provided that the Company shall only be required to specify in the notice such particulars of the event as shall have been fixed and determined on the date on which the notice is given. The Company will use its reasonable commercial efforts to give notice not less than 14 days prior to such applicable record date. If notice has been given and the adjustment is not then determinable, the Company shall promptly, after the adjustment is determinable, file with the Warrant Agent a computation of the adjustment and give notice to the holders of Warrants of such adjustment computation.

No fractional Warrant Shares will be issuable upon the exercise of any Warrants, and no cash or other consideration will be paid in lieu of fractional shares. Holders of Warrants will not have any voting or pre-emptive rights or any other rights that a holder of Common Shares would have.

From time to time, the Company and the Warrant Agent may amend or supplement the Warrant Indenture for certain purposes, including curing defects or inconsistencies or making any change that does not adversely affect the rights of any holder of Warrants. Any amendment or supplement to the Warrant Indenture that adversely affects the interests of the holders of the Warrants may only be made by “extraordinary resolution”, which is defined in the Warrant Indenture as a resolution proposed at a meeting of holders of Warrants duly convened for that purpose and held in accordance with the provisions of the Warrant Indenture at which there are present in person or by proxy holders of Warrants holding at least 10% of the aggregate number of all then outstanding Warrants and passed by the affirmative votes of holders of Warrants holding not less than 66 2/3% of the aggregate number of all then outstanding Warrants represented at the meeting and voted on the poll upon such resolution. A quorum for such meeting shall consist of holders of Warrants present in person or by proxy and holding at least 10% of the aggregate number of all the then outstanding Warrants.

Contractual Right of Rescission

The Company has granted each holder of a Special Warrant a contractual right of rescission of the Offering prospectus-exempt transaction under which the Special Warrant was initially acquired. The contractual right of rescission provides that if a holder of a Special Warrant who acquires another security of the Company on exercise of the Special Warrant as provided for in the Prospectus is, or becomes, entitled under the securities legislation of a jurisdiction to the remedy of rescission because of the Prospectus or an amendment to the Prospectus containing a misrepresentation, (a) the holder is entitled to rescission of both the holder’s exercise of its Special Warrant and the

Offering; (b) the holder is entitled in connection with the rescission to a full refund of all consideration paid to the underwriter or issuer, as the case may be, on the acquisition of the Special Warrant; and (c) if the holder is a permitted assignee of the interest of the original Special Warrant subscriber, the holder is entitled to exercise the rights of rescission and refund as if the holder was the original subscriber.

CONSOLIDATED CAPITALIZATION

The following table summarizes the Company's cash, cash equivalents and short-term investments and capitalization since August 31, 2018 (the Company's year-end), adjusted to give effect to the first closings of the Convertible Debenture Offering, the deemed exercise of Special Warrants, and the advance of the IGH Loan:

Description	As at August 31, 2018	Adjusted to give effect to the deemed exercise of the Special Warrants	Adjusted to give effect to the deemed exercise of the Special Warrants and the first closings of the Convertible Debenture Offering	Adjusted to give effect to the Offering and the deemed exercise of the Special Warrants, the first closings of the Convertible Debenture Offering and the advance of the IGH Loan
Cash and cash equivalents	5,953,925	5,953,925	11,853,925	6,853,925
Debt (including current Maturities) Convertible Debentures	5,957,447	5,957,447	5,957,447	5,957,447
Notes				
Warrant liability				
Total Liabilities	6,312,182	6,312,182	6,312,182	6,312,182
Total Equity	28,885,788	28,885,788	34,785,788	34,785,788
Total Capitalization	35,197,970	35,197,970	41,097,970	41,097,970

OPTIONS TO PURCHASE COMMON SHARES

The Company has not granted any options to any employees, directors or consultants. The Company has granted restricted shares to certain executive officers as part of their respective employment agreements. Upon vesting, the restricted shares become unrestricted Common Shares. The following table summarizes the restricted shares held by the following groups of individuals along with the material provisions of each type of security:

Holder of Options	Number of Optionees	Number of Restricted Shares	Exercise Price	Vesting Date
Executive Officers and Former Executive Officers(1)	2 1	550,000(2) 25,000(2)	N/A N/A	June 30, 2019 December 1, 2018
Directors (other than those who are also executive officers) and Former Directors(3)	1	700,000(4)	N/A	July 24, 2018
Current and Former employees(5)	Nil	Nil	Nil	Nil
Consultants	Nil	Nil	Nil	Nil

Holder of Options	Number of Optionees	Number of Restricted Shares	Exercise Price	Vesting Date
All other persons or companies	1	250,000[(6)]	Nil	November 15, 2017
Total	4	1,525,000	N/A	N/A

Notes:

(1) Includes executive officers and former executive officers of all subsidiaries of the Company.
(2) Issued to Messrs. Tarantino, Sillitoe and Decatur as one-time signing bonuses.
(3) Includes directors (other than those who are also executive officers) and former directors of all subsidiaries of the Company.
(4) Issued to Star Associates, LLC, a limited liability company owned by Andrew Glashow, in recognition of Mr. Glashow's efforts as a board member in successfully assisting the Company with the Acquisition and the Special Warrant Financing.
(5) Includes employees and former employees of all subsidiaries of the Company.
(6) Restricted Common Shares issued as a commitment fee to enter into a purchase agreement and prepare all of the related transaction documents.

PRIOR SALES

Common Shares

The following table summarizes the sales of Common Shares of the Company for the twelve (12) month period prior to the date of this Prospectus:

Date of Issuance	Description of Security	Price per Security	Number of Securities
November 15, 2017	Common Shares	N/A[(1)]	250,000
February 7, 2018	Common Shares	$0.27[(2)]	3,480,000
February 21, 2018	Common Shares	$0.27[(3)]	320,000
February 28, 2018	Common Shares	$0.27[(3)]	260,000
March 2, 2018	Common Shares	N/A[(4)]	117,000
March 12, 2018	Common Shares	$0.3125[(5)]	5,179,028
March 30, 2018	Common Shares	$0.27[(3)]	1,413,000
June 27, 2018	Common Shares	$1.00[(6)]	6,000,000
July 1, 2018	Common Shares	N/A[(7)]	575,000
July 24, 2018	Common Shares	N/A[(8)]	700,000
August 5, 2018	Common Shares	N/A[(9)]	600,000
August 6, 2018	Common Shares	$0.40[(10)]	7,500,000
August 8-10, 2018	Common Shares	$0.40[(10)]	6,875,000

Notes:

(1) Common Shares issued as a commitment fee to enter into a purchase agreement and prepare all of the related transaction documents.
(2) On February 7, 2018, the Company received gross proceeds of $1,087,500 from a private offering of securities (the "**WestPark Offering**") of 800,000 units at a price of $1.25 per unit. Each unit consisted of four Common Shares and one warrant to purchase one Common Share at $0.75 per Common Share.
(3) Issued as part of the WestPark Offering.
(4) Issued to Starcity Capital, LLC to assist in its investor relations for a period of three months.
(5) Issued on conversion of certain convertible notes by Jeffrey Binder, Frank Koretsky and Newcan.
(6) Issued as partial consideration for the Acquisition.
(7) Issued to Messrs. Tarantino, Sillitoe and Decatur as one-time signing bonuses.
(8) Issued to Star Associates, LLC, a limited liability company owned by Andrew Glashow, in recognition of Mr. Glashow's efforts as a board member in successfully assisting the Company with the Acquisition and the Special Warrant Financing.
(9) Mr. Lamadrid received 600,000 Common Shares in satisfaction of all other obligations the Company had to issue him equity (restricted or otherwise), which included its obligation to issue restricted shares to him in connection with his employment.
(10) Issued in connection with the Navy Capital financing.

Warrants

The following table summarizes the sales of Warrants of the Company for the twelve (12) month period prior to the date of this Prospectus:

Date of Issuance	Description of Security	Price per Security	Number of Securities
November 15, 2017	Warrants	$0.75	350,000
February 7, 2018	Warrants	$0.75	870,000(1)
February 9, 2018	Warrants	$0.75	400,000
February 16, 2018	Warrants	$0.75	40,000
February 21, 2018	Warrants	$0.75	80,000(1)
February 26, 2018	Warrants	$0.75	25,000
February 28, 2018	Warrants	$0.75	65,000(1)
February 28, 2018	Warrants	$1.25	152,250(2)
March 2, 2018	Warrants	$0.75	412,500
March 30, 2018	Warrants	$0.75	353,250(1)
March 30, 2018	Warrants	$1.25	205,238(2)
May 9, 2018	Warrants	$0.75	25,000
May 14, 2018	Warrants	$0.60	1,875,000
June 20, 2018	Warrants	$0.60	1,250,000
August 6, 2018	Warrants	$0.60(3)	7,500,000
August 8-10, 2018	Warrants	$0.60(3)	6,875,000

Notes:

(1) Issued as part of the WestPark Offering.
(2) Five-year warrant issued to WestPark Capital, Inc. to purchase units of the Company on the same terms as those offered in the WestPark Offering. Each unit consists of four Common Shares and one warrant to purchase a Common Share for $0.75 per Common Share.
(3) Issued in connection with the Navy Capital financing.

Special Warrants

The following table summarizes the sales of Special Warrants of the Company for the twelve (12) month period prior to the date of this Prospectus:

Date of Issuance	Description of Security	Price per Security	Number of Securities
June 20, 2018	Special Warrants	CAD$0.45(1)	28,973,019
June 20, 2018	Corporate Finance Fee Special Warrants	CAD$0.45(1)	1,448,651

Notes:

(1) Issued as part of the Offering.

Broker Warrants

The following table summarizes the sales of Broker Warrants of the Company for the twelve (12) month period prior to the date of this Prospectus:

Date of Issuance	Description of Security	Price per Security	Number of Securities
June 20, 2018	Broker Warrants	CAD0.45(1)	2,317,842

Notes:

(1) Issued as part of the Offering. Certain Broker Warrants, equal to 1.69% of the total base offering on an as-if-converted basis (or 565,539 Broker Warrants) remain unqualified by, and are removed from, the Prospectus. For greater certainty, the Prospectus will

qualify the distribution of only 1,752,303 Broker Warrants (as opposed to 2,317,842 Broker Warrants) issued to the Agent upon closing of the Offering.

Convertible Debt

The following table summarizes the sales of debt securities of the Company that are convertible into Common Shares for the twelve (12) month period prior to the date of this Prospectus:

Date of Issuance	Description of Security	Price per Security	Principal Amount
November 15, 2017	5% Senior Convertible Promissory Note	$0.3125	$330,000
January 5, 2018	10% Convertible Note(1)	$0.3125	$280,360
February 5, 2018	8% Convertible Promissory Note	$0.3125	$550,000
February 12, 2018	8% Convertible Promissory Note	$0.3125	$55,000
February 20, 2018	8% Convertible Promissory Note	$0.3125	$31,250
April 6, 2018	10% Convertible Note(2)	$0.3125	$37,500
May 14, 2018	8% Convertible Debenture(3)	$0.27	$750,000
June 20, 2018	8% Convertible Debenture(3)	$0.27	$500,000
August 6, 2018	10% Convertible Note(4)	$0.40	$75,000
October 25-November 2	Convertible Debentures(5)	$0.80	$5,857,000

Notes:

(1) Convertible notes issued to Mr. Binder and Mr. Koretsky for outstanding debts owed by the Company. These were converted to Common Shares on March 12, 2018.
(2) Binder Convertible Note. See "*Director Indebtedness*".
(3) This convertible debenture was convertible at $0.40 per share. As a result of the anti-dilution language in the convertible debenture and Offering and the Acquisition, the conversion price was reduced to $0.27 per share.
(4) Newcan Convertible Note. See "*Director Indebtedness*".
(5) Issued as part of the Convertible Debenture Offering.

Trading Price and Volume

The shares of the Company are currently listed on the OTCQB under the trading symbol "CLSH" and commenced trading on the OTCQB on September 12, 2006. The following table sets forth the reported high and low prices and the trading volume for the shares for each month for the twelve (12) month period prior to the date of this Prospectus:

Date	High (US$)	Low (US$)	Volume
October 2018	1.09	0.91	2,083,608
September 2018	1.20	0.82	3,195,716
August 2018	1.35	0.65	3,934,654
July 2018	0.80	0.65	1,355,669
June 2018	0.75	0.53	408,489
May 2018	0.72	0.54	305,998
April 2018	0.75	0.46	242,799
March 2018	0.79	0.55	222,135
February 2018	0.86	0.40	432,398
January 2018	0.94	0.55	954,991
December 2017	0.94	0.41	1,281,570
November 2017	0.42	0.31	205,899

Date	High (US$)	Low (US$)	Volume
October 2017	0.39	0.30	151,224

PRINCIPAL SHAREHOLDERS

To the knowledge of the directors and officers of the Company, as of the date of this Prospectus no person beneficially owns or exercises control or direction over Common Shares carrying more than 10% of the votes attached to Common Shares except for the shareholders listed in the table below.

None of the shares listed below are held under a voting trust or similar agreement. There are no pending arrangements, including any pledges by any person of securities of the Company, the operation of which may at a subsequent date result in a change in control of the Company. There were 90,132,170 shares of common stock issued and outstanding on November 30, 2018.

Name and Address of Beneficial Owner[(1)]	Amount and Nature of Beneficial Ownership	Percentage of Class on a Non-Diluted Basis, prior to Conversion of Special Warrants	Percentage of Class on a Fully-Diluted Basis[(2)]
Jeffrey I. Binder	8,473,527	11.45%	4.36%
Frank Koretsky	17,522,461[(3)]	19.44%	9.00%

Notes:

(1) All share ownership is both of record and beneficial. Except as otherwise indicated, to our knowledge, the persons named in this table have sole voting, investment and dispositive power with respect to all shares of common stock listed.

(2) Based on there being 194,544,984 and 7,337,500 Common Shares issued and outstanding on a fully-diluted basis.

(3) Includes 12,276,253 Common Shares owned by Mr. Koretsky and 5,246,208 Common Shares owned by Newcan, an entity that is wholly owned by Mr. Koretsky. Excludes shares issuable upon the conversion of interest accrued and accruing on the outstanding convertible promissory note and demand convertible notes issued to Newcan.

DIRECTORS AND EXECUTIVE OFFICERS

The Company has an audit committee but currently does not have nominating or compensation committees, or committees performing similar functions nor does the Company have a written nominating or compensation committee charter. The Company's Board of Directors does not believe that it is necessary to have such committees because it believes the functions of such committees can be adequately performed by the entire Board of Directors.

The Company's Board of Directors consists of three members and is divided into three separate classes with each class of directors serving a staggered three-year term. Mr. Koretsky's term expired in 2016 and Mr. Binder's term expired in 2017 and Mr. Glashow's term will expire at the end of 2018, but each of them continues, or will continue, as applicable, to hold office until his successor is elected and qualified. To date, the directors and executive officers of the Company, their ages, positions held, and duration as such, are as follows:

Name, State and Country of Residence	Position	Date First Elected or Appointed	Occupation
Jeffrey Binder *Florida, United States*	*Chairman,* *CEO and Director*[(1)(4)]	2014	Mr. Binder was one of the individuals who founded CLS Labs in 2014 and he has served as its Chairman, President, Chief Executive Officer and a director since its inception. Upon CLS Labs' acquiring control of the Company on November 12, 2014, Mr. Binder was appointed Chairman, President, Chief Executive Officer and a director of the Company. He continues to serve in these roles. Since 2008, Mr. Binder has served as founder, Chairman and President of Power 3 Network, Inc., a company that develops websites and back offices for home-based businesses. In 2003, Mr.

Name, State and Country of Residence	Position	Date First Elected or Appointed	Occupation
			Binder founded Infinity 8, Inc., a software development company, where he served as its Chairman, Treasurer and a director until 2011. In addition to his employment history, Mr. Binder has invested in and mentored several start-up and mid-stage companies through his private holding company, JeMJ Financial Services, Inc., which he formed in 1988 and for which he serves as Chairman, President and a director. Through JeMJ, Mr. Binder invested in GGL Industries, Inc., a private holding company that owned Sterling Yacht and Classic Motor Carriages, as well as various other companies, and had extensive real estate holdings. Mr. Binder received his Juris Doctorate from the National Law Center, George Washington University, in 1971, where he received the honor of membership in the Order of the Coif. He also served as a legislative assistant to Adlai Stevenson II, a United States Senator for Illinois, and practiced Law at Sonnenschein Nath & Rosenthal, LLP, Chicago, Illinois for five years.
Frank Tarantino *Las Vegas, Nevada*	*Chief Financial Officer*[4]	2018	Mr. Tarantino has more than 10 years of executive management experience in private companies. Mr. Tarantino was the Controller and Acting CFO of Ira Green Holdings, Inc., a manufacturer, distributor and retailer of insignia and tactical products to all branches of the U.S. military, during 2017. Between 2015 and 2016, Mr. Tarantino served as the CFO at Duto Textiles, one of the largest dyers, printers, finishers and distributors of fabric and textile products in the United States. From 2008 until 2015, Mr. Tarantino was COO/CFO of Wild Things, LLC, a manufacturer of extreme, cold weather clothing and climbing gear used primarily by elite mountain climbers and the US Military, where he managed all financial functions, all aspects of operations, assisted with the creation, development and production of the WT Tactical® military clothing layering system, developed and implemented the WT Tactical® fire retardant military clothing line, and implemented an operating system which resulted in the consolidation of all design, purchasing, production management and financial functions. Mr. Tarantino earned a Bachelor of Science in Business Administration with a double major in Accounting and Finance from Babson College and is a Certified Public Accountant. Between 1983 and 1986, he worked for the accounting firm of Coopers & Lybrand, now PricewaterhouseCoopers, in the audit division.
Andrew Glashow *Rhode Island, United States*	*Director*[2]	2017	Mr. Glashow is a founding partner of New World Merchant Partners LLC and has served as a Managing Director since its inception. Mr.

Name, State and Country of Residence	Position	Date First Elected or Appointed	Occupation
			Glashow is an investment banker specializing in microcap transactions in the $5 million to $50 million range. He has in excess of twenty years of experience in the capital markets and in all phases of business start-up and growth, including feasibility studies, business plans, equity and debt funding, private placements, reverse mergers and IPOs. Mr. Glashow has worked with many investment banking firms and maintains close relationships with decision makers at several of them. Prior to founding New World Merchant Partners, he was a partner in STAR Associates, a corporate finance firm specializing in the placement of capital for small and emerging growth companies. Mr. Glashow has served as CEO and President of multiple companies which he helped capitalize. Mr. Glashow is a graduate of the University of New Hampshire's Whitemore School of Business and Economics.
Frank Koretsky *Florida, United States*	*Director*(3)	2014	Mr. Koretsky is a founder and has served as a director of CLS Labs since its formation in 2014. Upon consummation of the Merger, Mr. Koretsky was also appointed a director of the Company. It is expected that Mr. Koretsky will serve as a consultant to the Company in the future. Since 1995, Mr. Koretsky has served as the President of East Coast News Corp., a leading company in the adult product distribution industry. As a result of Mr. Koretsky's business experience, he brings a strong background in management, marketing and branding to the Company.
Ben Sillitoe *Las Vegas, Nevada*	*Chief Executive Officer of CLS Nevada*(4)	2018	Mr. Sillitoe has been a leader in the local Las Vegas cannabis industry since its inception, having served on the Board of Directors for the Nevada Dispensary Association (NDA) for nearly two years. The NDA is the most influential cannabis industry association in Nevada with over 80% of state-licensed dispensaries in its membership. Mr. Sillitoe served as Finance Director of Oasis in 2014 and became the Chief Executive Officer of Oasis in 2015. Between 2012 and 2014, Mr. Sillitoe was the Finance Director of Proficio Mortgage, a subsidiary of Proficio Bank. Mr. Sillitoe is often interviewed for news stories and articles, and is a frequent speaker at conferences, meetings, and events. Some notable previous speaking engagements include the Marijuana Business Conference and International Management Accountants annual conferences. Mr. Sillitoe earned his Bachelor of Science in Business Administration with a major in Managerial Finance from UNLV.
Don Decatur *Las Vegas, Nevada*	*Chief Operating Officer of CLS Nevada*(4)	2018	Mr. Decatur was the Director of Operations of Alternative Solutions, L.L.C., which CLS acquired in June 2018 between 2016 and the

Name, State and Country of Residence	Position	Date First Elected or Appointed	Occupation
			date of the Acquisition. Between 2015 and 2016, Mr. Decatur was the Director of Product Development for Nevada Medical Group, LLC, d/b/a Body and Mind (BaM), a cannabis company. From 2010 until 2015, Mr. Decatur owned and served as CEO of SinCity Style, LLC, a cannabis merchandise and apparel company. Mr. Decatur has over 18 years of experience in the cannabis and horticulture business. He is responsible for the creation of numerous strains of cannabis, has won numerous industry awards, and has been honored by High Times magazine for creating two "Top Ten Strains of the Year"

Notes:

(1) Mr. Binder's term of office expired in 2017 but he continues to hold office until his successor is elected and qualified.

(2) Mr. Glashow's term of office expires at the Company's 2018 annual meeting of the stockholders.

(3) Mr. Koretsky's term of office expired in 2017 but he continues to hold office until his successor is elected and qualified.

(4) Mr. Binder works full time for the Company and Messrs. Sillitoe and Decatur work full time for CLS Nevada Each is an employee of the Company or one of its subsidiaries. Messrs. Binder, Stillitoe and Decatur have entered into a Confidentiality, Non-Compete and Property Rights Agreement with the Company. Mr. Tarantino is an independent contractor and works pursuant to an oral understanding. Messrs. Glashow and Koretsky devote time to the Company solely as directors and are neither employees nor independent contractors of the Company. Messrs. Tarantino, Glashow and Koretsky have not entered into a non-competition and non-disclosure agreement with the Company.

To the knowledge of the Company, as of the date hereof, all directors and senior officers of the Company as a group, directly or indirectly beneficially own, exercise control or direction over 27,270,988 shares, or approximately 30.26% of the Company's issued and outstanding shares (on a non-fully diluted basis).

Corporate Cease Trade Orders

There have been no cease trade orders.

Corporate Bankruptcies

None of the Company's directors or executive officers has, within the 10 years prior to the date of this Prospectus, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or comprise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, been a director or executive officer of any company, that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or comprise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Penalties or Sanctions

None of our directors, officers or principal shareholders are, or have been within the last 10 years, the subject of any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or have entered into a settlement agreement with a Canadian securities regulatory authority or been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.

Conflicts of Interest

The Company's directors and officers may serve as directors or officers of other companies or have significant shareholdings in other companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such a participation or such terms. The directors of the Company are required to act honestly, in good faith and in the best interests of the Company.

The directors and officers of the Company are aware of the existence of laws governing the accountability of directors and officers for corporate opportunity and requiring disclosures by the directors of conflicts of interest and the Company will rely upon such laws in respect of any directors' and officers' conflicts of interest or in respect of any breaches of duty by any of its directors and officers. All such conflicts will be disclosed by such directors or officers in accordance with applicable laws and shall govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law. The directors and officers of the Company are not aware of any such conflicts of interests.

EXECUTIVE COMPENSATION

Executive Compensation

The Company does not anticipate making any material changes to the compensation it currently pays to its executives.

The particulars of compensation paid to the following persons:

(a) Jeffrey Binder, Chairman & Chief Executive Officer

(b) Alan Bonsett, Chief Operating Officer (resigned in November 2017)

(c) David Lamadrid, President & Chief Financial Officer (resigned effective July 13, 2018)

who we will collectively refer to as our named executive officers ("**NEOs**"), of the Company, and the directors of the Company, for the financial years ended May 31, 2018, and 2017, are set out in the following summary compensation table:

TABLE OF COMPENSATION EXCLUDING COMPENSATION SECURITIES								
Name and Position	**Year**	**Salary, consulting fee, retainer or commission ($)**	**Bonus ($)**	**Committee or Meeting Fees ($)**	**Option Awards (#)**	**Value of perquisites ($)**	**All Other Compensation ($)**	**Total ($)**
Jeffrey Binder Chairman, Chief Executive Officer(1)	2018	150,000	-	-	-	-	-	150,000
	2017	150,000	-	-	-	-	-	150,000
Alan Bonsett Former Chief Operating Officer(2)	2018	75,000	-	-	-	-	-	75,000
	2017	150,000	-	-	-	9,000(3)	-	159,000
David Lamadrid Former President & Chief Financial Officer(4)	2018	87,500	-	-	-	-	-	87,500
	2017	-	-	-	-	-	-	-
Frank Koretsky Director(5)	2018	-	-	-	-	-	-	-
	2017	-	-	-	-	-	-	-
Andrew Glashow Director(5)(6)	2018	-	-	-	-	-	-	-
	2017	-	-	-	-	-	-	-

Notes:

(1) Although Mr. Binder's employment agreement provides for an annual salary of $150,000 per annum; to date, he has deferred all compensation from the Company, including the referenced salary, which has been converted to convertible promissory notes due to him. At present, Mr. Binder also serves as our Chief Financial Officer.

(2) Mr. Bonsett resigned as the Chief Operating Officer of the Company in November 2017.

(3) Amount represents auto allowance paid to Mr. Bonsett.

(4) Mr. Lamadrid was appointed as President and Chief Financial Officer of the Company on December 1, 2017. Mr. Lamadrid resigned as President and Chief Financial Officer of the Company effective July 13, 2018. Mr. Lamadrid received 600,000 Common Shares in satisfaction of all other obligations the Company had to issue him equity, which included its obligation to issue restricted shares to him in connection with his employment.

(5) To date, the Company has not paid our directors any compensation for services on our Board of Directors. Our directors are, however, entitled to receive compensation as determined by the Board of Directors.

(6) Mr. Glashow was appointed to the board of directors on December 7, 2017. On July 24, 2018, which was after the end of the fiscal year, the Company awarded Star Associates, LLC, a limited liability company owned by Andrew Glashow, a director of CLS, a cash payment in the amount of $250,000 and 700,000 Common Shares of CLS' common stock in recognition of Mr. Glashow's efforts as a member of the Company's board of directors in successfully assisting us over the past year in negotiating and obtaining the Acquisition and the Special Warrant Financing.

Compensation Securities

The following table sets out the compensation securities granted or issued to each director and NEO by the Company in the financial year ended May 31, 2018:

COMPENSATION SECURITIES						
Name and Position	**Type of Compensation Security**	**Number of Compensation Securities, number of Underlying Securities and Percentage of Class**	**Date of Issue or Grant**	**Closing Price of Security or Underlying Security on Date of Grant**	**Closing Price of Security or Underlying Security at Year End ($)**	**Expiry Date**
Jeffrey Binder Chairman, Chief Executive Officer(1)	-	-	-	-	-	-
Alan Bonsett Former Chief Operating Officer(1)(2)	-	-	-	-	-	-
David Lamadrid Former President & Chief Financial Officer(1)(3)(4)	-	-	-	-	-	-
Frank Koretsky Director(1)(4)	-	-	-	-	-	-
Andrew Glashow Director(1)(4)(5)	-	-	-	-	-	-

Notes:

(1) None of the directors or NEOs of the Company held any compensation securities or underlying securities as at May 31, 2018.

(2) Mr. Bonsett resigned as the Chief Operating Officer of the Company in November 2017.

(3) Mr. Lamadrid was appointed as President and Chief Financial Officer of the Company on December 1, 2017. Mr. Lamadrid resigned as President and Chief Financial Officer of the Company on July 13, 2018. Mr. Lamadrid received 600,000 Common Shares in satisfaction of all other obligations the Company had to issue him equity, which included its obligation to issue restricted shares to him in connection with his employment.

(4) To date, the Company has not paid our directors any compensation for services on our board of directors. The Company's directors are, however, entitled to receive compensation as determined by the Board of Directors.

(5) Mr. Glashow was appointed to the Board of Directors on December 7, 2017. On July 24, 2018, which was after the end of the fiscal year, the Company awarded Star Associates, LLC, a limited liability company owned by Andrew Glashow, a director of CLS, a cash payment in the amount of $250,000 and 700,000 Common Shares of CLS' common stock in recognition of Mr. Glashow's efforts as a member of the Company's board of directors in successfully assisting us over the past year in negotiating and obtaining the Acquisition and the Special Warrant Financing.

Exercise of Compensation Securities by Directors and NEOs

No directors or NEOs exercised any compensation securities during the financial year ended May 31, 2018.

Stock Option Plans and Other Incentive Plans

The Company currently does not have a stock option plan or any other incentive plan that provides for compensation intending to serve as an incentive for performance except as provided in the employment agreements of Mr. Binder and Mr. Bonsett as described below.

Employment Agreements

Jeffrey Binder

CLS Labs and Jeffrey Binder entered into a five-year employment agreement effective October 1, 2014. Under the agreement, Mr. Binder serves as CLS Labs' Chairman, President and Chief Executive Officer and is entitled to receive an annual salary of $150,000. Under the agreement, Mr. Binder is also entitled to receive a performance bonus equal to 2% of CLS Labs' annual EBITDA, up to a maximum annual cash compensation of $1 million (including his base salary), and annual stock options, exercisable at the fair market value of CLS Labs' common stock on the date of grant, in an amount equal to 2% of its annual EBITDA up to $42.5 million and 4% of its annual EBITDA in excess of $42.5 million. The annual stock options have historically been satisfied by the issuance of restricted shares as the Company does not have a stock option plan.

The Company may terminate the employment with Mr. Binder "for cause" at any time. In the event the Company terminates Mr. Binder's employment for cause, all salary and any additional cash or equity compensation that would otherwise be payable for that calendar year and prior years and subsequent years shall automatically terminate and be forfeited. Upon termination of the employment agreement by the Company for cause, any restricted stock or stock options granted, or to be granted, that have not been earned or vested as of the date of termination shall be cancelled. Upon termination of this Agreement by the Company without cause, any restricted stock or stock options granted that have been earned, if applicable, but are not vested shall vest immediately upon the date of termination.

On April 28, 2015, Mr. Binder, CLS Labs and the Company entered into an addendum to Mr. Binder's employment agreement whereby Mr. Binder agreed that following the Merger, in addition to his obligations to CLS Labs, he would serve the Company and its subsidiaries in such roles as the Company may request. In exchange, the Company agreed to assume the obligations of CLS Labs to grant Mr. Binder annual stock options (or restricted shares), as referenced above. Mr. Binder continues to receive an annual salary of $150,000 from CLS Labs for serving as its Chairman, President and Chief Executive Officer. Mr. Binder has deferred all of the salary payable to him under his employment agreement through February 28, 2018. On July 20, 2016, March 31, 2017, August 23, 2017, October 9, 2017, January 5, 2018 and April 6, 2018, the Company issued Mr. Binder convertible notes in exchange for $250,000, $112,500, $62,500, $39,521, $37,500 and $37,500 respectively, in deferred salary, among other amounts owed to Mr. Binder by the Company. As of May 31, 2018 and May 31, 2017, the Company had accrued compensation due to Mr. Binder in the amount of $37,500 and $37,500.

Alan Bonsett

Effective August 1, 2015, the Company and Alan Bonsett entered into a five-year employment agreement. Pursuant to the agreement, Mr. Bonsett commenced serving as the Company's Chief Operating Officer on August 15, 2015. Under the agreement, Mr. Bonsett is entitled to receive an annual salary of $150,000. Further, he is entitled to receive a performance bonus equal to 2% of the Company's annual EBITDA, up to a maximum annual cash compensation of $1 million (including his base salary), and annual stock options, exercisable at the fair market value of the Company's common stock on the date of grant, in an amount equal to 2% of its annual EBITDA up to $42.5 million and 4% of its annual EBITDA in excess of $42.5 million. The annual stock options have historically been satisfied by the issuance of restricted shares as the Company does not have a stock option plan. Additionally, Mr. Bonsett received a one-time signing bonus of 250,000 (post Reverse Split) shares of restricted common stock of the Company, with a fair value of $327,500, which became fully vested one year from the effective date of the agreement. Mr. Bonsett resigned in November of 2017.

David Lamadrid

Effective November 30, 2017, the Company and Mr. Lamadrid entered into a one-year employment agreement. Pursuant to the agreement, Mr. Lamadrid commenced serving as the Company's President and Chief Financial Officer on December 1, 2017. Under the agreement, Mr. Lamadrid is entitled to receive an annual salary of $175,000. Further, he is entitled to receive a performance bonus equal to 2% of the Company's annual EBITDA, and annual restricted stock awards of the Company's common stock in an amount equal to 3% of its annual EBITDA. Additionally, Mr. Lamadrid was entitled to a one-time signing bonus of 500,000 shares of restricted common stock of the Company, which shall become fully vested one year from the effective date of the agreement. Effective December 1, 2017, and in connection with the employment agreement, Mr. Lamadrid and the Company entered into a Confidentiality, Non-Compete and Proprietary Rights Agreement. Pursuant thereto, Mr. Lamadrid agreed (i) not to compete with the Company during the term of his employment and, unless he is terminated without cause by the Company or terminates his employment agreement with the mutual consent of the Company, for a period of one year thereafter, (ii) not to release or disclose the Company's confidential information, and (iii) to assign the rights to all work product to the Company, among other terms.

On July 24, 2018, the Company and Mr. Lamadrid mutually agreed to terminate the employment agreement dated December 1, 2017 between CLS and Mr. Lamadrid effective July 13, 2018. Mr. Lamadrid resigned as President and Chief Financial Officer effective as of July 13, 2018. The parties further agreed that neither party would have any further obligations under the employment agreement after such date. In connection with such separation, the Company agreed, among other provisions, to issue Mr. Lamadrid 600,000 Common Shares in full satisfaction of all obligations the Company had or allegedly had to issue him Common Shares for any reason, including the obligation to issue him restricted stock under his employment agreement. The Company also agreed to release Mr. Lamadrid from his non-competition obligations under the Confidentiality, Non-Compete and Property Rights Agreement dated November 30, 2017 between the parties. The balance of the terms of the confidentiality agreement will remain in full force and effect.

Ben Sillitoe

On July 31, 2018, CLS Nevada and Mr. Sillitoe entered into a one-year employment agreement. Pursuant to the agreement, Mr. Sillitoe commenced serving as CLS Nevada’s Chief Executive Officer effective July 1, 2018. Under the agreement, Mr. Sillitoe is entitled to receive an annual salary of $150,000. Further, he is entitled to receive a performance bonus equal to 2% of CLS Nevada’s annual EBITDA, and annual restricted stock awards of the Company’s’ common stock in an amount equal to 3% of CLS Nevada’s annual EBITDA. Additionally, Mr. Sillitoe is entitled to a one-time signing bonus of 500,000 shares of restricted common stock of the Company, which shall become fully vested one year from the effective date of this agreement assuming Mr. Sillitoe remains employed by CLS Nevada on such date. Effective July 1, 2018, and in connection with the employment agreement, Mr. Sillitoe and the Company entered into a Confidentiality, Non-Compete and Proprietary Rights Agreement. Pursuant thereto, Mr. Sillitoe agreed (i) not to compete with the Company or CLS Nevada during the term of his employment and, unless he is terminated without cause, for a period of one year thereafter, (ii) not to release or disclose the Company’s or CLS Nevada’s confidential information, and (iii) to assign the rights to all work product to CLS Nevada, among other terms.

Don Decatur

CLS Nevada and Mr. Decatur entered into a one-year employment agreement on July 31, 2018. Pursuant to the agreement, Mr. Decatur commenced serving as CLS Nevada’s Chief Operating Officer on July 1, 2018. Under the agreement, Mr. Decatur is entitled to receive an annual salary of $150,000. Further, he is entitled to receive a performance bonus equal to 2% of CLS Nevada’s annual EBITDA, and annual restricted stock awards of the Company’s common stock in an amount equal to 3% of CLS Nevada’s annual EBITDA. Additionally, Mr. Decatur is entitled to a one-time signing bonus of 50,000 shares of restricted common stock of the Company, which shall become fully vested one year from the effective date of the agreement assuming Mr. Decatur remains employed by CLS Nevada on such date. Effective July 1, 2018, and in connection with the employment agreement, Mr. Decatur and the Company entered into a Confidentiality, Non-Compete and Proprietary Rights Agreement. Pursuant thereto, Mr. Decatur agreed (i) not to compete with the Company or CLS Nevada during the term of his employment and, unless he is terminated without cause, for a period of one year thereafter, (ii) not to release or disclose the

Company's or CLS Nevada's confidential information, and (iii) to assign the rights to all work product to CLS Nevada, among other terms.

None of the employment agreements described above contain provisions providing for any payments on a change of control.

Oversight and Description of Director and NEO Compensation

The Board of Directors conducts reviews with regard to the compensation of the directors and NEO once a year. To make its recommendations on such compensation, the Board of Directors takes into account the types of compensation and the amounts paid to directors and officers of comparable publicly traded Canadian companies.

A description of the significant elements of compensation awarded to each NEO is set out in the "*Employment Agreements*" section, above. All of the NEOs are entitled to receive a performance bonus equal to 2% of the Company's annual EBITDA and annual stock option or restricted stock awards of the Company's common stock in an amount between 2% and 4% of the Company's annual EBITDA. The annual stock options have historically been satisfied by the issuance of restricted shares as the Company does not have a stock option plan.

Insider Trading Policy

All of the Company's executives, other employees and directors will be subject to the Insider Trading Policy, which will prohibit trading in the Company securities while in possession of material undisclosed information about the Company. Under this policy, such individuals will also be prohibited from entering into hedging transactions involving the Company's securities, such as short sales, puts and calls. Furthermore, the Company will permit executives, including the NEOs, to trade in the Company's securities, only during prescribed trading windows. See "*Insider Trading Policy*".

DIRECTOR INDEBTEDNESS

Other than as set out below and routine indebtedness for travel and other expense advances, no existing or proposed director or executive officer of the Company, or any associate of any of them, was indebted to the Company as at August 2, 2018, or is currently indebted to the Company or has any indebtedness to another entity which is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company.

Binder Convertible Note

On April 6, 2018, the Company issued a convertible promissory note to Mr. Binder (the "**Binder Convertible Note**") in the amount of $37,500 with respect to certain compensation payable to Mr. Binder as of February 28, 2018. The Binder Convertible Note is unsecured, bears interest at the rate of 10% per annum and is convertible into Common Shares at the rate of one Common Share for each $0.3125 converted. No interest payments are required until April 1, 2019, at which time all accrued interest becomes due and payable. Principal will be payable in eight equal quarterly installments, together with accrued interest, beginning on July 1, 2019. At Mr. Binder's election, at any time prior to payment or prepayment of the Binder Convertible Note in full, all principal and accrued interest under the Binder Convertible Note may be converted, in whole or in part, into Common Shares at the rate of one Common Share for each $0.3125 converted.

Newcan Convertible Note

On August 6, 2018, the Company issued a convertible promissory note to Newcan, an affiliate of Mr. Koretsky (the "**Newcan Convertible Note**") in the amount of $75,000 to finalize the terms of repayment with respect to a certain loan made to the Company by Newcan. The Newcan Convertible Note is unsecured, bears interest at the rate of 10% per annum and is convertible into Common Shares at the rate of one Common Share for each $0.40 converted. No interest payments are required until October 1, 2019, at which time all accrued interest becomes due and payable. Principal will be payable in eight equal quarterly installments, together with accrued interest, beginning on January 1, 2020. The holder of the Newcan Convertible Note may, at any time prior to payment or prepayment in full, convert all principal and accrued interest thereunder, in whole or in part, into securities of the Company. For each $0.40 converted, the holder will receive one Common Share.

AUDIT COMMITTEE AND CORPORATE GOVERNANCE

Pursuant to National Policy 58-101 - *Disclosure of Corporate Governance Practices*, the Company is required to and hereby discloses its corporate governance practices as follows:

Board of Directors

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

Mr. Glashow is "independent" as that term is defined in NI 52-110. Mr. Binder is the Chairman, President and Chief Executive Officer of the Company, and holds greater than 10% of the Company's equity securities and is therefore not independent. Mr. Koretsky holds greater than 10% of the Company's equity securities and is therefore not independent.

Directorships

None of our directors are on the boards of any other publicly traded companies in North America.

Orientation and Continuing Education

The Board of Directors of the Company briefs all new directors with respect to the policies of the Board of Directors and other relevant corporate and business information. The Board does not provide any continuing education.

Ethical Business Conduct

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

Nomination of Directors

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

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

Compensation

The Board of Directors conducts reviews with regard to the compensation of the directors and CEO once a year. To make its recommendations on such compensation, the Board of Directors takes into account the types of compensation and the amounts paid to directors and officers of comparable publicly traded Canadian companies.

Other Board Committees

The Board of Directors currently has no board committees other than the audit committee.

Assessments

The Board of Directors regularly monitors the adequacy of information given to directors, communications between the Board of Directors and Management and the strategic direction and processes of the Board and its committees.

Insider Trading Policy

The Company has adopted an insider trading policy (the "**Insider Trading Policy**") to set forth basic guidelines for trading in the Company's securities (including, without limitation, its common stock) and to preserve its confidential information so as to avoid any situation that might have the potential to damage the Company's reputation or which could constitute a violation of federal or state securities law by the Company, its officers, directors, or employees.

Under the Insider Trading Policy, "insiders" (i.e., officers, members of the Board of Directors and other individuals having access to material non-public information) are prohibited from trading in Common Shares and other securities on the basis of such material non-public information until after the information has been disclosed to the public. All matters regarding the "materiality" or "non-public" nature of any information shall be determined by the chairman (the "**Chairman**") or general counsel (which may be outside securities counsel) of the Company (the "**General Counsel**").

The obligation not to trade on inside information applies not only to the Company and insiders, but also to persons who obtain such information from insiders and use it to their advantage. Thus, liability may be imposed upon the Company, its insiders and also outsiders who are the source of leaks of material information not yet disclosed to the public and the leaks coincide with purchases or sales of the Company's securities (i) by such insiders or outsiders, (ii) by the Company itself, or (iii) by "tippees" (including relatives, friends, investment analysts, etc.).

Material non-public information shall not be disseminated to any person outside the Company and must be distributed within the Company only on a strict "need to know" basis. Violation of any of the securities laws described in this Policy Statement may result in the institution of a prosecution or an SEC enforcement proceeding against the individual and the Company, or both.

In order to provide a degree of certainty as to when insider trading is permissible with respect to the timing of quarterly and annual releases of financial information, the Company has established recurring "quiet periods" relative to such releases. Directors, all officers and employees with access to financial results, are not permitted to buy or sell Company stock during the periods commencing on the first day of each fiscal quarter and ending at the close of business on the second working day after quarterly or annual earnings are released to the public. Trading in Company stock at other times may be permissible, but all transactions in Company stock by directors, officers and other identified employees must be approved in advance by the Chairman and must be reported to the General Counsel after consummating the transaction.

The Company may impose additional quiet periods during which trading will not be allowed when there are developments which give rise to the need for public disclosure. Affected stockholders will be advised by memorandum from the Chairman when these additional quiet periods are in effect. All directors and officers and other specifically identified employees of the Company must (i) clear through the Chairman each and every proposed transaction in Company stock before consummating the transaction and (ii) promptly report to the General Counsel the consummation of any transactions, whenever consummated.

The Insider Trading Policy reiterates that Section 16(b) of the Securities Exchange Act of 1934 imposes liability on executive officers, members of the board of directors and certain large stockholders of the Company if they have a purchase and sale, or sale and purchase, of Company stock within a period of less than six months (referred to as a "short-swing" trade). This section provides that the Company, or any stockholder who brings a lawsuit on behalf of the Company, may recover the amount of any "profit" realized by such individual on a short-swing trade. There are many types of transactions which constitute a "sale" or a "purchase" within the purview of this restriction. For example, the grant of an option to purchase Common Shares pursuant to a stock option or similar plan may be a "purchase" in certain circumstances, so that if any shares are acquired through exercise and then sold within six months of the grant of the option, a short-swing trade will have occurred. In addition to the foregoing, the Insider Trading Policy reiterates that the Securities Exchange Act of 1934 prohibits the Company's directors, executive officers, and large stockholders from making sales of any equity securities of the Company which the seller does not own at the time or, if owned, securities that will not be delivered for a period longer than 20 days after the sale, referred to as "short sales."

The Insider Trading Policy also outlines the Company's reporting obligations for changes in Common Shares owned by insiders

Disclosure Policy

The Company has adopted a disclosure policy (the "**Disclosure Policy**") to promote consistent disclosure practices by the Company in connection with the timely disclosure of material information about the Company to the market. The Disclosure Policy applies to all directors, officers, spokespersons and employees of the Company and its subsidiaries and covers all methods used by the Company to communicate to its shareholders, the media and members of the investment community, including: press releases, written statements made in annual and quarterly reports, communications to shareholders, documents filed with the securities regulatory authorities, communications made during investor conferences, speeches made by senior management, oral statements made in the course of meetings or calls with securities markets professionals, shareholders, media or other external audiences and website and social media communications (including through corporate blogs, chat boards, Twitter, Facebook, LinkedIn, YouTube and other non-traditional means of communication). The Board is responsible for the administration and implementation of this Disclosure Policy.

The Disclosure Policy sets out a non-exhaustive list of examples of the types of events or information that may be material for the purposes of issuing news releases. Material information will be publicly disclosed promptly by news release. The only exceptions will occur in restricted circumstances where applicable securities laws and stock exchange policies permit the maintenance of confidentiality and regulatory filings on a confidential basis. Following consultation with the Company's General Counsel or outside securities counsel, current reports (in the United States, and corresponding material change reports in Canada) will be prepared and filed when required in accordance with applicable securities laws.

The Company may provide forward-looking information in appropriate circumstances to enable evaluation of the Company's operations and prospects for performance. Forward-looking information may include statements about future or anticipated growth, operating results and performance of the Company and business prospects and opportunities.

To the extent that forward-looking information is provided by the Company in a disclosure document, news release or statement by a spokesperson, it will be accompanied by, or reference will be made to, among other things: Cautionary language to warn of the risk that material factors could cause actual results to differ materially from statements made in the forward-looking information and a statement of material factors or assumptions that were applied in the preparation of the forward-looking information.

The Company will also disclaim any intention to update or revise the forward-looking information, whether as a result of new information, future events or otherwise, except as required by applicable securities laws.

In order to avoid the potential for selective disclosure or even the perception or appearance of selective disclosure, the Company will observe a quarterly quiet period, during which the Company will avoid discussing financial information and no comments with respect to the current quarter's operations or expected results will be provided to anyone, other than communications in response to inquiries concerning publicly available or non-material information. The quiet period commences on the first day of the month following the end of a quarter and ends with the issuance of a news release or public securities filing disclosing quarterly results.

The Disclosure Policy also sets out how the Company plans to respond to rumours, when to hold conference calls for quarterly and annual financial results, sets out procedures for contact with analysts, investors and the media and includes guidelines for the Company's website, use of social media, public presentations and speeches.

Audit Committee

Audit Committee Charter

The full text of the Audit Committee charter is set out in Schedule “F” to this Prospectus.

Composition

In compliance with the requirements applicable to venture issuers under NI 52-110, the Audit Committee is composed of three members, a majority of whom are not executive officers, employees or control persons of the issuer or of an affiliate of the Company. Messrs. Glashow and Koretsky are not executive officers (as defined in NI 52-110), employees or control persons (as defined in the NI 52-110) as required by section 6.1.1(3) of NI 52-110. All members of the Audit Committee are considered to be "financially literate" as defined in NI 52-110.

Relevant Education and Experience

The education and experience of each audit committee member that is relevant to the performance of his responsibilities as an audit committee member is set out in “*Directors and Executive Officers*”.

Audit Committee Oversight

Since the commencement of the Company’s most recently completed financial year, the Company’s Board of Directors has not failed to adopt a recommendation of the Audit Committee to nominate or compensate an external auditor.

Reliance on Certain Exemptions

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

Pre-Approval Policies and Procedures

The Audit Committee has not adopted specific policies and procedures for the engagement of non-audit services. Subject to the requirements of NI 52-110, the engagement of non-audit services is considered by the Company’s Board of Directors, and where applicable by the Audit Committee, on a case-by-case basis.

External Auditor Service Fees (By Category)

In the following table, “audit fees” billed by the Company’s external auditor for services provided in auditing the Company’s annual financial statements for the subject year. “Audit-related fees” are fees not included in audit fees that are billed by the auditor for assurance and related services that are reasonably related to the performance of the audit review of the Company’s financial statements. “Tax fees” are fees billed by the auditor for professional services rendered for tax compliance, tax advice and tax planning. “All other fees” are fees billed by the auditor for products and services not included in the foregoing categories.

The fees paid by the Company to its auditor in each of the last two fiscal years, by category, are as follows:

Financial Year Ended May 31	Audit Fees	Audit Related Fees	Tax Fees	All Other Fees
2018	$21,500	Nil	Nil	Nil
2017	$23,900	Nil	Nil	Nil

Exemption

The Company is relying on the exemption provided by section 6.1 of NI 52-110 which provides that the Company, as a venture issuer, is not required to comply with Part 3 (Composition of the Audit Committee) and Part 5 (Reporting Obligations) of NI 52-110.

PLAN OF DISTRIBUTION

This Prospectus is being filed in the Qualifying Jurisdictions to qualify the distribution of 33,463,837 Unit Shares and 33,463,837 Warrants issuable upon the deemed exercise of 30,421,670 Special Warrants.

On the Closing Date and pursuant to the terms of the Agency Agreement, the Company completed the Offering of an aggregate of 30,421,670 Special Warrants at the Offering Price pursuant to prospectus exemptions under applicable securities legislation in the Qualifying Jurisdictions (and in jurisdictions outside of Canada in compliance with laws applicable therein). Pursuant to the Agency Agreement, the Agent agreed to offer for sale, on a "commercially reasonable efforts" private placement basis, 30,421,670 Special Warrants at the Offering Price. Pursuant to the Agency Agreement, the Company paid the Agent's Commission of CAD$1,046,029 and provided reimbursement for certain expenses incurred in connection with the Offering by the Agent. In addition, the Agent was issued 2,317,842 Broker Warrants in the aggregate, representing 8.0% of the Special Warrants sold pursuant to the Offering. Each Broker Warrant is exercisable to acquire one Unit consisting of one Common Share and one Warrant, subject to adjustment in certain circumstances, at the Offering Price for a period of 36 months from the date of listing of the Common Shares on a recognized Canadian stock exchange. The Agent was paid a corporate finance fee of 5%, or $651,893, all of which was paid in Corporate Finance Fee Special Warrants (totaling 1,448,651 Special Warrants) on Closing of the Offering. Certain Broker Warrants, equal to 1.69% of the total base offering on an as-if-converted basis (or 565,539 Broker Warrants) remain unqualified by, and are removed from, the Prospectus. For greater certainty, the Prospectus will qualify the distribution of only 1,752,303 Broker Warrants (as opposed to 2,317,842 Broker Warrants) issued to the Agent upon closing of the Offering.

Frank Koretsky, a director and principal shareholder of the Company, subscribed for 1,089,609 Special Warrants for an aggregate purchase price of CAD$490,324. Jeffrey Binder, the Chief Executive Officer of the Company as well as a director and principal shareholder, subscribed for 222,222 Special Warrants for an aggregate purchase price of CAD$99,999.90. Messrs. Koretsky's and Binder's participation represents approximately 3.76% and 0.77% of the Offering, respectively. No other insiders participated in the Special Warrant Offering.

All Canadian subscribers in the Offering subscribed under the accredited investor prospectus exemption in section 2.3 of National Instrument 45-106 – *Prospectus Exemptions*.

The Offering Price and other terms of the Offering were determined by negotiation between the Company and the Agent. Other than the Agent's Commission, Broker Warrants and Finance Fee Special Warrants, the Agent has not and will not receive any other fee or commission from the Company in connection with the completion of the Offering or the deemed exercise of the Special Warrants.

The Special Warrants were issued pursuant to the terms of the Special Warrant Indenture. Each Special Warrant entitles the holder thereof to receive one Unit, subject to adjustment in certain circumstances as set forth in the Special Warrant Indenture, upon the deemed exercise of the Special Warrants on the Deemed Exercise Date without payment of any additional consideration or further action on the part of the holders thereof.

Pursuant to the Agency Agreement, the Company covenanted to use its best efforts to obtain a Receipt from the Securities Commissions for the Prospectus before August 20, 2018. As a final Receipt was not issued by the Securities Commissions for this Prospectus on or prior to August 20, 2018, each unexercised Special Warrant will be exercised such that the holder will receive, for no additional consideration, Penalty Units; provided, however, that any fractional entitlement to Penalty Units will be rounded down to the nearest whole Penalty Unit. Unless the context otherwise requires, any reference herein to "Units" shall include any Penalty Units issued by the Company in accordance with the terms of the Special Warrant Indenture.

The Special Warrants, the Unit Shares, the Warrants and the Warrant Shares have not been, and will not be, registered under the U.S. Securities Act or any state securities laws and the Warrants may not be exercised by or on behalf of a U.S. Person or a person in the United States unless an exemption from the registration requirements of the U.S. Securities Act and applicable state securities laws is available. Accordingly, the Unit Shares, the Warrants and the Warrant Shares will bear appropriate legends evidencing the restrictions on the offering, sale and transfer of such securities.

The Company covenanted with the Agent that the Company shall use its best efforts to prepare and file with the Securities and Exchange Commission (the "**SEC**") within forty-five (45) calendar days after the Closing

Date of the Offering a registration statement (on Form S-3, S-1, or other appropriate registration statement form reasonably acceptable) under the U.S. Securities Act (the "**Registration Statement**"), at the sole expense of the Company, so as to permit a public offering and resale of the Common Shares and Warrant Shares in the United States under the U.S. Securities Act; and (ii) use commercially reasonable efforts to cause a Registration Statement to be declared effective by the SEC as soon as possible and not later than the earlier of (a) one hundred and twenty (120) calendar days from the date of filing the Registration Statement in the event of an SEC review of the Registration Statement, and (b) the fifth trading day (day on which the OTCQB is open for quotation) following the date on which the Company is notified by the SEC that the Registration Statement will not be reviewed or is no longer subject to further review and comments. A registration statement was filed by the Company on August 29, 2018. An amended Registration Statement was filed by the Company on November 6, 2018 and a further amended Registration Statement was filed by the Company on November 20, 2018. The SEC is currently reviewing the amended Registration Statement filed on November 20, 2018. The Registration Statement and the amended Registration Statements are available on EDGAR at www.sec.gov/edgar.

Pursuant to the Agency Agreement, the Company has agreed, for a period of 90 days following the Listing Date, not, directly or indirectly, offer, issue, sell, grant, secure, pledge, or otherwise transfer, dispose of or monetize, or engage in any hedging transaction, or enter into any form of agreement or arrangement the consequence of which is to alter economic exposure to, or announce any intention to do so, in any manner whatsoever, any Common Shares or securities convertible into, exchangeable for, or otherwise exercisable to acquire Common Shares or other equity securities of the Company, without the prior written consent of the Agent (such consent not to be unreasonably withheld or delayed), other than in conjunction with: (i) the grant or exercise of stock options and other similar issuances pursuant to the share incentive plan of the Company and other share compensation arrangements; (ii) outstanding warrants; (iii) obligations in respect of existing agreements; and (iv) the issuance of securities in connection with property or share acquisitions in the normal course of business, provided that any Common Shares or securities convertible, exercisable or exchangeable for Common Shares issued in such financings shall not be freely tradable in Canada prior to the Special Warrants having been exercised and the Common Shares and Warrants issued upon such exercise being freely tradable in Canada (subject to restrictions on control block distributions).

Pursuant to the Agency Agreement, the Company has also agreed to indemnify the Agent, their respective affiliates and their respective directors, officers, employees and partners against certain liabilities, including liabilities under Canadian securities legislation or to contribute to payments the Agent may have to make because of such liabilities.

The outstanding Common Shares are listed for trading on the OTCQB under the symbol "CLSH". On June 19, 2018, the last trading day before the closing of the Offering, the closing price of the Common Shares on the OTCQB was $0.65. The CSE has conditionally approved the listing of the Common Shares of the Company, including the Unit Shares and the Warrant Shares issuable upon exercise of the Warrants. Listing will be subject to the Company fulfilling all of the listing requirements of the CSE, which cannot be guaranteed.

RISK FACTORS

Much of the information included in this Prospectus includes or is based upon estimates, projections or other "forward-looking statements". Such forward-looking statements include any projections or estimates made by us and our Management in connection with our business operations. While these forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect our current judgment regarding the direction of our business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions, or other future performance suggested herein. We undertake no obligation to update forward-looking statements to reflect events or circumstances occurring after the date of such statements.

Such estimates, projections or other "forward-looking statements" involve various risks and uncertainties as outlined below. We caution readers of this Prospectus that important factors in some cases have affected and, in the future, could materially affect actual results and cause actual results to differ materially from the results expressed in any such estimates, projections or other "forward-looking statements". In evaluating us, our business and any investment in our business, readers should carefully consider the following factors.

Our Common Shares are considered speculative. Prospective investors should consider carefully the risk factors set out below.

Risks Related to the Business

Reliance on Management

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

Going-Concern Risk

The financial statements have been prepared on a going concern basis under which an entity is considered to be able to realize its assets and satisfy its liabilities in the ordinary course of business. The Company's future operations are dependent upon the identification and successful completion of equity or debt financing and the achievement of profitable operations at an indeterminate time in the future. There can be no assurances that the Company will be successful in completing an equity or debt financing or in achieving profitability. The financial statements do not give effect to any adjustments relating to the carrying values and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern.

At August 31, 2018, the Company had working capital of $814,166, an increase of $3,448,940 from the working capital deficit of ($2,634,774) the Company had at May 31, 2018. The Company's working capital at August 31, 2018, includes $5,953,925 of cash. The increase in working capital was a result of the Company's successful financing activities during the three months ended August 31, 2018, including $15,535,978 in proceeds from the sale of equity, $500,000 from the issuance of convertible notes, and $81,961 from the issuance of related party notes. The Company is presently seeking to expand the Oasis and related City Trees businesses in Nevada and are considering other potential acquisitions. The Company's working capital needs will likely continue to increase, which could result in future working capital deficits, until the Company completes at least Phase 1 of the Expansion Plan. The Company has operated at a loss since inception. Over the next twelve months the Company will likely require additional capital to cover the Company's projected cash flow deficits, the implementation of the Company's business plan, including the expansion of the Company's Nevada operation, and the development of other revenue sources, including the CannAssist Earn-In and other possible acquisitions.

During the next twelve months the Company expects to complete Phase 1 and possibly Phase 2 of the Company's Expansion Plan, which includes the substantial expansion of the Company's grow facility in Nevada. At present, the Company estimates that the Company will require up to $3,000,000 to complete Phase 1. The Company expects to fund the cost of this expansion from a portion of the proceeds of the proposed Convertible Debenture Offering. The Company also plans to use the proceeds of this proposed offering to fund certain payments associated with the CannAssist Earn-In, including working capital. See "*History – 2018 Convertible Debenture Offering*". The Company has not executed any definitive documents with respect to this financing and there can be no assurance that the Company will be successful in closing on all or any of the proposed offering amount. The Company may also pursue additional acquisitions in the next twelve months but the Company has not entered into any definitive agreements with respect to either additional acquisitions or the capital necessary to finance them. The Company may also decide to exercise the IGH Option. See "*History – IGH Transaction*".

The Company's revenues are expected to grow as the Company expands its operations. Although management of the Company believes it will have sufficient funds to sustain the Company's operations at their current level until such time, if the Company requires additional cash, the Company expects to obtain the necessary funds as described above; however, the Company's prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies in their early stage of operations. To address these risks, the Company must, among other things, seek growth opportunities through additional debt and/or equity investments and acquisitions in the Company's industry, successfully execute the Company's business strategy, including the Company's planned expansion and acquisitions, and successfully navigate any changes that may arise in the cannabis regulatory environment. Management of the Company cannot assure investors that the Company will be successful in addressing such risks, and the failure to do so could have a material adverse effect on the Company's business prospects, financial condition and results of operations.

Additional Financing

The Company may require equity and/or debt financing to support on-going operations, to undertake capital expenditures or to undertake acquisitions or other business combination transactions. There can be no assurance that additional financing will be available to the Company when needed or on terms which are acceptable. The Company's inability to raise financing to fund on-going operations, capital expenditures or acquisitions could limit its growth and may have a material adverse effect upon the Company's business, results of operations, financial condition or prospects.

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

2018 Convertible Debenture Offering

There is no guarantee that the Company will be able to close on the second or third tranches of the Convertible Debenture Offering on the terms or in the amounts described herein or at all. The Company's inability to close on the second or third tranches of the Convertible Debenture Offering on the terms or in the amounts described herein could limit its growth and may have a material adverse effect upon the Company's business, results of operations, financial condition or prospects, specifically with respect to the CannAssist Earn-In and the completion of all or part of the Expansion Plan.

Reliance on Oasis and the Warehouse Facility

The Company's current activities and resources are focused on Oasis and the Warehouse Facility; the licenses held by the Oasis Subsidiaries are specific to Oasis and the Warehouse Facility. Adverse changes or developments affecting either Oasis or the Warehouse Facility, including but not limited to, a breach of security, could have a material and adverse effect on the Company's business, financial condition and prospects. Any breach of the security measures and other facility requirements, could also have an impact on the Oasis Subsidiaries' ability to continue operating under their respective licenses or the prospect of renewing their respective licenses. Oasis and the Warehouse Facility continue to operate with routine maintenance however buildings do have components that require replacement. The Company will bear many, if not all, of the costs of maintenance and upkeep of Oasis and the Warehouse Facility. The Company's operations and financial performance may be adversely affected if any of Oasis or the Warehouse Facility are unable to keep up with maintenance requirements.

The Company had negative cash flow for the financial year ended May 31, 2018 and the financial period ended August 31, 2018

The Company had negative cash flow from operating activities for the year ended May 31, 2018 and a portion of the net proceeds from the Offering, specifically proceeds used for "General Working Capital", were used to fund such negative cash flow. The Company also had negative cash flow from operations for the three months ended August 31, 2018. The Company is of the view that the negative cash flow from operations for the three months ended August 31, 2018 is not representative of future operational cash needs and the Company is confident that it will be able to meet its future liquidity needs based on the resources available. A number of the expenses for the three months ended August 31, 2018 were non-recurring expenses such as warrant compensation, agent fees and commission for financing activities and professional fees related to obtaining a public listing in Canada. Furthermore, Oasis has demonstrated improved financial performance due to a new marketing campaign, improved supply contracts for flower and oil distillate and improved average monthly sales and management expects this performance to continue.

To the extent that the Company has negative operating cash flow in future periods, it may need to allocate a portion of its cash reserves to fund such negative cash flow. The Company may also be required to raise additional funds through the issuance of equity or debt securities. There can be no assurance that the Company will be able to generate a positive cash flow from its operations, that additional capital or other types of financing will be available when needed or that these financings will be on terms favourable to the Company.

Profitability of the Company

The Company may experience difficulties in its development process, such as capacity constraints, quality control problems or other disruptions, which would make it more difficult to generate profits. A failure by the Company to achieve a low-cost structure through economies of scale or improvements in manufacturing processes and design could have a material adverse effect on the Company's business, prospects, results of operations and financial condition.

Ongoing Costs and Obligations

The Company expects to incur significant ongoing costs and obligations related to its investment in infrastructure and growth and for regulatory compliance, which could have a material adverse impact on the Company's results of operations, financial condition and cash flows. In addition, future changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

Competition

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

Because of the early stage of the industry in which the Company operates, the Company expects to face additional competition from new entrants. To become and remain competitive, the Company will require research and development, marketing, sales and support. The Company may not have sufficient resources to maintain research and development, marketing, sales and support efforts on a competitive basis which could materially and adversely affect the business, financial condition, results of operations or prospects of the Company.

The introduction of a recreational model for cannabis production and distribution may impact the medical marijuana market. The impact of this potential development may be negative for the Company, and could result in increased levels of competition in its existing medical market and/or the entry of new competitors in the overall cannabis market in which the Company operates.

If the number of users of medical marijuana increases, the demand for products will increase and the Company expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. To remain competitive, the Company will require a continued high level of investment in research and development, marketing, sales and client support. The Company may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations of the Company.

As well, the legal landscape for medical and recreational marijuana is changing internationally. More countries have passed laws that allow for the production and distribution of medical marijuana in some form or another. The Company has some international partnerships in place, which may be effected if more countries legalize medical marijuana. Increased international competition might lower the demand for the Company's products on a global scale.

Future Acquisitions or Dispositions

Material acquisitions, dispositions and other strategic transactions involve a number of risks, including: (i) potential disruption of the Company's ongoing business; (ii) distraction of Management; (iii) the Company may become more financially leveraged; (iv) the anticipated benefits and cost savings of those transactions may not be realized fully or at all or may take longer to realize than expected; (v) increasing the scope and complexity of the Company's operations; and (vi) loss or reduction of control over certain of the Company's assets.

The presence of one or more material liabilities of an acquired company that are unknown to the Company at the time of acquisition could have a material adverse effect on the business, results of operations, prospects and financial condition of the Company. A strategic transaction may result in a significant change in the nature of the Company's business, operations and strategy. In addition, the Company may encounter unforeseen obstacles or costs in implementing a strategic transaction or integrating any acquired business into the Company's operations.

IGH Option and Break-Up Fee

The funds from the Convertible Debenture Offering have been used to fund the IGH Loan only and no portion of the funds from the Convertible Debenture Offering have been reserved for, or allocated to, any potential exercise of the IGH Option.

No decision has been made by the Company with respect to the exercise of the IGH Option and the acquisition of IGH. The Company does not currently have sufficient funds to complete the acquisition of IGH under the IGH Option Agreement. In the event the board of directors authorizes the exercise of the IGH Option, the Company will need to undertake one or more equity or debt financings or secure alternative financing prior to exercise in order to satisfy the purchase price for the acquisition of IGH. There is no assurance that the Company will be able to secure additional financing on terms acceptable to the Company or at all.

CannAssist Earn-In

There is no guarantee that the Company or CannAssist will be able to satisfy all of the conditions necessary to complete the CannAssist Earn-In. Specifically, the CannAssist Earn-In is conditional upon CannAssist receiving approval from the Commonwealth of Massachusetts to grow and sell cannabis for recreational purposes at the Leicester Facility, regulatory approval of the transfer of the 80% membership interest from CannAssist to the Company, and CannAssist having no debt as of the date a definitive agreement in respect of the CannAssist Earn-In is signed. There is no guarantee that the Company will be able to negotiate a definitive agreement on terms favourable to the Company or at all. Failure to complete one or all of these conditions or to enter into a definitive agreement with respect to the CannAssist Earn-In would materially affect the Company's ability to complete the CannAssist Earn-In.

Limited Recourse against vendors of Alternative Solutions

Investors in the Company will not have a direct statutory right or any other rights against the vendors of Alternative Solutions (the "**Vendors**"). The sole remedy of the investors against the vendors of Alternative Solutions will be through the Company bringing an action for a breach of the representations and warranties contained in the Acquisition Agreement. While the Company is indemnified for breaches of representations and warranties contained in the Acquisition Agreement, recourse for such breaches may be limited due to qualifications related to knowledge of the Vendors, contractual and time limits on recourse under applicable laws, and the ability of the Vendors to satisfy third-party claims. In particular, most of the representations and warranties under the Acquisition Agreement survive for a period of only one year. The inability to recover fully any significant liabilities incurred with respect to breaches of representations and warranties under the Acquisition Agreement may have adverse effects on the Company's financial position. In addition, the Vendors have not made any representation to the Company, and are not making any representation to investors, as to the disclosure in this Prospectus constituting full, true and plain disclosure of all material facts related to the Acquisition, or that this Prospectus does not contain a misrepresentation with respect to such Acquisition. Accordingly, the Vendors will not have any liability to investors if the disclosure in this Prospectus relating to the Acquisition does not meet such standard or contains a misrepresentation.

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

The Company has grown by acquiring Alternative Solutions. The consummation and integration of any acquired business, product or other assets into the Company may be complex and time consuming and, if Alternative

Solutions and its assets are not successfully integrated, the Company may not achieve the anticipated benefits, cost-savings or growth opportunities. Furthermore, the Acquisition and other arrangements, even if successfully integrated, may fail to further the Company's business strategy as anticipated, expose the Company to increased competition or other challenges with respect to the Company's products or geographic markets, and expose the Company to additional liabilities associated with an acquired business, technology or other asset or arrangement.

When the Company acquires cannabis businesses, it may obtain the rights to applications for licences as well as licences; however, the procurement of such applications for licences and licences generally will be subject to governmental and regulatory approval. There are no guarantees that the Company will successfully consummate such acquisitions, and even if the Company consummates such acquisitions, the procurement of applications for licences may never result in the grant of a licence by any state or local governmental or regulatory agency and the transfer of any rights to licences may never be approved by the applicable state and/or local governmental or regulatory agency.

The Company cannot assure you that a market will continue to develop or exist for our Common Shares or what the market price of our Common Shares will be.

Prior to our listing, there will be no public trading market for our Common Shares in Canada, and we cannot assure you that one will continue to develop or be sustained. If a market does not continue to develop or is not sustained, it may be difficult for you to sell your shares of Common Shares in Canada at an attractive price or at all. We cannot predict the prices at which our Common Shares will trade.

Holding Company

The Company is a holding company and essentially all of its assets are the capital stock of its material subsidiaries. As a result, investors in the Company are subject to the risks attributable to its subsidiaries. Consequently, the Company's cash flows and ability to complete current or desirable future enhancement opportunities are dependent on the earnings of its subsidiaries and investments and the distribution of those earnings to the Company. The ability of these entities to pay dividends and other distributions will depend on their operating results and will be subject to applicable laws and regulations which require that solvency and capital standards be maintained by such companies and contractual restrictions contained in the instruments governing their debt. In the event of a bankruptcy, liquidation or reorganization of any of the Company's material subsidiaries, holders of indebtedness and trade creditors may be entitled to payment of their claims from the assets of those subsidiaries before the Company.

Limited Operating History

The Company and its subsidiaries have varying and limited operating histories, which can make it difficult for investors to evaluate the Company's operations and prospects and may increase the risks associated with investment into the Company.

The Company has not generated significant profits or revenues in the periods covered by its financial statements included herein, and, as a result, has only a very limited operating history upon which its business and future prospects may be evaluated. Although the Company expects to generate some revenues from its subsidiaries, the subsidiaries will only start generating revenues in future periods and accordingly, the Company is therefore expected to remain subject to many of the risks common to early-stage enterprises for the foreseeable future, including challenges related to laws, regulations, licensing, integrating and retaining qualified employees; making effective use of limited resources; achieving market acceptance of existing and future solutions; competing against companies with greater financial and technical resources; acquiring and retaining customers; and developing new solutions. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early stage of operations.

Liability, Enforcement Complaints, etc.

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

Market for the Special Warrants and the Warrants

There is no market through which the Special Warrants or Warrants may be sold and purchasers may not be able to resell the Special Warrants or the Warrants acquired pursuant to the Offering. This may affect the pricing of the Special Warrants or the Warrants in the secondary market, the transparency and availability of trading prices, the liquidity and the extent of issuer regulation.

A positive return in an investment in the Special Warrants, the Common Shares or the Warrants is not guaranteed

There is no guarantee that an investment in the Special Warrants, the Common Shares or the Warrants will earn any positive return in the short term or long term. A purchase under the Offering involves a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. An investment in the Special Warrants, the Common Shares or the Warrants is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment

Reputational Risks to Third Parties

The parties with which the Company does business may perceive that they are exposed to reputational risk as a result of the Company's medical marijuana business activities. While the Company has other banking relationships and believes that the services can be procured from other institutions, the Company may in the future have difficulty establishing or maintaining bank accounts or other business relationships. Failure to establish or maintain business relationships could have a material adverse effect on the Company.

Unfavorable Publicity or Consumer Perception

The Company believes the medical marijuana industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the marijuana produced. Consumer 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 medical marijuana and on the business, results of operations, financial condition, cash flows or prospects of the Company. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of marijuana in general, or associating the consumption of 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.

Research and Development

Before the Company can obtain regulatory approval for the commercial sale of any of its products, it will be required to complete extensive trial testing to demonstrate safety and efficacy. Depending on the exact nature of trial testing, such trials can be expensive and are difficult to design and implement. The testing process is also time consuming and can often be subject to unexpected delays.

The timing and completion of trial testing may be subject to significant delays relating to various causes, including: inability to manufacture or obtain sufficient quantities of units and or test subjects for use in trial testing; delays arising from collaborative partnerships; delays in obtaining regulatory approvals to commence a study, or government intervention to suspend or terminate a study; delays, suspensions or termination of trial testing due to the applicable institutional review board or independent ethics board responsible for overseeing the study to protect research subjects; delays in identifying and reaching agreement on acceptable terms with prospective trial testing sites and subjects; variability in the number and types of subjects available for each study and resulting difficulties in identifying and enrolling subjects who meet trial eligibility criteria; scheduling conflicts; difficulty in maintaining contact with subjects after testing, resulting in incomplete data; unforeseen safety issues or side effects; lack of efficacy during trial testing; reliance on research organizations to conduct trial testing, which may not conduct such trials with good laboratory practices; or other regulatory delays.

Difficulty in Developing Products

If the Company cannot successfully develop, manufacture and distribute its products, or if the Company experiences difficulties in the development process, such as capacity constraints, quality control problems or other disruptions, the Company may not be able to develop market-ready commercial products at acceptable costs, which would adversely affect the Company's ability to effectively enter the market. A failure by the Company to achieve a low-cost structure through economies of scale or improvements in cultivation and manufacturing processes would have a material adverse effect on the Company's commercialization plans and the Company's business, prospects, results of operations and financial condition.

Success of New and Existing Products and Services

The Company has committed, and expects to continue to commit, significant resources and capital to develop and market existing product and service enhancements and new products and services. These products and services are relatively untested, and the Company guarantee that it will achieve market acceptance for these products and services, or other new products and services that we may offer in the future. Moreover, these and other new products and services may be subject to significant competition with offerings by new and existing competitors in the business of manufacturing and distributing vaporizers and accessories. In addition, new products, services and enhancements may pose a variety of technical challenges and require us to attract additional qualified employees. The failure to successfully develop and market these new products, services or enhancements or to hire qualified employees could seriously harm our business, financial condition and results of operations.

Continued Market Acceptance by Consumers

The Company is substantially dependent on continued market acceptance of its products by consumers. Although the Company believe that the use of products similar to the products designed and manufactured by the Company is gaining international acceptance, the Company cannot predict the future growth rate and size of this market.

Promoting and Maintaining Brands

The Company believes that establishing and maintaining the brand identities of products is a critical aspect of attracting and expanding a large customer base. Promotion and enhancement of brands will depend largely on success in continuing to provide high quality products. If customers and end users do not perceive the Company's products to be of high quality, or if the Company introduces new products or enters into new business ventures that are not favorably received by customers and end users, the Company will risk diluting brand identities and decreasing their attractiveness to existing and potential customers. Moreover, in order to attract and retain customers and to promote and maintain brand equity in response to competitive pressures, the Company may have to increase substantially financial commitment to creating and maintaining a distinct brand loyalty among customers. If the Company incurs significant expenses in an attempt to promote and maintain brands, the business, results of operations and financial condition could be adversely affected.

Director and Officer Control of Common Shares

The officers and directors of the Company currently own approximately 30.26% of the issued and outstanding Common Shares. The Company's shareholders nominate and elect the Board, which generally has the ability to control the acquisition or disposition of the Company's assets, and the future issuance of its Common Shares or other securities. Accordingly, for any matters with respect to which a majority vote of the Common Shares may be required by law, the Company's directors and officers may have the ability to control such matters. Because the directors and officers control a substantial portion of such Common Shares, investors may find it difficult or impossible to replace the Company's directors if they disagree with the way the Company's business is being operated.

Results of Future Clinical Research

Research in Canada, the U.S. and internationally regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis or isolated cannabinoids (such as CBD and THC) remains in early stages. There have been relatively few clinical trials on the benefits of cannabis or isolated cannabinoids (such as CBD and THC). Although the Company believes that the articles, reports and studies support its beliefs regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis, future research and clinical trials may prove such statements to be incorrect, or could raise concerns regarding, and perceptions relating to, cannabis. Given these risks, uncertainties and assumptions, prospective purchasers of the Common Shares 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 the Company's products with the potential to lead to a material adverse effect on the Company's business, financial condition, results of operations or prospects.

Reliance on Key Inputs

The manufacturing business is dependent on a number of key inputs and their related costs including raw materials and supplies related to product development and manufacturing operations. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition, results of operations or prospects of the Company. Some of these inputs may only be available from a single supplier or a limited group of suppliers. If a sole source supplier was to go out of business, the Company might be unable to find a replacement for such source in a timely manner or at all. If a sole source supplier were to be acquired by a competitor, that competitor may elect not to sell to the Company in the future. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the business, financial condition, results of operations or prospects of the Company.

Environmental Regulations

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

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

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

Agricultural Risks

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

Vulnerability to Rising Energy Costs

Adult-use and medical marijuana growing operations consume considerable energy, making the Company potentially vulnerable to rising energy costs. Rising or volatile energy costs may adversely impact the business, results of operations, financial condition or prospects of the Company.

Dependence on Suppliers and Skilled Labour

The ability of the Company to compete and grow will be dependent on it having access, at a reasonable cost and in a timely manner, to skilled labour, equipment, parts and components. No assurances can be given that the Company will be successful in maintaining its required supply of skilled labour, equipment, parts and components. It is also possible that the final costs of the major equipment contemplated by the Company's capital expenditure plans may be significantly greater than anticipated by the Company's Management, and may be greater than funds available to the Company, in which circumstance the Company may curtail, or extend the timeframes for completing, its capital expenditure plans. This could have an adverse effect on the business, financial condition, results of operations or prospects of the Company.

Difficult to Forecast

The Company must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the industry. A failure in the demand for its products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations, financial condition or prospects of the Company.

Management of Growth

The Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with this growth may have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

Internal Controls

Effective internal controls are necessary for the Company to provide reliable financial reports and to help prevent fraud. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Company's results of operations or cause it to fail to meet its reporting obligations. If the Company or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Company's Consolidated Financial Statements and materially adversely affect the trading price of the Common Shares.

Conflicts of Interest

Certain of the directors and officers of the Company are, or may become directors and officers of other companies, and conflicts of interest may arise between their duties as officers and directors of the Company and as officers and directors of such other companies.

Litigation

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

Product Liability

As a distributor of products designed to be ingested by humans, the Company faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. In addition, the sale of the Company's 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 the Company's products alone or in combination with other medications or substances could occur. The Company may be subject to various product liability claims, including, among others, that the Company's products caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances.

A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally, and could have a material adverse effect on our results of operations and financial condition of the Company. Although the Company has secured product liability insurance, and strictly enforces a quality standard within the operations, there can be no assurances that the Company will be able to maintain its product liability insurance on acceptable terms or with adequate coverage against potential liabilities. This scenario could prevent or inhibit the commercialization of the Company's potential products. To date, there have been no product related issues.

Product Recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If any of the Company’s products are recalled due to an alleged product defect or for any other reason, the Company could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Company may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant Management attention. Although the Company has detailed procedures in place for testing finished products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of the Company's significant brands were subject to recall, the image of that brand and the Company as its owner could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for the Company's products and could have a material adverse effect on the results of operations and financial condition of the Company. Additionally, product recalls may lead to increased scrutiny of the Company's operations by the U.S. FDA, Health Canada or other regulatory agencies, requiring further Management attention and potential legal fees and other expenses.

Intellectual Property Risks

The Company's viability will depend, in part, on our ability to develop and maintain the proprietary aspects of our technology to distinguish our products from our competitors’ products. The Company has certain proprietary intellectual property, including but not limited to brands, trademarks, trade names, patents and proprietary processes. The Company will rely on this intellectual property, know-how and other proprietary information, and may require employees, consultants and suppliers to sign confidentiality agreements. However, any confidentiality agreement may be breached, and the Company may not have adequate remedies for such breaches. Third parties may independently develop substantially equivalent proprietary information without infringing upon any proprietary technology. Third parties may otherwise gain access to the Company’s proprietary information and adopt it in a competitive manner. Any loss of intellectual property protection may have a material adverse effect on the Company’s business, results of operations or prospects.

As long as cannabis remains illegal under U.S. federal law as a Schedule I controlled substance pursuant to the *Controlled Substances Act*, the benefit of certain federal laws and protections which may be available to most businesses, such as federal trademark and patent protection regarding the intellectual property of a business, may not be available to the Company. As a result, the Company’s intellectual property may never be adequately or sufficiently protected against the use or misappropriation by third parties. In addition, since the regulatory framework of the cannabis industry is in a constant state of flux, the Company can provide no assurance that it will ever obtain any protection of its intellectual property, whether on a federal, state, provincial and/ or local level.

The Company may also find it necessary to bring infringement or other actions against third parties to seek to protect its intellectual property rights. Litigation of this nature, even if successful, is often expensive and time-consuming to prosecute and there can be no assurance that the Company will have the financial or other resources to enforce the Company's rights or prevent other parties from developing similar technology or designing around our intellectual property. Although we believe that the Company's technology does not and will not infringe upon the patents or violate the proprietary rights of others, it is possible such infringement or violation has occurred or may occur, which could have a material adverse effect on the Company's business.

The Company is not aware of any infringement by us of any person's or entity's intellectual property rights. In the event that products the Company sells are deemed to infringe upon the patents or proprietary rights of others, the Company could be required to modify its products or obtain a license for the manufacture and/or sale of such products or cease selling such products. In such event, there can be no assurance that the Company would be able to do so in a timely manner, upon acceptable terms and conditions, or at all, and the failure to do any of the foregoing could have a material adverse effect upon the Company's business.

There can be no assurance that the Company will have the financial or other resources necessary to enforce or defend a patent infringement or proprietary rights violation action. If the Company's products or proposed products are deemed to infringe or likely to infringe upon the patents or proprietary rights of others, the Company could be subject to injunctive relief and, under certain circumstances, become liable for damages, which could also have a material adverse effect on the Company's business and financial condition.

Fraudulent Or Illegal Activity by Employees, Contractors And Consultants

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

Information Technology Systems and Cyber-Attacks

The Company's operations depend, in part, on how well it and its suppliers protect networks, equipment, IT systems and software against damage from a number of threats, including, but not limited to, cable cuts, damage to physical plants, natural disasters, intentional damage and destruction, fire, power loss, hacking, computer viruses, vandalism and theft. The Company's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, delays and/or increase in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact the Company's reputation and results of operations.

The Company has not experienced any material losses to date relating to cyber-attacks or other information security breaches, but there can be no assurance that the Company will not incur such losses in the future. The Company's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access is a priority. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

Security Breaches

Given the nature of the Company's product and its lack of legal availability outside of channels approved by the Government of the United States, as well as the concentration of inventory in its facilities, despite meeting or exceeding all legislative security requirements, there remains a risk of shrinkage as well as theft. A security breach at one of the Company's facilities could expose the Company to additional liability and to potentially costly litigation, increase expenses relating to the resolution and future prevention of these breaches and may deter potential patients from choosing the Company's products.

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

Market Price Volatility Risks

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

Liquidity Risk

In the United States, the Company's Common Shares trade on the OTCQB. The OTCQB is an inter-dealer, over-the-counter market that provides significantly less liquidity than other national or regional exchanges. Securities traded on the OTCQB are usually thinly traded, highly volatile, have fewer market makers and are not followed by analysts. The SEC's order handling rules, which apply to NASDAQ-listed securities, do not apply to securities quoted on the OTCQB. Quotes for stocks listed on the OTCQB are not listed in newspapers. Therefore, prices for securities traded solely on the OTCQB may be difficult to obtain and holders of the Company's securities may be unable to resell their securities at or near their original acquisition price, or at any price.

The Company cannot predict at what prices the Common Shares of the Company will trade and there can be no assurance that an active trading market will develop or be sustained. The CSE has conditionally approved the listing of the Common Shares of the Company, including the Unit Shares and the Warrant Shares issuable upon exercise of the Warrants. Listing will be subject to the Company fulfilling all of the listing requirements of the CSE, which cannot be guaranteed and final approval of the CSE has not yet been obtained. There is a significant liquidity risk associated with an investment in the Company.

SEC "Penny Stock" Regulations

The Company's securities may be "penny stocks". The SEC has adopted Rule 15g-9 which generally defines "penny stock" to be any equity security that has a market price (as defined) less than $5.00 per share or an exercise price of less than $5.00 per share, subject to certain exceptions. The Common Shares are covered by the penny stock rules, which impose additional sales practice requirements on broker-dealers who sell to persons other than established customers and "accredited investors". The term "accredited investor" refers generally to institutions with assets in excess of $5,000,000 or individuals with a net worth in excess of $1,000,000 or annual income exceeding $200,000 or $300,000 jointly with their spouse. The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document in a form prepared by the SEC which provides information about penny stocks and the nature and level of risks in the penny stock market. The broker-dealer also must provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson in the transaction and monthly account statements showing the market value of each penny stock held in the customer's account. The bid and offer quotations, and the broker-dealer and salesperson compensation information, must be given to the customer orally or in writing prior to effecting the transaction and must be given to the customer in writing before or with the customer's confirmation. In addition, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from these rules, the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction. These disclosure requirements may have the effect of reducing the level of trading activity in the secondary market for the securities of the Company that are captured by the penny stock rules. Consequently, the penny stock rules may affect the ability of broker-dealers to trade the Company's securities. Management believes that the penny stock rules could discourage investor interest in and limit the marketability of our Common Shares.

FINRA Sales Practice Requirements

FINRA has adopted rules that require a broker-dealer to have reasonable grounds for believing that an investment is suitable for a customer before recommending an investment to a customer. Prior to recommending speculative, low priced securities to non-institutional customers, broker-dealers must make reasonable efforts to obtain information about the customer's financial status, tax status, investment objectives, and other information. Pursuant to the interpretation of these rules, FINRA believes that there is a high probability that speculative, low priced securities will not be suitable for at least some customers. Thus, the FINRA requirements make it more difficult for broker-dealers to recommend the Common Shares to customers which may limit an investor's ability to buy and sell the Common Shares, have an adverse effect on the market for the Common Shares, and thereby negatively impact the price of the Common Shares.

Operating Risks and Insurance

The Company's operations are subject to hazards inherent in the medical marijuana industry, such as equipment defects, malfunction and failures, natural disasters which result in fires, accidents and explosions that can cause personal injury, loss of life, suspension of operations, damage to facilities, business interruption and damage to or destruction of property, equipment and the environment, labour disputes, and changes in the regulatory environment. These risks could expose the Company to substantial liability for personal injury, wrongful death, property damage, pollution, and other environmental damages. The frequency and severity of such incidents will affect operating costs, insurability and relationships with customers, employees and regulators.

The Company continuously monitors its operations for quality control and safety. However, there are no assurances that the Company's safety procedures will always prevent such damages. Although the Company maintains insurance coverage that it believes to be adequate and customary in the industry, there can be no assurance that such insurance will be adequate to cover its liabilities. In addition, there can be no assurance that the Company will be able to maintain adequate insurance in the future at rates it considers reasonable and commercially justifiable. The occurrence of a significant uninsured claim, a claim in excess of the insurance coverage limits maintained by the Company, or a claim at a time when it is not able to obtain liability insurance, could have a material adverse effect on the Company, the Company's ability to conduct normal business operations and on the Company's business, financial condition, results of operations and cash flows in the future.

Uninsured or Uninsurable Risk

The Company may be subject to liability for risks against which it cannot insure or against which the Company may elect not to insure due to the high cost of insurance premiums or other factors. The payment of any such liabilities would reduce the funds available for the Company's normal business activities. Payment of liabilities for which the Company does not carry insurance may have a material adverse effect on the Company's financial position and operations.

Issuance of Debt

From time to time, the Company may enter into transactions to acquire assets or the shares of other organizations. These transactions may be financed in whole or in part with debt, which may increase the Company's debt levels above industry standards for companies of similar size. Depending on future exploration and development plans, the Company may require additional equity and/or debt financing that may not be available or, if available, may not be available on favourable terms to the Company. Neither the Company's articles nor its by-laws limit the amount of indebtedness that the Company may incur. As a result, the level of the Company's indebtedness from time to time, could impair its ability to obtain additional financing on a timely basis to take advantage of business opportunities that may arise.

Dilution

The Company may make future acquisitions or enter into financings or other transactions involving the issuance of securities of the Company which may be dilutive to the other shareholders and any new equity securities issued could have rights, preferences and privileges superior to those of holders of Common Shares.

Financial Projections May Prove Materially Inaccurate or Incorrect

The Company's financial estimates, projections and other forward-looking information accompanying this Prospectus were prepared by the Company without the benefit of reliable historical industry information or other information customarily used in preparing such estimates, projections and other forward-looking information. Such forward-looking information is based on assumptions of future events that may or may not occur, which assumptions may not be disclosed in such documents. Investors should research the Company and become familiar with the assumptions underlying any estimates, projections or other forward-looking information. Projections are inherently subject to varying degrees of uncertainty and their achievability depends on the timing and probability of a complex series of future events. There is no assurance that the assumptions upon which these projections are based will be realized. Actual results may differ materially from projected results for a number of reasons including increases in operation expenses, changes or shifts in regulatory rules, undiscovered and unanticipated adverse industry and economic conditions, and unanticipated competition. Accordingly, investors should not rely on any projections to indicate the actual results the Company might achieve.

Certain Remedies and Rights to Indemnification may be Limited

The Company's governing documents provide that the liability of its Board and officers is eliminated to the fullest extent allowed under the laws of the State of Nevada. Thus, the Company and the shareholders of the Company may be prevented from recovering damages for alleged errors or omissions made by the members of the Board and its officers. The Company's governing documents also provide that the Company will, to the fullest extent permitted by law, indemnify members of the Board and its officers for certain liabilities incurred by them by virtue of their acts on behalf of the Company.

Customer Acquisitions

The Company's success depends on its ability to attract and retain customers. There are many factors which could impact the Company's ability to attract and retain clients, including but not limited to the Company's ability to continually produce desirable and effective products, the successful implementation of the Company's client-acquisition plan and continued growth in the aggregate number of patients selecting medical marijuana as a treatment option. The Company's failure to acquire and retain patients as customers would have a material adverse effect on the Company's business, operating results and financial condition.

Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company's secured debt and borrowings are all at fixed interest rates, therefore the interest rate risk is limited to potential changes on cash held with financial institutions. As interest on these balances is negligible, the Company considers interest rate risk to be immaterial.

Credit Risk

The Company is exposed to credit risk through its cash and cash equivalents. Credit risk arises from deposits with banks and outstanding receivables. The Company does not hold any collateral as security but mitigates this risk by dealing only with what Management believes to be financially sound counterparties and, accordingly, does not anticipate significant loss for non-performance.

Risks Related to Our Business and Industry

Regulatory Regime

The business and activities of the Company are heavily regulated in Nevada. The Company's operations are subject to various laws, regulations and guidelines by governmental authorities, relating to the manufacture, marketing, management, transportation, storage, sale, pricing and disposal of medical marijuana and cannabis oil, and also including laws and regulations relating to health and safety, insurance coverage, the conduct of operations and the protection of the environment. Laws and regulations, applied generally, grant the NV DOT and self-regulatory bodies broad administrative discretion over the activities of the Company, including the power to limit or restrict business activities as well as impose additional disclosure requirements on the Company's products and services. Achievement of the Company's business objectives is contingent, in part, upon compliance with regulatory requirements enacted by the NV DOT and other governmental authorities and obtaining all regulatory approvals from the NV DOT and other governmental authorities, where necessary, for the sale of its cannabis products. Similarly, the Company cannot predict the time required to secure all appropriate regulatory approvals for its products or licenses, including Oasis' application for new dispensary licenses in Nevada, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain regulatory approvals or licenses, including Oasis' application for new dispensary licenses in Nevada, would significantly delay the development of markets and products and could have a material adverse effect on the business, results of operations and financial condition of the Company.

The Company will incur ongoing costs and obligations related to regulatory compliance and obtaining new licenses. Failure to comply with regulations may lead to possible sanctions including the revocation or imposition of additional conditions on licenses to operate the Company's business, the suspension or expulsion from the Nevada cannabis market or of its key personnel, and the imposition of fines and censures. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

Changes in Laws, Regulations and Guidelines

The Company's operations are subject to various laws, regulations, guidelines and licensing requirements relating to the production, manufacture, sale, distribution, management, transportation, storage and disposal of medical marijuana, as well as being subject to laws and regulations relating to health and safety, the conduct of operations and the protection of the environment. While to the knowledge of Management the Company is currently in compliance with all such laws, any changes to such laws, regulations, guidelines and policies due to matters beyond the control of the Company could have a material adverse effect on the business, results of operations and financial condition of the Company.

U.S. border officials could deny entry into the U.S. to employees of or investors in companies with cannabis operations in the United States and Canada.

Because cannabis remains illegal under U.S. federal law, those employed at or investing in legal and licensed Canadian cannabis companies could face detention, denial of entry or lifetime bans from the U.S. for their business associations with U.S. cannabis businesses. Entry happens at the sole discretion of U.S. Customs and Border Protection ("**CBP**") officers on duty, and these officers have wide latitude to ask questions to determine the admissibility of a foreign national. The government of Canada has started warning travelers on its website that previous use of cannabis, or any substance prohibited by U.S. federal laws, could mean denial of entry to the U.S. Business or financial involvement in the legal cannabis industry in Canada or in the United States could also be reason enough for U.S. border guards to deny entry. On September 21, 2018, CBP released a statement outlining its current position with respect to enforcement of the laws of the United States. It stated that Canada's legalization of cannabis will not change CBP enforcement of United States laws regarding controlled substances and because cannabis continues to be a controlled substance under United States law, working in or facilitating the proliferation of the legal marijuana industry in U.S. states where it is deemed legal or Canada may affect admissibility to the U.S. As a result, CBP has affirmed that, employees, directors, officers, managers and investors of companies involved in business activities related to cannabis in the U.S. or Canada (such as the Company), who are not U.S. citizens face the risk of being barred from entry into the United States for life. On October 9, 2018, CBP released an additional statement regarding the admissibility of Canadian citizens working in the legal cannabis industry. CBP stated that a Canadian citizen working in or facilitating the proliferation of the legal cannabis industry in Canada coming into the U.S. for reasons unrelated to the cannabis industry will generally be admissible to the U.S.; however, if such person is found to be coming into the U.S. for reasons related to the cannabis industry, such person may be deemed inadmissible.

Volatility of Industry Conditions

Industry conditions are influenced by numerous factors over which the Company has no control, including the level of medical marijuana prices, expectations about future medical marijuana prices and production, the cost of producing and delivering medical marijuana; any rates of declining current production, political, regulatory and economic conditions; alternative fuel requirements; and the ability of medical marijuana companies to raise equity capital or debt financing.

The level of activity in the medical marijuana industry is volatile. No assurance can be given that expected trends in medical marijuana production and sales activities will continue or that demand for medical marijuana will reflect the level of activity in the industry. Any prolonged substantial reduction in medical marijuana prices would likely affect medical marijuana production levels and therefore affect the demand for medical marijuana. A material decline in medical marijuana prices or industry activity could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows.

Reliance on securing agreements with Licensed Producers

The regulatory framework in most states restricts the Company from obtaining a license to grow, store and sell marijuana products. As such, the Company relies on securing agreements with licensed producers in the targeted jurisdictions that have been able to obtain a license with the appropriate regulatory authorities. Failure of a licensed producer to comply with the requirements of their license or any failure to maintain their license would have a material adverse impact on the business, financial condition and operating results of the Company. Should the regulatory authorities not grant a license or grant a license on different terms unfavorable to the licensed producers, and should the Company be unable to secure alternative licensed producers, the business, financial condition and results of the operation of the Company would be materially adversely affected.

Regulation

The activities of the Company are subject to regulation by governmental authorities. Achievement of the Company's business objectives are contingent, in part, upon compliance with regulatory requirements enacted by these governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products. The Company cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the business, results of operations and financial condition of the Company.

The Company's operations are subject to a variety of laws, regulations and guidelines relating to the manufacture, management, transportation, storage and disposal of marijuana but also including laws and regulations relating to health and safety, the conduct of operations and the protection of the environment. The Company cannot predict the nature of any future laws, regulations, interpretations, policies or applications, nor can it determine what effect additional governmental regulations or administrative interpretations or procedures, when and if promulgated, could have on the Company's operations.

Changes to such laws, regulations and guidelines due to matters beyond the control of the Company may cause adverse effects to the Company's operations.

Local, state and federal laws and regulations governing marijuana for medicinal and adult use purposes are broad in scope and are subject to evolving interpretations, which could require the Company to incur substantial costs associated with bringing the Company's operations into compliance. In addition, violations of these laws, or allegations of such violations, could disrupt the Company's operations and result in a material adverse effect on its financial performance. It is beyond the Company's scope to predict the nature of any future change to the existing laws, regulations, policies, interpretations or applications, nor can the Company determine what effect such changes, when and if promulgated, could have on the Company's business.

Local regulation could change and negatively impact on the Company's operations

Most U.S. states that permit marijuana for adult use or medical use provide local municipalities with the authority to prevent the establishment of medical or adult use marijuana businesses in their jurisdictions. If local municipalities where the Company or any licensed producers with which the Company does business have established facilities decide to prohibit marijuana businesses from operating, the Company or the licensed producers could be forced to relocate operations at great cost to the Company, and the Company or any licensed producers with which the Company does business may have to cease operations in such state entirely if alternative facilities cannot be secured.

Access to Banks

The Company may have difficulty accessing the service of banks, which may make it challenging to operate efficiently. As the result of U.S. federal prohibitions on marijuana and concerns in the banking industry regarding money laundering and other federal financial crime related to marijuana, the access to U.S. banking system which include, but not limited to, inability to deposit funds in federally insured and licensed banking institutions have been restricted. Consequently, businesses involved in the marijuana industry often have difficulty finding a bank willing to service their businesses or access to credit card processing services. As a result, marijuana businesses in the U.S. are largely cash-based which complicates the implementation of financial controls and increases security and safety issues. The Company's inability to manage such risks may adversely affect the Company's operations and financial performance.

New Well-Capitalized Entrants may Develop Large-Scale Operations

Currently, the marijuana industry generally is comprised of individuals and small to medium-sized entities, however, the risk remains that large conglomerates and companies who also recognize the potential for financial success through investment in this industry could strategically purchase or assume control of larger dispensaries and cultivation facilities. In doing so, these larger competitors could establish price setting and cost controls which would effectively “price out” many of the individuals and small to medium-sized entities who currently make up the bulk of the participants in the varied businesses operating within and in support of the medical marijuana industry. While the trend in most state laws and regulations seemingly deters this type of takeover, this industry remains quite nascent, so what the landscape will be in the future remains largely unknown, which in itself is a risk.

The Company’s proposed business plan is subject to all business risks associated with new business enterprises, including the absence of any significant operating history upon which to evaluate an investment. The likelihood of the Company’s success must be considered in light of the problems, expenses, difficulties, complications and delays frequently encountered in connection with the formation of a new business, the development of new strategy and the competitive environment in which the Company will operate. It is possible that the Company will incur losses in the future. There is no guarantee that the Company will be profitable.

Constraints on Marketing Products

The development of the Company’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 United States limits companies’ abilities to compete for market share in a manner similar to other industries. If the Company is unable to effectively market its products and compete for market share, or if the costs of compliance with government legislation and regulation cannot be absorbed through increased selling prices for its products, the Company’s sales and results of operations could be adversely affected.

Environmental Risk and Regulation

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

Government approvals and permits are currently, and may in the future, be required in connection with the Company's operations. To the extent such approvals are required and not obtained, the Company may be curtailed or prohibited from its proposed production of 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. The Company may be required to compensate those suffering loss or damage by reason of its operations and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

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

Public Opinion and Perception

Government policy changes or public opinion may also result in a significant influence over the regulation of the cannabis industry in the United States or elsewhere. Public opinion and support for medical and adult-use marijuana has traditionally been inconsistent and varies from jurisdiction to jurisdiction. While public opinion and support appears to be rising for legalizing medical and adult-use marijuana, it remains a controversial issue subject to differing opinions surrounding the level of legalization (for example, medical marijuana as opposed to legalization in general). A negative shift in the public's perception of cannabis in the United States or any other applicable jurisdiction could affect future legislation or regulation. Among other things, such a shift could cause state jurisdictions to abandon initiatives or proposals to legalize medical and/or adult-use cannabis, thereby limiting the number of new state jurisdictions into which the Company could expand. Any inability to fully implement the Company's expansion strategy may have a material adverse effect on its business, results of operations or prospects.

Reliable Data on the Medical Marijuana Industry is not Available

As a result of recent and ongoing regulatory and policy changes in the medical marijuana 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 the Company 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 the Company's Management team as of the date of this document.

Economic Environment

The Company's operations could be affected by the economic context should the unemployment level, interest rates or inflation reach levels that influence consumer trends, and consequently, impact the Company's sales and profitability. As well, general demand for banking services and alternative banking or financial services cannot be predicted and future prospects of such areas might be different from those predicted by the Company's Management.

Global Financial Conditions

Following the onset of the credit crisis in 2008, global financial conditions were characterized by extreme volatility and several major financial institutions either went into bankruptcy or were rescued by governmental authorities. While global financial conditions subsequently stabilized, there remains considerable risk in the system given the extraordinary measures adopted by government authorities to achieve that stability. Global financial conditions could suddenly and rapidly destabilize in response to future economic shocks, as government authorities may have limited resources to respond to future crises.

Future economic shocks may be precipitated by a number of causes, including a rise in the price of oil, geopolitical instability and natural disasters. Any sudden or rapid destabilization of global economic conditions could impact the Company's ability to obtain equity or debt financing in the future on terms favourable to the Company. Additionally, any such occurrence could cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. Further, in such an event, the Company's operations and financial condition could be adversely impacted.

Furthermore, general market, political and economic conditions, including, for example, inflation, interest and currency exchange rates, structural changes in the cannabis industry, supply and demand for commodities, political developments, legislative or regulatory changes, social or labour unrest and stock market trends will affect the Company's operating environment and its operating costs, profit margins and share price. Any negative events in the global economy could have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

Cannabis Continues to be a Controlled Substance under the United States Federal Controlled Substances Act

The Company will be directly engaged in the medical and adult-use cannabis industry in the U.S. where local state law permits such activities however all such activities remain illegal under federal law in the U.S.. Investors are cautioned that in the U.S., cannabis is highly regulated at the state level. To our knowledge, there are to date a total of 30 states, and the District of Columbia, Puerto Rico and Guam that have legalized medical cannabis in some form, including California, although not all states have fully implemented their legalization programs. Nine states and the District of Columbia have legalized cannabis for adult use. Fifteen additional states have legalized high-CBD, low THC oils for a limited class of patients. Notwithstanding the permissive regulatory environment of cannabis at the state level, cannabis continues to be categorized as a Schedule I controlled substance under the Controlled Substances Act (codified in 21 U.S.C.A. Section 812). Under United States federal law, a Schedule I drug is considered to have a high potential for abuse, no accepted medical use in the United States, and a lack of accepted safety for the use of the substance under medical supervision. **Federal law prohibits commercial production and sale of all Schedule I controlled substances, and as such, cannabis-related activities, including without limitation, the importation, cultivation, manufacture, distribution, sale and possession of cannabis remain illegal under U.S. federal law. It is also illegal to aid or abet such activities or to conspire or attempt to engage in such activities. Strict compliance with state and local laws with respect to cannabis may neither absolve the Company of liability under U.S. federal law, nor provide a defense to any federal proceeding brought against the Company. An investor's contribution to and involvement in such activities may result in federal civil and/or criminal prosecution, including, but not limited to, forfeiture of his, her or its entire investment, fines and/or imprisonment. The enforcement of relevant laws is a significant risk to any investment in securities of the Company.**

An appropriations rider contained in the fiscal year 2015, 2016, 2017, and 2018 Consolidated Appropriations Acts provides budgetary constraints on the federal government's ability to interfere with the implementation of state-based medical cannabis laws. The Ninth Circuit Court of Appeals and other courts have interpreted the language to mean that the DOJ cannot expend funds to prosecute state-law-abiding medical cannabis operators complying strictly with state medical cannabis laws. The Amendment prohibits the federal government from using congressionally appropriated funds to prevent states from implementing their own medical cannabis laws. The Amendment remains in effect through September 30, the end of the 2018 fiscal year, at which point Congress will decide whether to approve its extension. Continued reauthorization of the Amendment is predicated on future political developments and cannot be guaranteed. If the Amendment expires, federal prosecutors could prosecute even state-compliant medical cannabis operators for conduct within the five-year statute of limitations. The Amendment does not protection to state legal adult-use cannabis businesses and the DOJ may spend funds to prosecute persons that are operating in accordance with state adult use cannabis laws.

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

Approach to the Enforcement of Cannabis Laws may be Subject to Change

As a result of the conflicting views between state legislatures and the federal government regarding cannabis, investments in, and the operations of, cannabis businesses in the U.S. are subject to inconsistent laws and regulations. The so-called "Cole Memorandum" issued by former Deputy Attorney General James Cole on August 29, 2013 and other Obama-era cannabis policy guidance, discussed below, provided the framework for managing the tension between federal and state cannabis laws. Subsequently, as discussed below, former Attorney General Jeff Sessions rescinded the Cole Memo and related policy guidance. Although no longer in effect, these policies, and the enforcement priorities established within, appear to continue to be followed during the Trump administration and remain critical factors that inform the past and future trend of state-based legalization.

The Cole Memo directed U.S. Attorneys not to prioritize the enforcement of federal cannabis laws against individuals and businesses that comply with state medical or adult-use cannabis regulatory programs, provided certain enumerated enforcement priorities (such as diversion or sale of cannabis to minors) were not implicated. In addition to general prosecutorial guidance issued by the DOJ, FinCEN issued a the FinCEN Memorandum on February 14, 2014 outlining Bank Secrecy Act-compliant pathways for financial institutions to service state-sanctioned cannabis businesses, which echoed the enforcement priorities outlined in the Cole Memorandum. On the same day the FinCEN Memorandum was published, the DOJ issued complimentary policy guidance directing prosecutors to apply the enforcement priorities of the Cole Memo when determining whether to prosecute individuals or institutions with crimes related to financial transactions involving the proceeds of cannabis-related activities.

On January 4, 2018 former Attorney General Jeff Sessions rescinded the Cole Memo, the Cole Banking Memorandum, and all other related Obama-era DOJ cannabis enforcement guidance. While the rescission did not change federal law, as the Cole Memo and other DOJ guidance documents were not themselves laws, the rescission removed the DOJ's formal policy that state-regulated cannabis businesses in compliance with the Cole Memo guidelines should not be a prosecutorial priority. Notably, former Attorney General Sessions' rescission of the Cole Memo and the Cole Banking Memorandum has not affected the status of the FinCEN Memorandum issued by the Department of Treasury, which remains in effect. In addition to his rescission of the Cole Memo, former Attorney General Sessions issued a one-page memorandum known as the "Sessions Memorandum." The Sessions Memorandum explains the DOJ's rationale for rescinding all past DOJ cannabis enforcement guidance, claiming that Obama-era enforcement policies are "unnecessary" due to existing general enforcement guidance adopted in the 1980s, in chapter 9.27.230 of the USAM. The USAM enforcement priorities, like those of the Cole Memo, are based on the use of the federal government's limited resources and include "law enforcement priorities set by the Attorney General," the "seriousness" of the alleged crimes, the "deterrent effect of criminal prosecution," and "the cumulative impact of particular crimes on the community." Although the Sessions Memorandum emphasizes that cannabis is a federally illegal Schedule I controlled substance, it does not otherwise instruct U.S. Attorneys to consider the prosecution of cannabis-related offenses a DOJ priority, and in practice, most U.S. Attorneys have not changed their prosecutorial approach to date. However, due to the lack of specific direction in the Sessions Memorandum as to the priority federal prosecutors should ascribe to such cannabis activities, there can be no assurance that the federal government will not seek to prosecute cases involving cannabis businesses that are otherwise compliant with state law.

Such potential proceedings could involve significant restrictions being imposed upon the Company or third parties, while diverting the attention of key executives. Such proceedings could have a material adverse effect on the Company's business, revenues, operating results and financial condition as well as the Company's reputation and prospects, even if such proceedings were concluded successfully in favour of the Company. In the extreme case, such proceedings could ultimately involve the criminal prosecution of key executives of the Company, the seizure of corporate assets, and consequently, the inability of the Company to continue its business operations. Strict compliance with state and local laws with respect to cannabis does not absolve the Company of potential liability under U.S. federal law, nor provide a defense to any federal proceeding which may be brought against the Company. Any such proceedings brought against the Company may adversely affect the Company's operations and financial performance.

Resignation of Former Attorney General Jeff Sessions

On November 7, 2018, Mr. Sessions tendered his resignation as Attorney General at the request of President Donald Trump. Following Mr. Sessions' resignation, Matthew Whitaker began serving as Acting United States Attorney General. It is unclear what impact, if any, Mr. Sessions' resignation will have on U.S. federal government enforcement policy on marijuana.

Uncertainty Surrounding Existing Protection from U.S. Federal Prosecution

Pursuant to the Amendment, until September 2018, the DOJ is prohibited from expending any funds to prevent states from implementing their own medical cannabis laws. If the Amendment or an equivalent thereof is not successfully included in the next or any subsequent federal omnibus spending bill, the protection which has been afforded thereby to U.S. medical cannabis businesses in the past would lapse, and such businesses would be subject to a higher risk of prosecution under federal law. Although unlikely, there is a possibility that all amendments may be banned from federal omnibus spending bills, and if this occurs and the substantive provisions of the Amendment are not included in the base federal omnibus spending bill or other law, these protections would lapse.

Anti-Money Laundering Laws and Regulations

The Company will be subject to a variety of laws and regulations domestically and in the U.S. that involve money laundering, financial recordkeeping and proceeds of crime, including the Bank Secrecy Act, as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act), the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada), as amended and the rules and regulations thereunder, the Criminal Code (Canada) and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the U.S. and Canada. Since the cultivation, manufacture, distribution and sale of cannabis remains illegal under the Controlled Substances Act, banks and other financial institutions providing services to cannabis-related businesses risk violation of federal anti-money laundering statutes (18 U.S.C. §§ 1956 and 1957), the unlicensed money-remitter statute (18 U.S.C. § 1960) and the Bank Secrecy Act, among other applicable federal statutes. Banks or other financial institutions that provide cannabis businesses with financial services such as a checking account or credit card in violation of the Bank Secrecy Act could be criminally prosecuted for willful violations of money laundering statutes, in addition to being subject to other criminal, civil, and regulatory enforcement actions. Banks often refuse to provide banking services to businesses involved in the cannabis industry due to the present state of the laws and regulations governing financial institutions in the U.S. The lack of banking and financial services presents unique and significant challenges to businesses in the cannabis industry. The potential lack of a secure place in which to deposit and store cash, the inability to pay creditors through the issuance of checks and the inability to secure traditional forms of operational financing, such as lines of credit, are some of the many challenges presented by the unavailability of traditional banking and financial services. These statutes can impose criminal liability for engaging in certain financial and monetary transactions with the proceeds of a "specified unlawful activity" such as distributing controlled substances which are illegal under federal law, including cannabis, and for failing to identify or report financial transactions that involve the proceeds of cannabis-related violations of the Controlled Substances Act. The Company may also be exposed to the foregoing risks.

As previously introduced, in February 2014, FinCEN issued the FinCEN Memo providing instructions to banks seeking to provide services to cannabis-related businesses. The FinCEN Memo states that in some circumstances, it is permissible for banks to provide services to cannabis-related businesses without risking prosecution for violation of the Bank Secrecy Act. It refers to supplementary guidance that former Deputy Attorney General James M. Cole issued to federal prosecutors relating to the prosecution of money laundering offenses predicated on cannabis-related violations of the Controlled Substances Act. Although the FinCEN Memo remains in effect today, it is unclear at this time whether the current administration will follow the guidelines of the FinCEN Memo. Overall, the DOJ continues to have the right and power to prosecute crimes committed by banks and financial institutions, such as money laundering and violations of the Bank Secrecy Act, that occur in any state, including in states that have legalized the applicable conduct and the DOJ's current enforcement priorities could change for any number of reasons. A change in the DOJ's enforcement priorities could result in the DOJ prosecuting banks and financial institutions for crimes that previously were not prosecuted. If the Company does not have access to a U.S. banking system, its business and operations could be adversely affected.

Other potential violations of federal law resulting from cannabis-related activities include the Racketeer Influenced Corrupt Organizations Act ("**RICO**"). RICO is a federal statute providing criminal penalties in addition to a civil cause of action for acts performed as part of an ongoing criminal organization. Under RICO, it is unlawful for any person who has received income derived from a pattern of racketeering activity (which includes most felonious violations of the CSA), to use or invest any of that income in the acquisition of any interest, or the establishment or operation of, any enterprise which is engaged in interstate commerce. RICO also authorizes private parties whose properties or businesses are harmed by such patterns of racketeering activity to initiate a civil action against the individuals involved. Although RICO suits against the cannabis industry are rare, a few cannabis businesses have been subject to a civil RICO action. Defending such a case has proven extremely costly, and potentially fatal to a business' operations.

In the event that any of the Company's operations, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such operations in the United States were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could restrict or otherwise jeopardize our ability to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada, and subject the Company to civil and/or criminal penalties. Furthermore, while there are no current intentions to declare or pay dividends on the Company Common Shares or the Company Compressed Shares in the foreseeable future, in the event that a determination was made that the Company's proceeds from operations (or any future operations or investments in the United States) could reasonably be shown to constitute proceeds of crime, we may decide or be required to suspend declaring or paying dividends without advance notice and for an indefinite period of time. The Company could likewise be required to suspend or cease operations entirely.

Federal and State Forfeiture Laws

Violations of any federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the federal government or private citizens, or criminal charges, including, but not limited to, seizure of assets, disgorgement of profits, cessation of business activities or divestiture. As an entity that conducts business in the cannabis industry, the Company will be potentially subject to federal and state forfeiture laws (criminal and civil) that permit the government to seize the proceeds of criminal activity. Civil forfeiture laws could provide an alternative for the federal government or any state (or local police force) that wants to discourage residents from conducting transactions with cannabis related businesses but believes criminal liability is too difficult to prove beyond a reasonable doubt. Also, an individual can be required to forfeit property considered to be the proceeds of a crime even if the individual is not convicted of the crime, and the standard of proof in a civil forfeiture matter is lower than the standard in a criminal matter. Depending on the applicable law, whether federal or state, rather than having to establish liability beyond a reasonable doubt, the federal government or the state, as applicable, may be required to prove that the money or property at issue is proceeds of a crime only by either clear and convincing evidence or a mere preponderance of the evidence.

Members of the Company located in states where cannabis remains illegal may be at risk of prosecution under federal and/or state conspiracy, aiding and abetting, and money laundering statutes, and be at further risk of losing their investments or proceeds under forfeiture statutes. Many states remain fully able to take action to prevent the proceeds of cannabis businesses from entering their state. Because state legalization is relatively new, it remains to be seen whether these states would take such action and whether a court would approve it. Members and prospective members of the Company should be aware of these potentially relevant federal and state laws in considering whether to invest in the Company.

Tax Risk

Section 280E of the Internal Revenue Code, as amended, prohibits businesses from deducting certain expenses associated with trafficking controlled substances (within the meaning of Schedule I and II of the Controlled 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.

Heightened Scrutiny by Regulatory Authorities

For the reasons set forth above, our existing operations in the United States, and any future operations or investments, may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada and the United States. As a result, the Company may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on our ability to operate or invest in the United States or any other jurisdiction, in addition to those described herein.

In the United States, many clearing houses for major broker-dealer firms, including Pershing LLC, the largest clearing, custody and settlement firm in the United States, have refused to handle securities or settle transactions of companies engaged in cannabis related business. Many other clearing firms have taken a similar approach. This means that certain broker-dealers cannot accept for deposit or settle transactions in the securities of companies, which may inhibit the ability of investors to trade in our securities and could negatively affect the liquidity of our securities.

In addition, on November 24, 2017, the TMX Group provided an update regarding issuers with marijuana-related activities in the United States and confirmed that TMX Group will rely on the Canadian Securities Administrators' recommendation to defer to individual exchange's rules for companies that have marijuana-related activities in the United States and to determine the eligibility of individual issuers to list based on those exchanges' listing requirements. On February 8, 2018, CDS signed a memorandum (the "**CDS MOU**") with Aequitas NEO Exchange Inc., CNSX Markets Inc., TSX Inc., and TSX Venture Exchange Inc. (collectively, the "**Exchanges**"). The CDS MOU outlines CDS' and the Exchanges' understanding of Canada's regulatory framework applicable to the rules and procedures and regulatory oversight of the Exchanges and CDS. The CDS MOU confirms, with respect to the clearing of listed securities, that CDS relies on the Exchanges to review the conduct of listed issuers. As a result, there currently is no CDS ban on the clearing of securities of issuers with marijuana-related activities in the U.S. However, if CDS were to proceed in the manner suggested by these publications, and apply such a policy to the Company, it would have a material adverse effect on the ability of Common Shares to make trades. In particular, the Common Shares would become highly illiquid as investors would have no ability to effect a trade of Common Shares through the facilities of a stock exchange.

Any restrictions imposed by the CSE or other applicable exchange on the business of the Company and/or the potential delisting of the Common Shares from the CSE or other applicable exchange would have a material adverse effect on the Company and on the ability of holders of Common Shares to make trades.

Negative Impact of Regulatory Scrutiny on Raising Capital

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

Risk of Regulatory or Political Change

The success of the Company's business strategy depends on the legality of the marijuana industry. The political environment surrounding the marijuana industry in general can be volatile and the regulatory framework remains in flux. To our knowledge, there are to date a total of 29 states, and the District of Columbia, Puerto Rico, the U.S. Virgin Islands and Guam that have legalized cannabis in some form, including Nevada, and additional states have pending legislation regarding the same; however, the risk remains that a shift in the regulatory or political realm could occur and have a drastic impact on the industry as a whole, adversely impacting the Company's business, results of operations, financial condition or prospects.

Delays in enactment of new state or federal regulations could restrict the Company's ability to reach strategic growth targets and lower return on investor capital. The strategic growth strategy of the Company is reliant 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 the Company, and thus, the effect on the return of investor capital, could be detrimental. We are unable to predict with certainty when and how the outcome of these complex regulatory and legislative proceedings will affect its business and growth.

Further, there is no guaranty that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. If the federal government begins to enforce federal laws relating to cannabis in states where the sale and use of cannabis is currently legal, or if existing applicable state laws are repealed or curtailed, the Company'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 that is necessary for the continued operation of the marijuana industry. Federal actions against individuals or entities engaged in the marijuana industry or a repeal of applicable marijuana related legislation could adversely affect the Company and its business, results of operations, financial condition and prospects.

The Company is aware that multiple states are considering special taxes or fees on businesses in the marijuana industry. It is a potential yet unknown risk at this time that other states are in the process of reviewing such additional fees and taxation. This could have a material adverse effect upon the Company's business, results of operations, financial condition or prospects.

The commercial, medical and adult-use marijuana industries are in their infancy and we anticipate that such regulations will be subject to change as the jurisdictions in which we do business matures. The Company has in place a detailed compliance program overseen and maintained by external state and local regulatory/compliance counsel. The Company's internal compliance team (consisting of managers for each respective business unit) implements the compliance program.

The Company's internal compliance team oversees training for all employees, including on the following topics:

- compliance with state and local laws
- safe cannabis use
- dispensing procedures
- security and safety policies and procedures
- inventory control
- quality control
- transportation procedures

The Company's compliance program emphasizes security and inventory control to ensure strict monitoring of cannabis and inventory from delivery by a licensed distributor to sale or disposal. Only authorized, properly trained employees are allowed to access the Company's computerized seed-to-sale system.

Additionally, the Company has created comprehensive standard operating procedures that include detailed descriptions and instructions for monitoring inventory at all stages of development and distribution. The Company will continue to monitor compliance on an ongoing basis in accordance with its compliance program, standard operating procedures, and any changes to regulation in the marijuana industry.

Overall, the medical and adult-use marijuana industry is subject to significant regulatory change at both the state and federal level. The inability of the Company to respond to the changing regulatory landscape may cause it to not be successful in capturing significant market share and could otherwise harm its business, results of operations, financial condition or prospects.

General Regulatory Risks

The Company's business is 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 the Company'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 the Company may cause adverse effects to the Company.

The Company is 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 Company's part. The duration and success of the Company's 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 Company may not be able to obtain, amend or renew permits or licenses that are necessary to its operations. Any unexpected delays or costs associated with the permitting and licensing process could impede the ongoing or proposed operations of the Company. To the extent permits or licenses are not obtained, amended or renewed, or are subsequently suspended or revoked, the Company may be curtailed or prohibited from proceeding with its ongoing operations or planned development and commercialization activities. Such curtailment or prohibition may result in a material adverse effect on the Company's business, financial condition, results of operations or prospects.

While the Company's compliance controls have been developed to mitigate the risk of any material violations of any license it holds arising, there is no assurance that the Company's licenses will be renewed by each applicable regulatory authority in the future in a timely manner. Any unexpected delays or costs associated with the licensing renewal process for any of the licenses held by the Company could impede the ongoing or planned operations of the Company and have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

The Company may become involved in a number of government or agency proceedings, investigations and audits. The outcome of any regulatory or agency proceedings, investigations, audits, and other contingencies could harm the Company's reputation, require the Company to take, or refrain from taking, actions that could harm its operations or require the Company to pay substantial amounts of money, harming its financial condition. There can be no assurance that any pending or future regulatory or agency proceedings, investigations and audits will not result in substantial costs or a diversion of Management's attention and resources or have a material adverse impact on the Company's business, financial condition, results of operations or prospects.

Re-classification of Cannabis in the United States

If cannabis and/or CBD is re-categorized as a Schedule II or lower controlled substance, the ability to conduct research on the medical benefits of cannabis would most likely be improved; however, rescheduling cannabis may materially alter enforcement policies across many federal agencies, primarily the U.S. Food and Drug Administration ("**FDA**"). FDA is responsible for ensuring public health and safety through regulation of food, drugs, supplements, and cosmetics, among other products, through its enforcement authority pursuant to the Federal Food Drug and Cosmetic Act ("**FFDCA**"). FDA's responsibilities include regulating the ingredients as well as the marketing and labeling of drugs sold in interstate commerce. Because cannabis is federally illegal to produce and sell, and because it has no federally recognized medical uses, the FDA has historically deferred enforcement related to cannabis to the DEA; however, the FDA has enforced the FFDCA with regard to hemp-derived products, especially CBD, sold outside of state-regulated cannabis businesses. If cannabis were to be rescheduled to a federally controlled, yet legal, substance, FDA would likely play a more active regulatory role. Further, in the event that the pharmaceutical industry directly competes with state-regulated cannabis businesses for market share, as could potentially occur with rescheduling, the pharmaceutical industry may urge the DEA, FDA, and others to enforce the CSA and FFDCA against businesses that comply with state but not federal law. The potential for multi-agency enforcement post-rescheduling could threaten or have a materially adverse effect on the operations of existing state-legal cannabis businesses, including the Company.

Even though certain U.S. and state statutes authorize the cultivation and transportation of CBD under certain circumstances, the DEA has determined that all CBD products, regardless of origin, are considered Schedule I controlled substances and issued a drug code for CBD. The United States Court of Appeals for the Ninth Circuit recently heard oral arguments challenging the DEA's drug code for "marihuana extracts". There can be no assurance as to the outcome of this case and regardless of such outcome, the Company is unable to determine what the impact of this drug code will be on its business.

Availability of U.S. Federal Patent and Trademark Protection

As long as cannabis remains illegal under U.S. federal law, the benefit of certain federal laws and protections which may be available to most businesses, such as federal trademark and patent protection regarding the intellectual property of a business, may not be available to the Company. As a result, the Company's intellectual property may never be adequately or sufficiently protected against the use or misappropriation by third-parties. In addition, since the regulatory framework of the cannabis industry is in a constant state of flux, the Company can provide no assurance that it will ever obtain any protection of its intellectual property, whether on a federal, state or local level.

Reliance on Third-Party Suppliers

The Company is reliant on third-party suppliers to develop and manufacture its products. Due to the uncertain regulatory landscape for regulating cannabis in the United States, the Company's third party suppliers, manufacturers and contractors may elect, at any time, to decline or withdraw services necessary for the Company's operations. Loss of these suppliers, manufacturers and contractors may have a material adverse effect on the Company's business and operational results.

Enforceability of Contracts

Due to the nature of the Company's business and the fact that its contracts involve cannabis and other activities that are not legal under U.S. federal law and in some jurisdictions, the Company may face difficulties in enforcing its contracts in federal and certain state courts. The inability to enforce any of the Company's contracts could have a material adverse effect on the Company's business, operating results, financial condition or prospects.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

The Company is not party to, nor is any of the Company's property the subject of, any legal proceedings, nor, to the best of the Company's knowledge, are any such legal proceedings contemplated.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as disclosed in this Prospectus no director, executive officer or principal shareholder of the Company, or an associate or affiliate of a director, executive officer or principal shareholder of the Company, has any material interest, direct or indirect, in any transaction which has occurred within the three years before the date of this Prospectus, or in any proposed transaction that has materially affected or will materially affect the Company.

LEGAL MATTERS

Certain Canadian legal matters relating to the Offering will be passed upon on our behalf by Cassels Brock & Blackwell LLP and Connor & Connor PLLC, and on behalf of the Agents by Bennett Jones LLP. The partners and associates of Cassels Brock & Blackwell LLP and Connor & Connor PLLC, collectively, beneficially own, directly and indirectly, less than 1% of the issued and outstanding securities of any class of the Company. The partners and associates of Bennett Jones LLP, collectively, beneficially own, directly and indirectly, less than 1% of the issued and outstanding securities of any class of the Company.

REGULATORY RELIEF

The Company has applied for exemptive relief from the requirements contained in subsection 2.3(1.1) of NI 41-101 which prohibits an issuer from filing a final prospectus more than 90 days after the date of the receipt for the preliminary prospectus that relates to the final prospectus. The exemption requested will be evidenced by the issuance of a receipt for this prospectus. In the course of seeking exemptive relief, the Company has agreed to file the final prospectus no later than November 30, 2018.

Staff of the Ontario Securities Commission (the "**OSC**") has notified the Company that it is currently of the view that both Jeffrey Binder and Frank Koretsky are promoters of the Company within the meaning of applicable securities laws in Canada. Pursuant to section 58(5) of the *Securities Act* (Ontario) (the "**Act**") and Part 19 of NI 41-101, the Director has consented to Messrs. Binder and Koretsky not signing a Certificate of Promoter for this prospectus in accordance with the requirement under section 58(6) of the Act. The Company has been advised by the OSC that the issuance of a receipt by or on behalf of the applicable Canadian Securities Administrators by the OSC for this prospectus will evidence the granting of this consent. In applying for and receiving such relief, neither the Company, nor Messrs. Binder and Koretsky admit that Messrs. Binder and Koretsky are promoters of the Company.

Pursuant to an application made to the OSC, as principal regulator, the Company has also applied for exemptive relief from Item 32 of Form 41-101F1 as prescribed under NI 41-101, with respect to certain historical financial statements relating to the proposed acquisition of CannAssist, which may be considered to form part of the primary business of the Company pursuant to Item 32.1(1)(b) of Form 41-101F1. The treatment of the proposed CannAssist acquisition as forming part of the primary business of the Company would require CLSH to include in this prospectus, potentially among other related financial disclosures, up to three years of audited annual financial statements for the proposed CannAssist acquisition. The exemptions requested will be evidenced by the issuance of a receipt for the final prospectus. In the application, the Company made, among others, the following submissions:

- The proposed CannAssist acquisition is not significant having regard to the overall size and value of the Company's business and operations.
- The total assets of CannAssist are not significant compared to the assets of the Company.
- Providing historical financial statements for CannAssist is not necessary for the Prospectus to contain full, true and plain disclosure of all material facts because since incorporation, CannAssist has not had any operations or revenue.

Based on the foregoing, the Company does not believe that the financial statements in respect of which the relief was requested are necessary for the Prospectus to contain full, true and plain disclosure of all material facts with respect to the securities issued by the Company.

AUDITORS, TRANSFER AGENT AND REGISTRAR

Auditors

The Company's auditor is M&K CPAS PLLC, 363 N. Sam Houston Parkway E., Suite 650, Houston, Texas, United States 77060.

Transfer Agent and Registrar

The registrar and transfer agent of the Common Shares is V Stock Transfer, LLC, 18 Lafayette Place, Woodmere, NY 11598.

The Special Warrant Agent and Warrant Agent is Odyssey Trust Company, Stock Exchange Tower, 350-300 5th Avenue SW, Calgary, Alberta, Canada T2P 3C4.

MATERIAL CONTRACTS

The Company or one or more of its subsidiaries have entered into the following contracts which are material:

(a) the Acquisition Agreement;

(b) the Agency Agreement;

(c) the Special Warrant Indenture;

(d) the IGH Agreements;

(e) the Lease; and

(f) the Licenses, as listed in the "*United States Regulatory Environment – Oasis Subsidiary Licenses*" section of the Prospectus.

Copies of the above material contracts are available electronically on the Company's EDGAR profile at www.sec.gov. (except for the Leases and the Licenses) and the Company's SEDAR profile at www.sedar.com.

EXPERTS AND PROVIDER OF REGULATORY COMPLIANCE ADVICE

The following persons or companies whose profession or business gives authority to a statement made by the person or company are named in this Prospectus as having prepared or certified a part of this document or a report of valuation described in this Prospectus:

1. The audited financial statements of the Company included in this Prospectus have been included in reliance upon the report of M&K CPAS PLLC, 363 N. Sam Houston Parkway E., Suite 650, Houston, Texas, United States 77060 and upon the authority of such firm as experts in accounting and auditing; and

2. Connor & Connor PLLC is the Company's provider of regulatory compliance advice with respect to certain U.S. federal and Nevada state legal matters described herein;

Based on information provided by the relevant persons, none of such persons or companies or any director, officer, employee or partner thereof have received or will receive direct or indirect interest in the property of the Company or of any associate or affiliate of the Company or have any beneficial ownership, direct or indirect, of securities of the Company. None of such persons is or is expected to be elected, appointed or employed as a director or employee of the Company.

OTHER MATERIAL FACTS

There are no other material facts other than as disclosed herein.

PURCHASERS' STATUTORY RIGHTS OF WITHDRAWAL

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

CONTRACTUAL RIGHT OF RESCISSION

In addition, the Company has granted each holder of a Special Warrant a contractual right of rescission of the Offering. The contractual right of rescission provides that if a holder of a Special Warrant who acquires another security of the Company on exercise of the Special Warrant as provided for in this Prospectus is, or becomes, entitled under the securities legislation of a jurisdiction to the remedy of rescission because of this Prospectus or an amendment to this Prospectus containing a misrepresentation, (a) the holder is entitled to rescission of both the holder's exercise of its Special Warrant and the Offering; (b) the holder is entitled in connection with the rescission to a full refund of all consideration paid to the Agent or the Company, as the case may be, on the acquisition of the Special Warrant; and (c) if the holder is a permitted assignee of the interest of the original Special Warrant subscriber, the holder is entitled to exercise the rights of rescission and refund as if the holder was the original subscriber.

FINANCIAL STATEMENTS

The following financial statements, prepared in accordance with U.S. GAAP, have been included in this Prospectus:

(a) the audited annual financial statements of the Company for the fiscal years ended May 31, 2018, May 31, 2017 and May 31, 2016;

(b) the interim financial statements of Alternative Solutions as at and for the six month periods ended June 30, 2018 and 2017, the interim financial statements have been prepared as if Alternative Solutions is operating as a stand-alone entity up to June 30, 2018 irrespective of the June 27th acquisition by the Company;

(c) the audited consolidated financial statements of Alternative Solutions for the years ended December 31, 2017 and December 31, 2016; and

(d) pro forma financial information of the Company and Alternative Solutions for the 12 month period ended May 31, 2018.

GLOSSARY OF TERMS

"**Audit Committee**" means the Audit Committee of the Board of Directors.

"**Acquisition**" has the meaning ascribed thereto in the section of this Prospectus titled "*History – Acquisition of Alternative Solutions*".

"**Acquisition Agreement**" has the meaning ascribed thereto in the section of this Prospectus titled "*History – Acquisition of Alternative Solutions*".

"**Agency Agreement**" has the meaning ascribed thereto on the face page of this Prospectus.

"**Agent**" means Canaccord Genuity Corp.

"**Agent's Fee**" means the cash fee of 8.0% of the gross proceeds from the Offering paid to the Agent.

"**Alternative Solutions**" means Alternative Solutions, LLC.

"**Amendment**" has the meaning ascribed thereto in the section of this Prospectus titled "*U.S. Regulatory Environment – United States Enforcement Proceedings*".

"**Binder Convertible Note**" has the meaning ascribed thereto in the section of this Prospectus titled "*Director Indebtedness – Binder Convertible Note*".

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

"**Break-Up Fee**" has the meaning ascribed thereto in the section of this Prospectus titled "*History – IGH Transaction*".

"**Broker Warrants**" has the meaning ascribed thereto on the face page of this Prospectus.

"**CannAssist**" has the meaning ascribed thereto in the section of this Prospectus titled "*History – Letter of Intent with CannAssist, LLC*".

"**CannAssist Earn-In**" has the meaning ascribed thereto in the section of this Prospectus titled "*History – Letter of Intent with CannAssist, LLC*".

"**CannAssist LOI**" has the meaning ascribed thereto in the section of this Prospectus titled "*History – Letter of Intent with CannAssist, LLC*".

"**CannAssist Option**" has the meaning ascribed thereto in the section of this Prospectus titled "*History – Letter of Intent with CannAssist, LLC*".

"**CBD**" means cannabidiol.

"**CBP**" means U.S. Customs and Border Protection officers.

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

"**CDS MOU**" means the memorandum with Aequitas NEO Exchange Inc., CNSX Markets Inc., TSX Inc., and TSX Venture Exchange Inc. signed by CDS on February 8, 2018.

"**CEO**" means chief executive officer.

"**CFO**" means chief financial officer.

"**City Trees**" means City Trees Cultivation and City Trees Production.

"**City Trees Cultivation**" means Serenity Wellness Growers, LLC dba City Trees Fresh Cannabis Cultivation, Wholesale.

"**City Trees Production**" means Serenity Wellness Products, LLC dba City Trees Fresh Cannabis Production, Wholesale.

"**Closing Consideration**" has the meaning ascribed thereto in the section of this Prospectus titled "*History – Acquisition of Alternative Solutions*".

"**Closing Date**" means June 20, 2018, being the closing date of the Offering.

"**CLS Massachusetts**" means CLS Massachusetts, Inc.

"**CLS Nevada**" means CLS Nevada, Inc.

"**Cole Memorandum**" or "**Cole Memo**" has the meaning ascribed thereto in the section of this Prospectus titled "*Enforcement of United States Federal Laws*".

"**Cole Banking Memorandum**" has the meaning ascribed thereto in the section of this Prospectus titled "*Enforcement of United States Federal Laws*".

"**Colorado Arrangement**" has the meaning ascribed thereto in the section of this Prospectus titled "*History*".

"**Commencement Date**" has the meaning ascribed thereto in the section of this Prospectus titled "*History – IGH Transaction*".

"**Common Shares**" means the shares of common stock in the capital of the Company.

"**Company**" or "**CLSH**" means CLS Holdings USA Inc., unless otherwise noted or the context indicates otherwise, its direct and indirect subsidiaries.

"**Consolidated Financial Statements**" has the meaning ascribed thereto in the section of this Prospectus titled "*Financial Statement Presentation in this Prospectus*".

"**Controlled Substances Act**" means the U.S. Controlled Substance Act of 1970.

"**Conversion**" has the meaning ascribed thereto in the section of this Prospectus titled "*History – IGH Transaction*".

"**Convertible Debenture**" has the meaning ascribed thereto in the section of this Prospectus titled "*History – 2018 Convertible Debenture Offering*".

"**Convertible Debenture Agent's Fee**" has the meaning ascribed thereto in the section of this Prospectus titled "*History – 2018 Convertible Debenture Offering*".

"**Convertible Debenture Indenture**" has the meaning ascribed thereto in the section of this Prospectus titled "*History – 2018 Convertible Debenture Offering*".

"**Convertible Debenture Offering**" has the meaning ascribed thereto in the section of this Prospectus titled "*History – 2018 Convertible Debenture Offering*".

"**Convertible Debenture Offering Units**" has the meaning ascribed thereto in the section of this Prospectus titled "*History – 2018 Convertible Debenture Offering*".

"**Convertible Debenture Offering Warrant**" has the meaning ascribed thereto in the section of this Prospectus titled "*History – 2018 Convertible Debenture Offering*".

"**Conversion Price**" has the meaning ascribed thereto in the section of this Prospectus titled "*History – 2018 Convertible Debenture Offering*".

"**Corporate Finance Fee Special Warrants**" has the meaning ascribed thereto on the face page of this Prospectus.

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

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

"**DEA**" means the U.S. Drug Enforcement Agency.

"**Deemed Exercise Date**" has the meaning ascribed thereto on the face page of this Prospectus.

"**Deemed Exercise Time**" means 5:00 PM (Toronto time) on the Deemed Exercise Date.

"**Disclosure Policy**" has the meaning ascribed thereto in the section of this Prospectus titled "*Audit Committee and Corporate Governance – Disclosure Policy*".

"**DOJ**" means the U.S. Department of Justice.

"**EBITDA**" means earnings before interest, taxes, depreciation and amortization.

"**Engagement Letter**" has the meaning ascribed thereto in the section of this Prospectus titled "*History – 2018 Convertible Debenture Offering*".

"**Exchanges**" means collectively, Aequitas NEO Exchange Inc., CNSX Markets Inc., TSX Inc., and TSX Venture Exchange Inc.

"**Expansion Plan**" has the meaning ascribed thereto in the section of this Prospectus titled "*Our Business – Expansion of Cultivation Facilities*".

"**FinCEN**" has the meaning ascribed thereto in the section of this Prospectus titled "*U.S. Regulatory Environment – Enforcement of United States Federal Laws*".

"**FinCEN Memorandum**" or "**FinCEN Memo**" has the meaning ascribed thereto in the section of this Prospectus titled "*U.S. Regulatory Environment –Enforcement of United States Federal Laws*".

"**FINRA**" means the U.S. Financial Industry Regulatory Authority.

"**Greenhouse Expansion**" has the meaning ascribed thereto in the section of this Prospectus titled "*Our Business – Expansion of Cultivation Facilities*".

"**IGH**" has the meaning ascribed thereto in the section of this Prospectus titled "*History – IGH Transaction*".

"**IGH Acquisition Option**" has the meaning ascribed thereto in the section of this Prospectus titled "*History – IGH Transaction*".

"**IGH Acquisition Option Termination Date**" has the meaning ascribed thereto in the section of this Prospectus titled "*History – IGH Transaction*".

"**IGH Agreements**" has the meaning ascribed thereto in the section of this Prospectus titled "*History – IGH Transaction*".

"**IGH Loan**" has the meaning ascribed thereto in the section of this Prospectus titled "*History – IGH Transaction*".

"**IGH Loan Agreements**" has the meaning ascribed thereto in the section of this Prospectus titled "*History – IGH Transaction*".

"**IGH LOI**" has the meaning ascribed thereto in the section of this Prospectus titled "*History – IGH Transaction*".

"**IGH Option**" has the meaning ascribed thereto in the section of this Prospectus titled "*History – IGH Transaction*".

"**IGH Option Agreement**" has the meaning ascribed thereto in the section of this Prospectus titled "*History – IGH Transaction*".

"**Insider Loans**" has the meaning ascribed thereto in the section of this Prospectus titled "*History*".

"**Insider Trading Policy**" has the meaning ascribed thereto in the section of this Prospectus titled "*Audit Committee and Corporate Governance – Insider Trading Policy*".

“**Insiders**” has the meaning ascribed thereto in the section of this Prospectus titled “*History*”.

“**Investors**” has the meaning ascribed thereto in the section of this Prospectus titled “*History – Navy Capital Subscription*”.

“**Lease**” means the lease between City Trees Cultivation and SFC Leasing LP with respect to the property at 203 E Mayflower, Bldg 2, North Las Vegas, Nevada 89030.

“**Leicester Facility**” has the meaning ascribed thereto in the section of this Prospectus titled “*History – IGH Transaction*”.

“**Licenses**” has the meaning ascribed thereto in the section of this Prospectus titled “*United States Regulatory Environment – Oasis Subsidiary Licenses*”.

“**Listing Date**” means the date the Common Shares are listed on a recognized Canadian stock exchange.

“**Management**” means the management of the Company.

“**MD&A**” means Management’s Discussion and Analysis included in this Prospectus.

“**Merger**” has the meaning ascribed thereto in the section of this Prospectus titled “*Name, Incorporation and Overview*”.

“**Merger Sub**” has the meaning ascribed thereto in the section of this Prospectus titled “*History*”.

“**Navy Capital**” has the meaning ascribed thereto in the section of this Prospectus titled “*History – Navy Capital Subscription*”.

“**Navy Subscription Agreement**” has the meaning ascribed thereto in the section of this Prospectus titled “*History – Navy Capital Subscription*”.

“**Navy Warrant Shares**” has the meaning ascribed thereto in the section of this Prospectus titled “*History – Navy Capital Subscription*”.

“**Navy Warrants**” has the meaning ascribed thereto in the section of this Prospectus titled “*History – Navy Capital Subscription*”.

“**NEOs**” has the meaning ascribed thereto in the section of this Prospectus titled “*Executive Compensation”*.

“**Newcan**” means Newcan Investment Partners, LLC, an affiliate of Frank Koretsky.

“**Newcan Convertible Note**” has the meaning ascribed thereto in the section of this Prospectus titled “*Director Indebtedness – Newcan Convertible Not*e”.

“**NI 41-101**” means National Instrument 41-101 – *General Prospectus Requirements*.

“**NI 52-110**” has the meaning ascribed thereto in the section of this Prospectus titled “*Corporate Governance - Board of Directors*”.

“**NP 46-201**” has the meaning ascribed thereto in the section of this Prospectus titled “*Escrowed Securities*”.

“**NV DOT**” means the Nevada Department of Taxation.

“**Oasis**” means Serenity Wellness Center, LLC dba Oasis Cannabis.

“**Oasis Note**” has the meaning ascribed thereto in the section of this Prospectus titled “*History – Acquisition of Alternative Solutions*”.

“**Oasis Subsidiaries**” means Oasis and City Trees.

"**Offer Price**" has the meaning ascribed thereto in the section of this Prospectus titled "*History – 2018 Convertible Debenture Offering*".

"**Offering**" has the meaning ascribed thereto on the face page of this Prospectus.

"**Offering Price**" means CAD$0.45 per Special Warrant.

"**Offering Special Warrants**" has the meaning ascribed thereto on the face page of this Prospectus.

"**Omnibus Loan Agreement**" has the meaning ascribed thereto in the section of this Prospectus titled "*History*".

"**Option Period**" has the meaning ascribed thereto in the section of this Prospectus titled "*History – IGH Transaction*".

"**Option Termination Date**" has the meaning ascribed thereto in the section of this Prospectus titled "*History – IGH Transaction*".

"**OTCQB**" means the OTCQB Venture Market.

"**Penalty Units**" has the meaning ascribed thereto in the section of this Prospectus titled "*History – 2018 Special Warrant Financing*".

"**Phase 1**" has the meaning ascribed thereto in the section of this Prospectus titled "*Our Business – Expansion of Cultivation Facilities*".

"**Phase 2**" has the meaning ascribed thereto in the section of this Prospectus titled "*Our Business – Expansion of Cultivation Facilities*".

"**PRH**" has the meaning ascribed thereto in the section of this Prospectus titled "*History*".

"**Prospectus**" means this Prospectus.

"**Purchase Exception**" has the meaning ascribed thereto in the section of this Prospectus titled "*History – IGH Transaction*".

"**Purchase Price Shares**" has the meaning ascribed thereto in the section of this Prospectus titled "*History – Acquisition of Alternative Solutions*".

"**Qualification Date**" has the meaning ascribed thereto on the face page of this Prospectus.

"**Qualifying Jurisdictions**" means the provinces of British Columbia, Alberta, Manitoba and Ontario.

"**Receipt**" has the meaning ascribed thereto on the face page of this Prospectus.

"**Registration Statement**" has the meaning ascribed thereto in the section of this Prospectus titled "*Plan of Distribution*".

"**Retail Facility**" has the meaning ascribed thereto in the section of this Prospectus titled "*Overview*".

"**RICO**" means the United States Racketeer Influenced Corrupt Organizations Act.

"**SEC**" means the U.S. Securities and Exchange Commission.

"**Securities Commissions**" means the securities regulatory authorities in the Qualifying Jurisdictions.

"**Sessions Memorandum**" has the meaning ascribed thereto in the section of this Prospectus titled "*Enforcement of United States Federal Laws*".

"**Special Warrant Agent**" has the meaning ascribed thereto on the face page of this Prospectus.

"**Special Warrant Financing**" means the special warrant financing of the Company which closed on June 20, 2018 and as further described in "*History – 2018 Special Warrant Financing*".

"**Special Warrant Indenture**" has the meaning ascribed thereto on the face page of this Prospectus.

"**Special Warrants**" has the meaning ascribed thereto on the face page of this Prospectus.

"**Staff Notice 51-352**" means CSA Staff Notice 51-352 (Revised) – *Issuers with U.S. Marijuana-Related Activities*.

"**THC**" means Delta-9-tetrahydrocannabinol.

"**Time of Expiry**" has the meaning ascribed thereto on the face page of this Prospectus.

"**Unit Share**" has the meaning ascribed thereto on the face page of this Prospectus.

"**Units**" has the meaning ascribed thereto on the face page of this Prospectus.

"**USAM**" has the meaning ascribed thereto in the section of this Prospectus titled "*Enforcement of United States Federal Laws*".

"**U.S.**" means the United States of America.

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

"**Warehouse Facility**" has the meaning ascribed thereto in the section of this Prospectus titled "*Overview*".

"**Warrant**" has the meaning ascribed thereto on the face page of this Prospectus.

"**Warrant Agent**" has the meaning ascribed thereto on the face page of this Prospectus.

"**Warrant Indenture**" has the meaning ascribed thereto on the face page of this Prospectus.

"**Warrant Share**" has the meaning ascribed thereto on the face page of this Prospectus.

SCHEDULE "A"

FINANCIAL STATEMENTS OF THE COMPANY

[See attached.]

CLS HOLDINGS USA, INC.

FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED AUGUST 31, 2018

PART I – FINANCIAL INFORMATION

EXPLANATORY NOTE

Unless otherwise noted, references in this registration statement to "CLS Holdings USA, Inc.," the "Company," "we," "our" or "us" means CLS Holdings USA, Inc. and its subsidiaries.

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. These statements relate to anticipated future events, future results of operations or future financial performance. These forward-looking statements include, but are not limited to, statements relating to our ability to finance our planned operations and proposed acquisitions, market acceptance of our services and product offerings, our ability to attract and retain key personnel, and our ability to protect our intellectual property. In some cases, you can identify forward-looking statements by terminology such as "may," "might," "will," "should," "intends," "expects," "plans," "goals," "projects," "anticipates," "believes," "estimates," "predicts," "potential," or "continue" or the negative of these terms or other comparable terminology.

These forward-looking statements are only predictions, are uncertain and involve substantial known and unknown risks, uncertainties and other factors which may cause our (or our industry's) actual results, levels of activity or performance to be materially different from any future results, levels of activity or performance expressed or implied by these forward-looking statements.

We cannot guarantee future results, levels of activity or performance. You should not place undue reliance on these forward-looking statements, which speak only as of the date that they were made. These cautionary statements should be considered together with any written or oral forward-looking statements that we may issue in the future. Except as required by applicable law, we do not intend to update any of the forward-looking statements to conform these statements to reflect actual results, later events or circumstances or to reflect the occurrence of unanticipated events.

AVAILABLE INFORMATION

We file annual, quarterly and special reports and other information with the Securities and Exchange Commission ("SEC") that can be obtained from the SEC by telephoning 1-800-SEC-0330. The Company's filings are also available through the SEC's Electronic Data Gathering Analysis and Retrieval System, known as EDGAR, through the SEC's website (www.sec.gov).

Item 1. Financial Statements.

CLS HOLDINGS USA, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	August 31, 2018	May 31, 2018
ASSETS		
Current assets		
Cash and cash equivalents	$ 5,953,925	$ 52,964
Accounts Receivable	59,981	-
Inventory	499,399	-
Prepaid expenses	258,308	1,410
Total current assets	6,771,613	54,374
Investment	-	2,050,000
Property, plant and equipment, net of accumulated depreciation of $27,509 and $2,674	905,633	-
Intangible assets, net of accumulated amortization of $22,757 and $828	1,619,325	898
Goodwill	25,742,899	-
Other assets	158,500	-
Total assets	$ 35,197,970	$ 2,105,272

LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$ 1,199,525	$ 826,621
Accrued compensation, related party	54,993	120,417
Due to related party	17,930	17,930
Accrued interest	22,830	24,748
Accrued interest, related party	7,393	5,143
Notes payable	3,834,242	310,000
Notes payable, related parties	5,716	75,137
Convertible notes payable, net of discount of $0 and $561,599	-	43,401
Deferred rent obligation	136,707	-
Contingent liability	678,111	-
Derivative liability	-	1,265,751
Total current liabilities	5,957,447	2,689,148
Noncurrent liabilities		
Accrued interest, long-term	44,155	-
Convertible notes payable - Long Term, net of discount of $982,098 and $733,928	292,902	41,072
Convertible notes payable, related parties, net of discount of $57,322 and $65,918	17,678	2,832
Total Liabilities	6,312,182	2,733,052
Commitments and contingencies	-	-
Stockholder's equity		
Preferred stock, $0.001 par value; 20,000,000 shares authorized; no shares issued	-	-
Common stock, $0.0001 par value; 250,000,000 shares authorized; 90,087,236 and 50,128,972 shares issued and outstanding at August 31, 2018 and May 31, 2018, respectively	9,009	5,013
Additional paid-in capital	63,939,091	17,628,717
Common stock subscribed	163,722	307,584
Accumulated deficit	(35,226,034)	(18,569,094)
Total stockholder's equity (deficit)	28,885,788	(627,780)
Total liabilities and stockholders' equity (deficit)	$ 35,197,970	$ 2,105,272

See accompanying notes to these financial statements.

CLS HOLDINGS USA, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	For the Three Months Ended August 31, 2018	For the Three Months Ended August 31, 2017
Revenue	$ 1,179,353	$ -
Cost of goods sold	759,944	-
Gross margin	419,409	-
Selling, general and administrative expenses	15,392,130	359,204
Total operating expenses	15,392,130	359,204
Operating loss	(14,972,721)	(359,204)
Other (income) expense:		
Interest expense	1,684,219	74,866
Gain on settlement of debt	-	(3,480)
Loss on modification of debt	-	29,145
Change in fair value of derivative	-	105,950
Total other expense	1,684,219	206,481
Income (Loss) before income taxes	(16,656,940)	(565,685)
Income tax expense	-	-
Net income (loss)	$ (16,656,940)	$ (565,685)
Net income (loss) per share - basic	$ (0.23)	$ (0.02)
Weighted average shares outstanding - basic	71,296,485	32,865,727

See accompanying notes to these financial statements.

CLS HOLDINGS USA, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the Three Months Ended August 31, 2018	For the Three Months Ended August 31, 2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income loss	$ (16,656,940)	$ (565,685)
Adjustments to reconcile net loss to net cash used in operating activities:		
Imputed interest	271	271
Change in fair value of derivative	-	105,950
Warrants issued to placement agent	2,908,673	-
Warrants and Special Warrants issued to penalty	8,084,522	-
Non-cash offering costs of equity financing	403,588	-
Fair value of shares vested by officers	120,138	-
Fair value of shares issued to consultants	490,000	-
Loss on modification of debt	-	29,145
Gain on settlement of Account Payable	-	(3,480)
Expense from derivative triggering event	12,659	-
Amortization of debt discounts	1,598,501	42,060
Depreciation and amortization expense	48,461	331
Changes in assets and liabilities:		
Accounts receivable	(24,544)	-
Inventory	(93,446)	-
Prepaid expenses	(151,709)	-
Other assets	-	50,000
Accounts payable and accrued expenses	(548,738)	112,068
Accrued compensation	(15,424)	62,500
Due to related parties	(50,000)	-
Accrued interest, related party	3,497	24,198
Deferred rent	667	(49,565)
Accrued interest	59,437	8,229
Net cash used in operating activities	(3,810,387)	(183,978)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for investment in Alternative Solutions, net of cash received of $14,612	(5,982,710)	-
Net cash used in investing activities	(5,982,710)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from related party convertible notes payable		117,767
Proceeds from related party notes payable	81,961	-
Proceeds from convertible note payable	500,000	
Principal payments on notes payable	(310,000)	-
Principal payments on related party notes payable	(76,381)	-
Principal payments on convertible notes payable	(37,500)	-
Proceeds from sale of equity	15,535,978	-
Net cash provided by financing activities	15,694,058	117,767
Net increase in cash and cash equivalents	5,900,961	(66,211)
Cash and cash equivalents at beginning of period	52,964	78,310
Cash and cash equivalents at end of period	$ 5,953,925	$ 12,099
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid	$ 8,964	$ -
Income taxes paid	$ -	$ -

NON-CASH INVESTING AND FINANCING ACTIVITIES:

Convertible note issued for unpaid accrued salary	$ -	$ 62,500
Related party notes payable reclassified as related party convertible notes payable	$ 75,000	$ 816,975
Beneficial conversion feature on convertible notes	$ 1,229,831	$ 351,790
Note payable exchanged for common stock	$ 654,697	$ -
Shares issued for settlement of accounts payable	$ -	$ 6,000
Charge to paid-in capital for par value of shares issued in cashless exercise of warrants	$ 13	$ -
Reclassify derivative liability to paid-in capital upon adoption of ASU 2017-11	$ 1,265,751	$ -

See accompanying notes to these financial statements.

CLS HOLDINGS USA, INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
August 31, 2018
(Unaudited)

Note 1 – Nature of Business and Significant Accounting Policies

Basis of Presentation

These financial statements and related notes are presented in accordance with accounting principles generally accepted in the United States and are expressed in US dollars.

Principals of Consolidation

The accompanying consolidated financial statements include the accounts of CLS Holdings USA, Inc., and its wholly owned operating subsidiaries, CLS Nevada, Inc., ("CLS Nevada"), CLS Labs, Inc. ("CLS Labs"), CLS Labs Colorado, Inc. ("CLS Colorado"), and Alternative Solutions, LLC ("Alternative Solutions"). Alternative Solutions is sole owner of the following three entities (collectively, the "Oasis LLCs"): Serenity Wellness Center, LLC ("Serenity Wellness Center"); Serenity Wellness Products, LLC ("Serenity Wellness Products"); and Serenity Wellness Growers, LLC ("Serenity Wellness Growers"). All material intercompany transactions have been eliminated upon consolidation of these entities.

Nature of Business

CLS Holdings USA, Inc. (the "Company") was originally incorporated as Adelt Design, Inc. ("Adelt") on March 31, 2011 to manufacture and market carpet binding art. Production and marketing of carpet binding art never commenced.

On November 12, 2014, CLS Labs, Inc. ("CLS Labs") acquired 10,000,000 shares, or 55.6%, of the outstanding shares of common stock of Adelt from its founder, Larry Adelt. On that date, Jeffrey Binder, the Chairman, President and Chief Executive Officer of CLS Labs, was appointed Chairman, President and Chief Executive Officer of the Company. On November 20, 2014, Adelt adopted amended and restated articles of incorporation, thereby changing its name to CLS Holdings USA, Inc. Effective December 10, 2014, the Company effected a reverse stock split of its issued and outstanding common stock at a ratio of 1-for-0.625 (the "Reverse Split"), wherein 0.625 shares of the Company's common stock were issued in exchange for each share of common stock issued and outstanding. As a result, 6,250,000 shares of the Company's common stock were issued to CLS Labs in exchange for the 10,000,000 shares that it owned by virtue of the above-referenced purchase from Larry Adelt.

On April 29, 2015, the Company, CLS Labs and CLS Merger Inc., a Nevada corporation and wholly owned subsidiary of CLS Holdings ("Merger Sub"), entered into an Agreement and Plan of Merger (the "Merger Agreement") and completed a merger, whereby CLS Merger Inc. merged with and into CLS Labs, with CLS Labs remaining as the surviving entity (the "Merger"). Upon the consummation of the Merger, the shares of the common stock of CLS Holdings owned by CLS Labs were extinguished and the former stockholders of CLS Labs were issued an aggregate of 15,000,000 (post Reverse Split) shares of common stock in CLS Holdings in exchange for their shares of common stock in CLS Labs. As a result of the Merger, the Company acquired the business of CLS Labs and abandoned its previous business.

The Company has been issued a U.S. patent with respect to its proprietary method of extracting cannabinoids from cannabis plants and converting the resulting cannabinoid extracts into concentrates such as oils, waxes, edibles and shatter. These concentrates may be ingested in a number of ways, including through vaporization via electronic cigarettes ("e-cigarettes"), and used for a variety of pharmaceutical and other purposes. Internal testing of this extraction method and conversion process has revealed that it produces a cleaner, higher quality product and a significantly higher yield than the cannabinoid extraction processes currently existing in the marketplace. The Company has not commercialized its proprietary process or otherwise earned any revenues. The Company plans to generate revenues through licensing, fee-for-service and joint venture arrangements related to its proprietary method of extracting cannabinoids from cannabis plants and converting the resulting cannabinoid extracts into saleable concentrates.

On December 4, 2017, the Company and Alternative Solutions, LLC ("Alternative Solutions") entered into a Membership Interest Purchase Agreement (the "Acquisition Agreement") for the Company to acquire the outstanding equity interests in three subsidiaries (collectively, the "Oasis LLCs"), Serenity Wellness Center LLC d/b/a/ Oasis Medical Cannabis, Serenity Wellness Growers LLC, and Serenity Wellness Products LLS, from Alternative Solutions. Pursuant to the Acquisition Agreement, the Company initially contemplated acquiring all of the membership interests in the Oasis LLCs from Alternative Solutions. Just prior to closing, the parties agreed that the Company would instead acquire all of the membership interests in Alternative Solutions, the parent of the Oasis LLCs, from its members, and the membership interests in the Oasis LLCs owned by members other than Alternative Solutions.

Pursuant to the Acquisition Agreement, the Company paid a non-refundable deposit of $250,000 upon signing, which was followed by an additional payment of $1,800,000 paid in February 2018, for an initial 10% of each of the Oasis LLCs. At that time, the Company applied for regulatory approval to own an interest in the Oasis LLCs, which approval was received. On June 27, 2018, the Company made the payments to indirectly acquire the remaining 90% of the Oasis LLCs, which were equal to cash in the amount of $5,995,543, a $4.0 million promissory note due in December 2019 (the "Oasis Note"), and 22,058,823 shares of its common stock (the "Purchase Price Shares") collectively, the "Closing Consideration"). The cash payment of $5,995,543 was less than the $6,200,000 payment originally contemplated because the Company assumed an additional $204,457 of liabilities. The Company used the proceeds of its recent Canadian private securities offering to fund the cash portion of the Closing Consideration. The Company then applied for regulatory approval to own the additional 90% in membership interests in the Oasis LLCs, which it expects to receive in due course. The change of ownership in the Oasis LLCs to the Company will be recorded upon receipt of such regulatory approvals. The Company has adopted a fiscal year end of May 31st.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments with maturities of three months or less to be cash equivalents. The Company had cash and cash equivalents of $5,953,925 and $52,964 as of August 31, 2018 and May 31, 2018, respectively.

Allowance for Doubtful Accounts

The Company generates the majority of its revenues and corresponding accounts receivable from the sale of cannabis, and cannabis related products. The Company evaluates the collectability of its accounts receivable considering a combination of factors. In circumstances where it is aware of a specific customer's inability to meet its financial obligations to it, the Company records a specific reserve for bad debts against amounts due in order to reduce the net recognized receivable to the amount it reasonably believe will be collected. For all other customers, the Company recognizes reserves for bad debts based on past write-off experience and the length of time the receivables are past due. The Company had no bad debts expense during the three months ended August 31, 2018 and 2017.

Segment Reporting

Under FASB ASC 280-10-50, the Company operates as a single segment and will evaluate additional segment disclosure requirements as it expands its operations.

Inventory

Inventories are stated at the lower of cost or market. Cost is determined on a standard cost basis that approximates the first-in, first-out (FIFO) method. Market is determined based on net realizable value. Appropriate consideration is given to obsolescence, excessive levels, deterioration, and other factors in evaluating net realizable values. Our cannabis products consists of prepackaged purchased goods ready for resale, and cannabis flower grown in-house under our cultivation license, along with produced edibles and extracts developed under our production license.

Property, Plant and Equipment

Property and equipment is recorded at the lower of cost or estimated net recoverable amount, and is depreciated using the straight-line method over the estimated useful lives. Computer equipment is being depreciated over a three-year period.

Concentrations of Credit Risk

The Company maintains its cash in bank deposit accounts and other accounts, the balances of which at times may be uninsured or exceed federally insured limits. From time to time, some of the Company's funds are also held by escrow agents; these funds may not be federally insured. The Company continually monitors its banking relationships and consequently has not experienced any losses in such accounts.

Advertising and Marketing Costs

All costs associated with advertising and promoting products are expensed as incurred with the exception of the amortization of the cost of two major video productions. A music video and reality/lifestyle video were both produced in 2017. The remaining amount that hasn't been expensed is listed on the schedule in Note 6. Total recognized advertising and promotion expenses were $127,392 and $0 for the three months ended August 31, 2018 and 2017, respectively.

Research and Development

Research and development expenses are charged to operations as incurred. The Company incurred no research and development costs for the three months ended August 31, 2018 and 2017, respectively.

Income Taxes

The Company accounts for income taxes using the asset and liability method, which requires the establishment of deferred tax assets and liabilities for the temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities at enacted tax rates expected to be in effect when such amounts are realized or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is provided to the extent deferred tax assets may not be recoverable after consideration of the future reversal of deferred tax liabilities, tax planning strategies, and projected future taxable income.

Fair Value of Financial Instruments

Pursuant to Accounting Standards Codification ("ASC") No. 825 - Financial Instruments, the Company is required to estimate the fair value of all financial instruments included on its balance sheets. The carrying amount of the Company's cash and cash equivalents, note receivable, notes payable, accounts payable and accrued expenses, none of which is held for trading, approximates their estimated fair values due to the short-term maturities of those financial instruments.

A three-tier fair value hierarchy is used to prioritize the inputs in measuring fair value as follows:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable, either directly or indirectly.

Level 3 - Significant unobservable inputs that cannot be corroborated by market data.

Derivative Financial Instruments

Derivatives are recorded on the condensed consolidated balance sheet at fair value. The conversion features of the convertible notes are embedded derivatives and are separately valued and accounted for on the consolidated balance sheet with changes in fair value recognized during the period of change as a separate component of other income/expense. Fair values for exchange-traded securities and derivatives are based on quoted market prices. The pricing model the Company uses for determining the fair value of its derivatives is the Lattice Model. Valuations derived from this model are subject to ongoing internal and external verification and review. The model uses market-sourced inputs such as interest rates and stock price volatilities. Selection of these inputs involves management's judgment and may impact net income (see note 14). On June 1, 2018, the Company adopted ASU 2017-11 and accordingly reclassified the fair value of the reset provisions embedded in convertible notes payable and certain warrants with embedded anti-dilutive provisions from liability to equity in the aggregate amount of $1,265,751.

Revenue Recognition

Revenue is primarily generated through our subsidiary, Serenity Wellness LLC, DBA/ Oasis Cannabis. Oasis operates a 24-hour cannabis dispensary that recognizes revenue from the sale of cannabis products within the State of Nevada.

Revenue from the sale of our cannabis products is recognized by our subsidiary at the point of sale, at which time payment is received. Management estimates an allowance for sales returns.

The Company also recognizes revenue from Serenity Wellness Products LLC and Serenity Wellness Growers LLC, DBA/ City Trees. City Trees recognizes revenue from the sale of the following cannabis products and services to licensed dispensaries within the State of Nevada:

- Premium organic medical cannabis sold wholesale to licensed retailers
- Recreational marijuana cannabis products sold wholesale to distributors and retailers
- Extraction products such as oils and waxes derived from in-house cannabis production
- Processing and extraction services for licensed medical cannabis cultivators in Nevada
- High quality cannabis strains in the form of vegetative cuttings for sale to licensed medical cannabis cultivators in Nevada

Effective January 1, 2018, the Company adopted ASC 606 — Revenue from Contracts with Customers. Under ASC 606. The Company recognizes revenue from the commercial sales of products, licensing agreements and contracts to perform pilot studies by applying the following steps: (1) identify the contract with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to each performance obligation in the contract; and (5) recognize revenue when each performance obligation is satisfied. For the comparative periods, revenue has not been adjusted and continues to be reported under ASC 605 — Revenue Recognition. Under ASC 605. Revenue is recognized when the following criteria are met: (1) persuasive evidence of an arrangement exists; (2) the performance of service has been rendered to a customer or delivery has occurred; (3) the amount of fee to be paid by a customer is fixed and determinable; and (4) the collectability of the fee is reasonably assured.

There was no impact on the Company's financial statements as a result of adopting Topic 606 for the three months ended August 31, 2018.

Basic and Diluted Loss Per Share

Basic net earnings per share is based on the weighted average number of shares outstanding during the period, while fully-diluted net earnings per share is based on the weighted average number of shares of common stock and potentially dilutive securities assumed to be outstanding during the period using the treasury stock method. Potentially dilutive securities consist of options and warrants to purchase common stock, and convertible debt. Basic and diluted net loss per share is computed based on the weighted average number of shares of common stock outstanding during the period.

The Company uses the treasury stock method to calculate the impact of outstanding stock options and warrants. Stock options and warrants for which the exercise price exceeds the average market price over the period have an anti-dilutive effect on earnings per common share and, accordingly, are excluded from the calculation.

A net loss causes all outstanding stock options and warrants to be antidilutive. As a result, the basic and dilutive losses per common share are the same for the three months ended August 31, 2018 and 2017.

Commitments and Contingencies

Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the Company but which will only be resolved when one or more future events occur or fail to occur. The Company's management assesses such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Company or unasserted claims that may result in such proceedings, the Company's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims brought to such legal counsel's attention as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Company's financial statements. If the assessment indicates that a potentially material loss contingency is not probable, but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, would be disclosed.

Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the nature of the guarantee would be disclosed.

Recent Accounting Pronouncements

Accounting standards promulgated by the Financial Accounting Standards Board ("FASB") are subject to change. Changes in such standards may have an impact on the Company's future financial statements. The following is a summary of recent accounting developments.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230).* The update addresses eight specific cash flow issues and is intended to reduce diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. This update will be effective for reporting periods beginning after December 15, 2017, including interim periods within the reporting period. Early adoption is permitted. The Company does not believe the implementation of this update has had a material impact on its financial statements.

In January 2017, the FASB issued ASU No. 2017-04, *Simplifying the Test for Goodwill Impairment*, which simplifies the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test. In computing the implied fair value of goodwill under Step 2, current U.S. GAAP requires the performance of procedures to determine the fair value at the impairment testing date of assets and liabilities (including unrecognized assets and liabilities) following the procedure that would be required in determining the fair value of assets acquired and liabilities assumed in a business combination. Instead, the amendments under this ASU require the goodwill impairment test to be performed by comparing the fair value of a reporting unit with its carrying amount. An impairment charge should be recognized for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. The ASU becomes effective for the Company on January 1, 2020. The amendments in this ASU will be applied on a prospective basis. Early adoption is permitted for interim or annual goodwill impairment tests performed.

In May 2017, the FASB issued ASU No. 2017-09, *Stock Compensation - Scope of Modification Accounting*, which provides guidance on which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting. The ASU requires that an entity account for the effects of a modification unless the fair value (or calculated value or intrinsic value, if used), vesting conditions and classification (as equity or liability) of the modified award are all the same as for the original award immediately before the modification. The ASU becomes effective for the Company on January 1, 2018, and will be applied prospectively to an award modified on or after the adoption date. Early adoption is permitted, including adoption in any interim period. The Company does not believe that this standard will have a material effect on its financial statements.

Effective June 1, 2018, the Company adopted Accounting Standards Codification ("ASC") 606 — Revenue from Contracts with Customers. Under ASC 606, the Company recognizes revenue from the commercial sales of products, licensing agreements and contracts to perform pilot studies by applying the following steps: (1) identify the contract with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to each performance obligation in the contract; and (5) recognize revenue when each performance obligation is satisfied. For the comparative periods, revenue has not been adjusted and continues to be reported under ASC 605 — Revenue Recognition. Under ASC 605, revenue is recognized when the following criteria are met: (1) persuasive evidence of an arrangement exists; (2) the performance of service has been rendered to a customer or delivery has occurred; (3) the amount of fee to be paid by a customer is fixed and determinable; and (4) the collectability of the fee is reasonably assured. There was no impact on the Company's financial statements as a result of adopting Topic 606.

Management does not believe that any other recently issued, but not yet effective, accounting standards, if currently adopted, would have a material effect on the accompanying unaudited condensed consolidated financial statements.

Adoption of Accounting Standards

In July 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2017-11, Earnings Per Share (Topic 260), Distinguishing Liabilities from Equity (Topic 480), Derivatives and Hedging (Topic 815). The amendments in Part I of this update change the classification analysis of certain equity-linked financial instruments (or embedded features) with down round features.

When determining whether certain financial instruments should be classified as liabilities or equity instruments, a down round feature no longer precludes equity classification when assessing whether the instrument is indexed to an entity's own stock. The amendments also clarify existing disclosure requirements for equity-classified instruments. As a result, a freestanding equity-linked financial instrument (or embedded conversion option) no longer would be accounted for as a derivative liability at fair value as a result of the existence of a down round feature. For freestanding equity classified financial instruments, the amendments require entities that present earnings per share (EPS) in accordance with Topic 260 to recognize the effect of the down round feature when it is triggered. That effect is treated as a dividend and as a reduction of income available to common shareholders in basic EPS. Convertible instruments with embedded conversion options that have down round features are now subject to the specialized guidance for contingent beneficial conversion features (in Subtopic 470-20, Debt—Debt with Conversion and Other Options), including related EPS guidance (in Topic 260). The amendments in Part II of this update recharacterize the indefinite deferral of certain provisions of Topic 480 that now are presented as pending content in the Codification, to a scope exception.

Those amendments do not have an accounting effect. For public business entities, the amendments in Part I of this update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted for all entities, including adoption in an interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period.

On June 1, 2018, the Company adopted ASU 2017-11 and accordingly reclassified the fair value of the reset provisions embedded in convertible notes payable and certain warrants with embedded anti-dilutive provisions from liability to equity in the aggregate amount of $1,265,751.

Note 2 – Going Concern

As shown in the accompanying financial statements, the Company has incurred net losses from operations resulting in an accumulated deficit of $35,226,034 as of August 31, 2018. The Company's auditors stated in their opinion on the Company's financial statements for the year ended May 31, 2018 that there was substantial doubt about the Company's ability to continue as a going concern, and that further losses were anticipated in the development of the Company's business raising substantial doubt about the Company's ability to continue as a going concern. The ability to continue as a going concern is dependent upon the Company generating profitable operations in the future and/or obtaining the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. The Company began generating revenue from operations with the Acquisition of Alternative Solutions, LLC on June 27, 2018 (note 3). Management intends to finance operating costs over the next twelve months with loans, the proceeds from the sale of securities, and/or revenues from operations. These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or amounts and classification of liabilities that might result from this uncertainty.

Note 3 – Acquisition of Alternative Solutions, LLC

On June 27, 2018, the Company closed on the purchase of all of the membership interests in Alternative Solutions, LLC and its three operating subsidiaries (collectively, the "Oasis LLCs") from the members of such entities (other than Alternative Solutions). The Oasis LLCs operate a fully integrated cannabis business in Las Vegas, Nevada, including a grow; extraction, conversion and processing facility; and a retail dispensary. The closing occurred pursuant to a Membership Interest Purchase Agreement (the "Acquisition Agreement") entered into between the Company and Alternative Solutions on December 4, 2017, as amended. Pursuant to the Acquisition Agreement, the Company initially contemplated acquiring all of the membership interests in the Oasis LLCs from Alternative Solutions. Just prior to closing, the parties agreed that the Company would instead acquire all of the membership interests in Alternative Solutions, the parent of the Oasis LLCs, from its members, and the membership interests in the Oasis LLCs owned by members other than Alternative Solutions. The revised structure of the transaction is referenced in the Oasis Note (as defined below), which modified the Acquisition Agreement.

Pursuant to the Acquisition Agreement, the Company paid a non-refundable deposit of $250,000 upon signing, which was followed by an additional payment of $1,800,000 paid in February 2018, for an initial 10% of each of the Oasis LLCs. At that time, the Company applied for regulatory approval to own an interest in the Oasis LLCs, which approval was received. On June 27, 2018, the Company made the payments to indirectly acquire the remaining 90% of the Oasis LLCs, which were equal to cash in the amount of $5,995,543, a $4.0 million promissory note due in December 2019 (see note 12), (the "Oasis Note"), and 22,058,823 shares of its common stock (see note 13), (the "Purchase Price Shares") (collectively, the "Closing Consideration"). The cash payment of $5,995,543 was less than the $6,200,000 payment originally contemplated because the Company assumed an additional $204,457 of liabilities. The Company used the proceeds of its recent Canadian private securities offering to fund the cash portion of the Closing Consideration (see note 13). The Company then applied for regulatory approval to own the additional 90% in membership interests in the Oasis LLCs, which it expects expect to receive in due course. The change of ownership in the Oasis LLCs to the Company will be recorded upon receipt of such regulatory approvals.

The number of Purchase Price Shares was equal to 80% of the offering price of the Company's common stock in its last equity offering, which price was $0.34 per share. The Oasis Note is secured by a first priority security interest over the membership interests in Alternative Solutions and the Oasis LLCs, as well as by the assets of the Oasis LLCs. The Company also delivered a confession of judgment to a representative of the sellers that will become effective, in general, if the Company defaults default under the Oasis Note.

Oasis currently owes certain amounts to a consultant known as 4Front Advisors, LLC. If the Company makes any payments to this company post-closing, generally speaking, the Company will be entitled to deduct the present value of such payments from the principal amount due under the Oasis Note.

The sellers are also entitled to a $1,000,000 payment from the Company on May 30, 2020 if the Oasis LLCs have maintained an average revenue of $20,000 per day during the 2019 calendar year. The fair value of this contingent consideration was $678,111 as determined by the Company's outside valuation consultants.

The acquisition date estimated fair value of the consideration transferred totaled $27,975,650, which consisted of the following:

Initial purchase price	$	2,050,000
Cash paid in connection with transaction		5,995,543
Note payable		3,810,820
Contingent consideration		678,111
Common stock		15,441,176
Total purchase price	$	27,975,650

Net tangible assets	$	595,151
Intangible assets		1,637,600
Goodwill		25,742,899
Total purchase price	$	27,975,650

The above estimated fair value of the intangible assets is based on a preliminary purchase price allocation prepared by a third party valuation expert. During the preliminary purchase price allocation period, which may be up to one year from the business combination date, the Company may record adjustments to the assets acquired and liabilities assumed, with the corresponding offset to goodwill. After the preliminary purchase price allocation period, the Company may record adjustments to assets acquired or liabilities assumed subsequent to the purchase price allocation period in its operating results in the period in which the adjustments were determined.

Pro forma results

The following table sets forth the unaudited pro forma results of the Company as if the acquisition of the Oasis LLCs was effective on the first day of each of the three months periods presented. These combined results are not necessarily indicative of the results that may have been achieved had the companies always been combined.

	Three months ended August 31, 2018	2017
	(unaudited	(unaudited)
Revenues	$ 1,655,744	$ 1,383,192
Net loss	$ (12,016,196)	$ (8,742,167)
Basic net income per share	$ (0.18)	$ (0.16)
Diluted net income per share	$ (0.18)	$ (0.16)
Weighted average shares - basic	67,913,333	56,199,550
Weighted average shares - diluted	67,913,333	56,199,550

Note 4 – Accounts Receivable

Accounts receivable was $59,981 and $0 at August 31, 2018 and May 31, 2018, respectively. No allowance for doubtful accounts was necessary during the three months ended August 31, 2018 and 2017.

Note 5 – Inventory

Inventory, consisting of material, overhead, labor, and manufacturing overhead, is stated at the lower of cost (first-in, first-out) or market, and consists of the following:

	August 31, 2018	May 31, 2018
Raw materials	$ 197,475	$ -
Finished goods	301,924	-
Total	$ 499,399	$ -

Raw materials consist of cannabis plants and the materials that are used in our production process prior to being tested and packaged for consumption. Finished goods consist of pre-packaged materials previously purchased from other licensed cultivators and our manufactured edibles and extracts.

Note 6 – Prepaid Expenses

Prepaid expenses consisted of the following at August 31, 2018 and May 31, 2018:

	August 31, 2018	May 31, 2018
Prepaid insurance	$ 5,865	$ -
Prepaid advertising	23,784	-
Prepaid license fees	77,459	-
Prepaid legal fees	1,410	1,410
Prepaid general and administrative expenses	74,790	-
Prepaid consulting	75,000	
Total	$ 258,308	$ 1,410

Note 7 – Other Assets

Other assets included the following as of August 31, 2018 and May 31, 2018, respectively:

	August 31 2018	May 31, 2018
Security deposits	158,500	-
	$ 158,500	$ -

Note 8 – Note Receivable

During the year ended May 31, 2015, the Company loaned $500,000 (the “Note”) to Picture Rock Holdings, LLC, a Colorado limited liability company (“PRH”). Pursuant to the Note, as amended by the parties effective June 30, 2015, October 31, 2015, April 11, 2016, and May 31, 2016, PRH was expected to repay the principal due under the Note in twenty (20) equal quarterly installments of Twenty Five Thousand Dollars ($25,000) commencing in the month following the month in which PRH commenced generating revenue at the grow facility, which commencement was originally anticipated to occur in the first quarter of 2017, and continuing until paid in full. Recently, we suspended our plans to proceed with the Colorado Arrangement due to regulatory delays and have not yet determined when we will pursue it again. Interest will accrue on the unpaid principal balance of the Note at the rate of twelve percent (12%) per annum and will be paid quarterly in arrears commencing after such initial payment and continuing until paid in full. All outstanding principal and any accumulated unpaid interest due under the Note is due and payable on the five-year anniversary of the initial payment thereunder. In the event of default as defined in the agreements underlying the Note, all amounts under the Note shall be due and payable at once. During the year ended May 31, 2015, the Company recorded an impairment related to the note receivable in the amount of $500,000.

During the year ended May 31, 2018, the Company received a payment of $50,000 on the Note. As a result, the Company has reduced the impairment of the note by $50,000 to reflect this payment. The receivable is recorded on the balance sheet as of August 31, 2018 in the amount of $0, net of allowance in the amount of $450,000.

Note 9 – Property, Plant and Equipment

Property, plant and equipment consisted of the following at August 31, 2018 and May 31, 2018.

	August 31, 2018	May 31, 2018
Office equipment	120,276	2,674
Furniture and fixtures	13,112	-
Leasehold improvements	$ 799,754	$ -
Less: accumulated depreciation	(27,509)	(2,674)
Property, plant, and equipment, net	$ 905,633	$ -

During the three months ended August 31, 2018, the Company acquired property, plant, and equipment with an aggregate fair value of $933,142 with the acquisition of Alternative Solutions, LLC. See note 3.

Depreciation expense totaled $27,509 and $223 for the three months ended August 31, 2018 and 2017 respectively.

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Note 10 – Intangible Assets

Intangible assets consisted of the following at August 31, 2018 and May 31, 2018.

August 31, 2018

	Gross	Accumulated Amortization	Net
Intellectual Property	$ 319,600	$ (5,327)	$ 314,273
License & Customer Relations	990,000	(8,250)	981,750
Tradenames - Trademarks	301,000	(5,017)	295,983
Non-compete Agreements	27,000	(2,250)	24,750
Domain Names	4,482	(1,913)	2,569
Total	$ 1,642,082	$ (22,757)	$ 1,619,325

May 31, 2018

	Gross	Accumulated Amortization	Net
Intellectual Property	$ -	$ -	$ -
License & Customer Relations	-	-	-
Domain name	1,726	(828)	898
Non-compete Agreements	-	-	-
Goodwill	-	-	-
Total	$ 1,726	$ (828)	$ 898

Total amortization expense charged to operations for the three months ended August 31, 2018 and 2017 was $20,952 and $108, respectively.

Amount to be amortized during the twelve months ended August 31,

2019	$ 126,973
2020	123,466
2021	111,560
2022	111,560
2023	111,560
Thereafter	1,034,206
	$ 1,619,325

Note 11 – Accounts Payable and Accrued Liabilities

Accrued expenses consisted of the following at August 31, 2018 and May 31, 2018:

	August 31, 2018	May 31, 2018
Trade accounts payable	601,714	$ 726,457
Accrued payroll and payroll taxes	38,203	44,465
Accrued liabilities	503,909	-
Deferred rent liability	55,699	55,699
Total	$ 1,199,525	$ 826,621

Note 12 – Notes Payable and Convertible Notes Payable

Notes Payable

	August 31, 2018	May 31, 2018
On February 7, 2018, the Company issued a note payable to Todd Blatt in the amount of $210,000 the "Blatt Note"). This note accrues interest at a rate of 6% per annum and is due on February 7, 2019. During the three months ended August 31, 2018, the Company accrued interest in the amount of $1,726 on the Blatt Note. On July 20, 2018, the Company made principal and interest payments in the amount of $210,000 and $5,627, respectively, on the Blatt Note.	$ -	$ 210,000
On February 7, 2018, the Company issued a note payable to AJG Group in the amount of $200,000 the "AJG Note"). This note accrues interest at a rate of 6% per annum and is due on February 7, 2019. During the three months ended August 31, 2018, the Company accrued interest in the amount of $641 on the AJG Note. On July 9, 2018, the Company made principal and interest payments in the amount of $100,000 and $3,337, respectively, on the AJG Note.	-	100,000
Secured note payable to Serenity Wellness Enterprises, LLC, as nominee ("Oasis Note"). dated June 27, 2018 in the principal amount of $4,000,000 and bearing interest at a rate of 6% per annum was issued pursuant to the Membership Interest Purchase Agreement with Alternative Solutions. The note is due December 4, 2019, but may be prepaid at any time without penalty. The Oasis Note is secured by all of the membership interests in Alternative Solutions and the Oasis LLCs and by the assets of the Oasis LLCs. The Company recognized an original issue discount of $189,180 on the Oasis Note. During the three months ended August 31, 2018, $23,422 of this discount was charged to operations. During the three months ended August 31, 2018, the Company accrued interest in the amount of $43,333 on this note.	4,000,000	-
Total – Notes Payable	$ 4,000,000	$ 310,000
Less: Discount	(165,758)	-
Notes Payable, Net of Discounts	$ 3,834,242	$ 310,000
Current portion	$ 3,834,242	$ 310,000
Long term portion	$ -	$ -

Related Party Convertible Demand Notes Payable

On May 31, 2017, the Company entered into an Omnibus Loan Amendment Agreement (the "Omnibus Loan Amendment") with Jeffrey I. Binder, Frank Koretsky, Newcan Investment Partners LLC and CLS CO 2016, LLC (collectively, the "Insiders"). Pursuant to the Omnibus Loan Amendment, the Company agreed with the Insiders to amend certain terms of loans the Insiders made to the Company for working capital purposes, which loans were initially demand loans, and, except for loans made in 2017, were later memorialized as convertible loans (the "Insider Loans"), in exchange for the agreement of the Insiders to convert all Insider Loans where funds were advanced prior to January 1, 2017, which totaled $2,537,750, plus $166,490 of accrued interest thereon, into an aggregate of 10,816,960 shares of the Company's common stock at $0.25 per share, and forego the issuance of warrants to purchase the Company's common stock upon conversion. This resulted in the issuance of an additional 7,609,910 shares compared to the original number of shares issuable upon conversion of the Insider Loans prior to the Omnibus Loan Amendment. The Company valued the shares at $0.125, which was the market price of the Company's stock at the conversion date, and charged the amount of $951,239 to loss on modification of debt during the twelve months ended May 31, 2017. The Company entered into the Omnibus Loan Amendment in order to ease the debt burden on the Company and prevent it from defaulting on the Insider Loans.

Pursuant to the Omnibus Loan Amendment, the following amendments were made to the Insider Loans: (a) the Company reduced the conversion price on the Insider Loans from between $0.75 and $1.07 per share of common stock to $0.25 per share of common stock, in those cases where the conversion price was greater than $0.25, which reduced conversion price exceeded the closing price of the common stock during the three months prior to the Omnibus Loan Amendment; (b) the Company deleted the requirement to issue warrants to purchase the Company's common stock upon conversion of the Insider Loans; (c) the Company amended one Insider Loan to permit conversion of only the portion of the Insider Loan related to services that were provided to it prior to January 1, 2017; and (d) the Company amended the terms of the Insider Loans where funds were advanced on or after January 1, 2017, which Insider Loans were not converted into the Company's common stock, to provide for, where not already the case, a 10% interest rate per annum, a $0.25 conversion price per share of common stock, and the deletion of the requirement that the Company issue warrants to purchase its common stock upon conversion of such Insider Loans.

On January 10, 2018, effective December 1, 2017, the Company entered into an Omnibus Amendment to Convertible Notes (the "Second Omnibus Loan Agreement") with Jeffrey I. Binder, an officer and director of the Company, and Newcan Investment Partners LLC, an entity owned by Frank Koretsky, a director of the Company. The Second Omnibus Loan Agreement provides that the conversion price of all outstanding convertible promissory notes issued to either Mr. Binder or Newcan Investment Partners, LLC as of the date of the Agreement would be increased from $0.25 to $0.3125 per share of common stock. The remaining terms of such notes remain unchanged.

The following tables summarize the Company's loan balances at August 31, 2018 and May 31, 2017:

	August 31, 2018	May 31, 2018
Notes payable to Jeffrey Binder, an officer and director of the Company, for advances to fund operations (the "Binder Funding Notes"). The Binder Funding Notes bear interest at a rate of 10% per annum, have no maturity date and are due on demand. Effective May 31, 2017, pursuant to the Omnibus Loan Agreement, a conversion feature was added to the Binder Funding Notes whereby principal and accrued interest is convertible into common stock of the Company at a rate of $0.25 per share. Effective December 1, 2017, pursuant to the Second Omnibus Loan Amendment, the conversion price was increased from $0.25 per share to $0.3125 per share and a discount in the amount of $35,023 related to the revaluation of the beneficial conversion feature of the Binder Funding Notes was charged to additional paid-in capital and amortized to interest expense. During the twelve months ended May 31, 2018, Mr. Binder advanced a total of $440,579 to the Company under the Binder Funding Notes. During the year ended May 31, 2018, principal in the amount of $280,198 and accrued interest in the amount of $5,188 was transferred out of the Binder Funding Notes and used to fund four new convertible notes payable to Mr. Binder, which were converted or repaid as of May 31, 2018. Also during the year ended May 31, 2018 the Company made principal payments in the aggregate of $237,794 under the Binder Funding Notes. During the year ended May 31, 2018, the Company accrued interest in the amount of $7,364 on the Binder Funding Notes. During the year ended May 31, 2018, discounts in the amount of $385,637 related to the beneficial conversion feature of the Binder Funding Notes was charged to additional paid-in capital and amortized to interest expense. During the three months ended August 31, 2018, Mr. Binder advanced as total of $81,961 to the Company under the Binder Funding Notes. During the three months ended August 31, 2018. The Company made principal payments to in the amount of $76,381 under the Binder Funding Notes. During the three months ended August 31, 2018, the Company accrued interest in the amount of $347 on the Binder Funding Notes. During the three months ended August 31, 2018, a discount in the amount of $ 81,961 related to the beneficial conversion feature of the Binder Funding Notes was charged to additional-paid in capital and amortized to interest expense.	$ 5,716	$ 137

	August 31, 2018	May 31, 2018
Notes payable to Newcan Investment Partners, LLC ("Newcan"), an entity owned by Frank Koretsky, a director of the Company, for advances to fund operations (the "Newcan Funding Notes"). The Newcan Funding Notes bear interest at a rate of 10% per annum, have no maturity date and are due on demand. Effective May 31, 2017, pursuant to the Omnibus Loan Agreement, a conversion feature was added to the Newcan Funding Notes whereby principal and accrued interest is convertible into common stock of the Company at a rate of $0.25 per share. Effective December 1, 2017, pursuant to the Second Omnibus Loan Amendment, the conversion price was increased from $0.25 per share to $0.3125 per share and a discount in the amount of $6,120 related to the revaluation of the beneficial conversion feature of the Newcan Funding Notes was charged to additional paid-in capital and amortized to interest expense. During the twelve months ended May 31, 2018, Newcan advanced a total of $290,000 to the Company under the Newcan Funding Notes. During the year ended May 31, 2018, principal in the amount of $836,658 and accrued interest in the amount of $25,018 was transferred out of the Newcan Funding Notes and used to fund four new convertible notes payable to Newcan, which were converted or repaid as of May 31, 2018.). During the year ended May 31, 2018, the Company accrued interest in the amount of $16,681 on the Newcan Funding Notes. During the year ended May 31, 2018, discounts in the amount of $210,120 related to the beneficial conversion feature of the Newcan Funding Notes was charged to additional paid-in capital and amortized to interest expense. During the three months ended August 31, 2018, principal in the amount of $75,000 and accrued interest in the amount of $1,931 was transferred out of the Newcan Funding Notes and used to create a new convertible note payable to Newcan ("Newcan Convertible Note 8"). During the three months ended August 31, 2018, the Company accrued interest in the amount of $1,377 on the Newcan Funding Notes.	-	75,000
Total – Demand Convertible Notes Payable, Related Parties	$ 5,716	$ 75,137
Total – Demand Convertible Notes Payable, Related Parties - Current portion	$ 5,716	$ 75,137
Total – Demand Convertible Notes Payable, Related Parties - Long term portion	$ -	$ -

Convertible Notes Payable, Related Parties

	August 31, 2018	May 31, 2018
Convertible promissory note payable to David Lamadrid (the "Lamadrid Note") dated February 20, 2018 in the principal amount of $31,250 and bearing interest at a rate of 8% per annum. The Lamadrid Note is due eighteen months from the date of issue. Mr. Lamadrid may, at his option, convert all or a portion of the Lamadrid Note and accrued but unpaid interest into shares of common stock at a conversion price of $0.3125 per share. The Lamadrid Note also contains a reset feature, whereby, absent certain exceptions, if the Company issues equity securities at an effective price less than $0.3125 per share of common stock, the conversion price of the Lamadrid Note will be reset to such lower price. The Company recognized a discount of $31,250 on the Lamadrid Note related to the beneficial conversion feature at the time of issuance. During the twelve months ended May 31, 2018, $942 of this discount was charged to operations. During the twelve months ended May 31, 2018, the Company accrued interest in the amount of $685 on this note. During the three months ended August 31, 2018, interest in the amount of $562 was accrued on the Lamadrid note. During the three months ended August 31, 2018, the Lamadrid Note, in the amount of $$32,497, of which $31,250 was principal and $1,247 was accrued interest, was converted into 103,989 shares of common stock. During the three months ended August 31, 2018 the remaining discount in the amount of $30,308 was charged to operations.	-	31,250
Unsecured convertible note issued to Jeffery Binder, an officer and director of the Company, dated April 6, 2018 in the original principal amount of $37,500 (the "Binder Convertible Note 9"). The Binder Convertible Note 9 was funded with the conversion of $37,500 of unpaid accrued salary due to Mr. Binder. This note bears interest at the rate of 10% per annum. No interest payments are required until July 1, 2019, at which time all accrued interest becomes due and payable. Commencing October 1, 2019, the first of eight principal payments in the amount of $4,688 will become due; subsequent payments will become due on the first day of each January, April, July and October until paid in full. This note and accrued interest under the note may be converted, in whole or in part, into one share of common stock for each $0.3125 converted. The Company recognized a discount of $37,500 on the Binder Convertible Note 9 related to the value of the beneficial conversion feature at the time of issuance. During the twelve months ended May 31, 2018, the Company amortized $1,890 of this discount to interest expense. During the twelve months ended May 31, 2018 and 2017, interest in the amount of $565 and $0 was accrued on Binder Convertible Note 9, respectively. During the three months ended August 31, 2018, interest in the amount of $699 was accrued on the Binder Convertible Note 9. During the three months ended August 31, 2018, the Company made a principal payment in the amount of $37,000 on the Binder Convertible Note 9. During the three months ended August 31, 2018 the remaining discount in the amount of $35,610 was charged to operations.	-	37,500
Unsecured convertible note issued to Newcan, an entity owned by Frank Koretsky, a director of the Company, dated, August 6, 2018 in the original amount of $75,000 (the "Newcan Convertible Note 8"). The Newcan Convertible Note 8 was funded with the conversion of $75,000 of advances Newcan made to the Company under the Newcan Funding Notes. This note bears interest at the rate of 10% per annum. No interest payments are required until January 1, 2020, at which time all of the accrued interest becomes due and payable. Commencing on January 1, 2020, the first of eight principal payments in the amount of $9,375 will become due; subsequent principal payments will become due on the first day of each April, July, October, and January until paid in full. This note and accrued interest under the note may be converted, in whole or in part, into one share of common stock for each $0.40 converted. The Company recognized a discount of $58,594 on the Newcan Convertible Note 8 related to the value of the beneficial conversion feature at the time of issuance. During the three months ended August 31, 2018, the Company amortized $1,272 of this discount to interest expense. During the three months ended August 31, 2018, the Company accrued interest in the amount of $514 on the Newcan Convertible Note 8.	75,000	-
Total – Convertible Notes Payable, Related Parties	$ 75,000	$ 68,750

Less: Discount		(57,322)		(65,918)
Convertible Notes Payable, Related Parties, Net of Discounts	$	17,678	$	2,832
Convertible Notes Payable, Related Parties, Net of Discounts, Current Portion	$	-	$	2,832
Convertible Notes Payable, Related Parties, Net of Discounts, Long-term Portion		17,678		-

Convertible Notes Payable

	August 31, 2018	May 31, 2018
Convertible promissory note payable to Darling Capital, LLC (the "Darling Note") dated February 5, 2018 and bearing interest at a rate of 8% per annum. The lender loaned the Company $500,000 and the Darling Note has an original issue discount of $50,000. The Darling Note is due eighteen months from the date of issue. Darling may, at its option, convert all or a portion of the Darling Note and accrued but unpaid interest into shares of common stock at a conversion price of $0.3125 per share. The Darling Note also contains a reset feature, whereby, absent certain exceptions, if the Company issues equity securities at an effective price less than $0.3125 per share of common stock, the conversion price of the Darling Note will be reset to such lower price. The Company recognized a discount of $550,000 on the Darling Note related to the beneficial conversion feature at the time of issuance. During the twelve months ended May 31, 2018, $40,427 of this discount was charged to operations. During the twelve months ended May 31, 2018, the Company accrued interest in the amount of $13,863 on this note. During the three months ended August 31, 2018, the Company accrued interest in the amount of $1,447 on this note. During the three months ended August 31, 2018, the holder of the Darling Note converted $565,000, of which $550,000 was principal and $15,000 was accrued interest into 1,808,000 shares of common stock. Also, during the three months ended August 31, 2018, the remaining discount in the amount of $509,573 was charged to operations.	-	550,000
Convertible promissory note payable to Efrat Investments, LLC (the "Efrat Note") dated February 12, 2018 and bearing interest at a rate of 8% per annum. The lender loaned the Company $50,000 and the Efrat Note has an original issue discount of $5,000. The Efrat Note is due eighteen months from the date of issue. Efrat may, at its option, convert all or a portion of the Efrat Note and accrued but unpaid interest into shares of common stock at a conversion price of $0.3125 per share. The Efrat Note also contains a reset feature, whereby, absent certain exceptions, if the Company issues equity securities at an effective price less than $0.3125 per share of common stock, the conversion price of the Efrat Note will be reset to such lower price. The Company recognized a discount of $55,000 on the Efrat Note related to the beneficial conversion feature at the time of issuance. During the twelve months ended May 31, 2018, $2,974 of this discount was charged to operations. During the twelve months ended May 31, 2018, the Company accrued interest in the amount of $1,302 on this note. During the three months ended August 31, 2018, the Company accrued interest in the amount of $898 on this note. During the three months ended August 31, 2018, the holder of the Efrat Note converted $57,200, of which $55,000 was principal and $2,200 was accrued interest into 183,040 shares of common stock. Also, during the three months ended August 31, 2018, the remaining discount in the amount of $52,026 was charged to operations.	-	55,000

	August 31, 2018	May 31, 2018
Convertible promissory note payable to YA II PN, Ltd. (the "YA II PN Note") dated May 14, 2018 and bearing interest at a rate of 8% per annum. The lender loaned the Company $750,000, and the note is due November 14, 2019. YA II PN may, at its option, convert all or a portion of the YA II PN Note and accrued but unpaid interest into shares of common stock at a conversion price of $0.40 per share. The YA II PN Note also contains a reset feature, whereby, absent certain exceptions, if the Company issues equity securities at an effective price less than $0.40 per share of common stock, the conversion price of the YA II PN Note will be reset to such lower price. The Company recognized a discount of $750,000 related to the beneficial conversion feature at the time of issuance. Commencing on December 1, 2018, the first of eight payments in the amount of $93,750 will become due; subsequent payments will become due on the first day of each of the following months until paid in full. During the twelve months ended May 31, 2018, $23,224 of this discount was charged to operations. During the twelve months ended May 31, 2018, the Company accrued interest in the amount of $2,795 on this note. During the three months ended August 31, 2018, the Company charged $19,112 of the discount to operations. Also, during the three months ended August 31, 2018, the Company accrued interest in the amount of $15,123 on this note. During the three months ended August 31, 2018, a reset event occurred. As a result, the conversion price of the YA II PN Note was reduced to $0.34 per share of common stock. This was considered a material modification of the note; the remaining balance of the discount to the note in the amount of $699,628 was charged to interest expense, a new discount in the amount of $750,000 was charged to additional paid-in capital, and $105,469 of the new discount was amortized to interest expense during the three months ended August 31, 2018.	750,000	750,000
Unsecured convertible note issued to Jay Lasky (the "Lasky Note"), dated May 3, 2018 in the original principal amount of $25,000. This note bears interest at the rate of 10% per annum. No interest payments are required until July 1, 2019, at which time all accrued interest becomes due and payable. Commencing on October 1, 2019, the first of eight principal payments in the amount of $3,125 will become due; subsequent payments will become due on the first day of each January, April, July and October until paid in full. The Lasky Note and accrued interest under the note may be converted, in whole or in part, into one share of common stock for each $0.40 converted. The Company recognized a discount of $7,301 on the Lasky Note related to the beneficial conversion feature at the time of issuance. During the twelve months ended May 31, 2018, $149 of this discount was charged to operations. During the twelve months ended May 31, 2018, the Company accrued interest in the amount of $192 on this note. During the three months ended August 31, 2018, $498 of this discount was charged to operations. During the three months ended August 31, 2018, the Company accrued interest in the amount of $630 on this note.	25,000	25,000
Convertible promissory note payable to YA II PN, Ltd. (the "YA II PN Note 2") dated July 20, 2018 and bearing interest at a rate of 8% per annum. The lender loaned the Company $500,000, and the note is due November 14, 2019. YA II PN may, at its option, convert all or a portion of the YA II PN Note 2 and accrued but unpaid interest into shares of common stock at a conversion price of $0.40 per share. The YA II PN Note 2 also contains a reset feature, whereby, absent certain exceptions, if the Company issues equity securities at an effective price less than $0.40 per share of common stock, the conversion price of the YA II PN Note 2 will be reset to such lower price. The Company recognized a discount of $362,500 related to the beneficial conversion feature at the time of issuance. Commencing on December 1, 2018, the first of eight payments in the amount of 62,500 will become due; subsequent payments will become due on the first day of each of the following months until paid in full. During the three months ended August 31, 2018, $31,587 of this discount was charged to operations. During the three months ended August 31, 2018, the Company accrued interest in the amount of $4,603 on this note.	500,000	-
Total - Convertible Notes Payable	$ 1,275,000	$ 1,380,000

Less: Discount		(982,098)		(1,295,527)
Convertible Notes Payable, Net of Discounts	$	292,902	$	84,473
Total - Convertible Notes Payable, Net of Discounts, Current Portion	$	-	$	43,401
Total - Convertible Notes Payable, Net of Discounts, Long-term Portion	$	292,902	$	41,072
Discounts on notes payable amortized to interest expense – 3 months ended August 31, 2018 and 2017, respectively	$	1,598,502	$	39,489

Beneficial Conversion Features

The Darling Note, Efrat Note, Lamadrid Note and YA II PN Notes contain conversion features that create derivative liabilities. The pricing model the Company uses for determining fair value of its derivatives is the Lattice Model. Valuations derived from this model are subject to ongoing internal and external verification and review. The model uses market-sourced inputs such as interest rates and stock price volatilities. Selection of these inputs involves management's judgment and may impact net income. The derivative components of the notes were valued at issuance, at conversion, at restructure, and at each period end.

Certain of the Company's other convertible notes payable contain beneficial conversion features that are not derivatives, but which require valuation in order to determine the discount to the related convertible note payable. The value of these conversion features is calculated using the intrinsic value method, whereby the amount of the discount is calculated as the difference between the conversion price and the market price of the underlying common stock at the date of issuance multiplied by the number of shares issuable.

Note 13 – Stockholders' Equity

The Company's authorized capital stock consists of 250,000,000 shares of common stock, par value $0.0001 per share and 20,000,000 shares of preferred stock, par value $0.001 per share. The Company had 90,087,236 and 50,128,972 shares of common stock issued and outstanding as of August 31, 2018 and May 31, 2018, respectively.

The Company recorded imputed interest of $271 and $271 during the three months ended August 31, 2018 and 2017 on related party payables due to a director and officer of the Company.

Stock Issued upon Conversion of Notes Payable

During the three months ended August 31, 2018, Darling Capital, holder of a convertible promissory note, converted a total of $565,000, which consisted of $550,000 of principal and $15,000 of accrued interest, into 1,808,000 shares of common stock.

During the three months ended August 31, 2018, Efrat Investments, holder of a convertible promissory note, converted a total of $57,200, which consisted of $55,000 of principal and $2,200 of accrued interest, into 183,040 shares of common stock.

During the three months ended August 31, 2018, David Lamadrid, holder of a convertible promissory note, converted a total of $32,497, which consisted of $31,250 of principal and $1,247 of accrued interest, into 103,989 shares of common stock.

Stock Issued for Services

On July 24, 2018, the Company awarded Star Associates, LLC, a limited liability company owned by Andrew Glashow, a director of the Company, a cash payment in the amount of $250,000 and 700,000 restricted shares of the Company's common stock in recognition of Mr. Glashow's efforts, through Star Associates, in successfully assisting the Company in negotiating and obtaining the financing necessary to acquire Alternative Solutions, LLC. The shares were valued at $490,000 and were charged to operations during the three months ended August 31, 2018.

On June 24, 2018, pursuant to the terms of a severance agreement between the Company and David Lamadrid, the Company issued 600,000 shares of common stock to Mr. Lamadrid. These shares were valued at $264,000, $213,320 of which was previously expensed and the remaining $50,680 of which was charged to operations during the three months ended August 31, 2018.

Stock Issued for Acquisition

On June 27, 2018, the Company issued 22,058,823 shares of its common stock pursuant to the terms of the Alternative Solutions, LLC Acquisition Agreement. These shares were valued at $15,441,176. (See note 3).

Special Warrants Issued in Offering

On June 20, 2018, the Company executed an Agency Agreement with Canaccord Genuity Corp. and closed on a private offering of its special warrants for aggregate gross proceeds of C$13,037,859 (USD$9,785,978). Pursuant to the offering, the Company issued 28,973,020 special warrants at a price of C$0.45 (USA$0.34) per special warrant. Each special warrant is automatically exercisable, for no additional consideration, into units of the Company on the earlier of: (i) the date that is five business days following the date on which the Company obtains a receipt from the applicable securities regulatory authorities in each of the jurisdictions in Canada in which the special warrants were sold for a final prospectus qualifying the distribution of the units, which is intended to be no later than August 31, 2018, and (ii) the date that is four months and one day after the completion of the Company's acquisition of all of the membership interests in Alternative Solutions, LLC, known as Oasis Cannabis.

Upon exercise of the special warrants, each unit shall consist of one share of the Company's common stock and one warrant to purchase one share of common stock. Each warrant will be exercisable at a price of C$0.65 for three years after the Company's common stock is listed on a recognized Canadian stock exchange, subject to adjustment in certain events.

Because the Company did not receive a receipt from the applicable Canadian securities authorities for the qualifying prospectus by August 20, 2018, the unexercised special warrants were adjusted to entitle the holders to receive 1.1 units instead of one unit of the Company. This resulted in the issuance of an additional 3,042,167 special warrants. This penalty was valued at $7,142,550 and was charged to operations during the three months ended August 31, 2018.

In connection with the offering, the Company paid Canaccord Genuity Corp. a cash commission equal to C$1,043,028 (USD$799,053), a corporate finance fee equal to 1,448,651 special warrants, and 2,317,842 compensation broker warrants valued at $1,495,373. Each compensation broker warrant entitles the holder thereof to acquire one unit at a price of C$0.45 per unit for a period of 36 months from the date that the Company's common stock is listed on a recognized Canadian stock exchange, subject to adjustment in certain events. The 1,448,651 special units that were issued were valued at $1,413,300 and were charged to operations during the three months ended August 31, 2018.

Stock Issued in Navy Capital Offering

On July 31, 2018, the Company entered into a Subscription Agreement with Navy Capital Green International, Ltd, (the “Navy Capital Offering”) for 7,500,000 units at a price of $0.40 per unit, or an aggregate amount of $3,000,000. The units collectively represent (i) 7,500,000 shares of common stock, and (ii) three-year warrants to purchase an aggregate of 7,500,000 shares of common stock at an exercise price of $0.60 per share of Common Stock.

In connection with the Navy Capital Offering, between August 8, 2018 and August 10, 2018, the Company entered into five subscription agreements for a total of 6,875,000 units at a price of $0.40 per unit, or an aggregate purchase price of $2,750,000. The units collectively represent (i) 6,875,000 shares of common stock, and (ii) three-year warrants to purchase an aggregate of 6,875,000 shares of common stock at an exercise price of $0.60 per share of common stock.

Stock Issued to Officers

On July 27, 2018, the Company granted 25,000 shares of restricted common stock to its Chief Financial Officer. These share will vest four months after issuance. The shares were valued at $17,500, and will be amortized over the vesting period. As of August 31, 2018, these shares had not been issued. As of August 31, 2018, $4,375 had been charged to operations, and is carried as Common Stock Subscribed on the Company’s balance sheet at August 31, 2018.

On July 31, 2018, the Company granted the Chief Executive Officer of CLS Nevada, Inc. a one-time signing bonus of 500,000 shares of restricted common stock, which shall become fully vested one year from the effective date of his employment agreement. These shares were valued at $350,000 and will be amortized over the vesting period. As of August 31, 2018, $59,167 had been charged to operations, and is carried as Common Stock Subscribed on the Company’s balance sheet at August 31, 2018.

On July 31, 2018, the Company granted the Chief Operating Officer of CLS Nevada, Inc. a one-time signing bonus of 50,000 shares of restricted common stock, which shall become fully vested one year from the effective date of his employment agreement. These shares were valued at $35,000 and will be amortized over the vesting period. As of August 31, 2018, $5,917 had been charged to operations, and is carried as Common Stock Subscribed on the Company's balance sheet at August 31, 2018.

Stock Issued upon Cashless Exercise of Warrants

On August 14, 2018, the Company issued 129,412 shares of common stock for the cashless conversion of 350,000 warrants at an exercise price of $0.75 per share.

Additional Paid-in Capital

During the three months ended August 31, 2018, the Company recorded discounts on two convertible notes payable relating to beneficial conversion features in the aggregate amount of $362,500 on the YA II PN Note 2; and $58,594 on the Newcan Convertible Note 8. Also during the three months ended August 31, 2018, a reset event occurred with regard to the YAII PN Note.

During the three months ended August 31, 2018, the Company recorded an original issue discount on the Serenity Wellness Note in the amount of $81,961.

On June 1, 2018, the Company adopted ASU 2017-11 and accordingly reclassified the fair value of the reset provisions embedded in the previously issued convertible notes payable and certain warrants with embedded anti-dilutive provisions from liability to additional paid-in capital in the aggregate amount of $1,265,751. On June 20, 2018, a reset event occurred in connection with the YA II PN Note (see note 12), and the Company charged the change in fair value of the conversion feature in the amount of $35,833 to additional paid-in capital. This was considered a material modification of the note, and the Company created a new discount to this note in the amount of $750,000, which was charged to additional paid-in capital.

Warrants

On June 27, 2018, the Company incurred a penalty in connection with the WestPark Offering due to the late filing of the registration statement that included the resale of the securities that were sold in such offering. As a result of the penalty, the Company issued three-year common stock warrants to purchase an aggregate of 1,368,250 shares of the Company's common stock at an exercise price of $0.50 per share. In addition, the Company reduced the exercise price of the common stock purchase warrants previously issued to the investors in the WestPark Offering from $0.75 per share to $0.50 per share. The fair value of the penalty was $941,972; this amount was charged to operations during the three months ended August 31, 2018.

On June 20, 2018, in connection with the special warrant offering, the Company issued Canaccord Genuity Corp. 2,317,842 three-year broker warrants at an exercise price of C$0.45 per share as compensation. Each warrant entitles the holder to purchase one unit, which consists of one share of common stock and a warrant to purchase one share of common stock, for C$0.65 per share. These warrants were valued at $1,495,373, and this amount was charged to operations during the three months ended August 31, 2018.

On July 20, 2018, in connection with the Company's sale of a convertible debenture, the Company issued to YA II PN, Ltd. a five-year common stock purchase warrant to purchase 1,250,000 shares of the Company's common stock at an initial exercise price of $0.60 per share.

On August 6, 2018, the Company issued three-year common stock purchase warrants to purchase an aggregate of 7,500,000 shares of the Company's common stock at an exercise price of $0.60 per share, to investors in the Navy Capital Offering.

On August 8, 2018, the Company issued three-year common stock purchase warrants to purchase an aggregate of 6,875,000 shares of the Company's common stock at an exercise price of $0.60 per share, to investors in the Navy Capital Offering.

The following table summarizes the significant terms of warrants outstanding at August 31, 2018. These warrants were granted as part of financing agreements. This table does not include the special warrants; see Special Warrant section below:

Range of exercise Prices	Number of warrants Outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price of outstanding Warrants	Number of warrants Exercisable	Weighted average exercise price of exercisable Warrants
$ 0.49	2,317,842	2.81	$ 0.49	2,317,842	$ 0.49
0.50	2,736,500	3.48	0.50	2,736,500	0.50
0.60	17,500,000	3.25	0.60	17,500,000	0.60
0.75	1,107,738	2.85	0.75	1,107,738	0.75
	23,662,080	3.22	$ 0.57	23,662,080	$ 0.57

Transactions involving warrants are summarized as follows. This table does not include the special warrants; see Special Warrant section below.

	Number of Shares	Weighted Average Exercise Price
Warrants outstanding at May 31, 2018	4,700,988	$ 0.75
Granted	19,311,092	$ 0.58
Exercised	(350,000)	$ 0.75
Cancelled / Expired	-	$ -
Warrants outstanding at August 31, 2018	23,662,080	$ 0.57

Special Warrants

On June 20, 2018, the Company sold 28,973,019 special warrants for net proceeds of US$9,785,978. Each Special Warrant is automatically exercisable, for no additional consideration, into units of the Company on the earlier of: (i) the date that is five business days following the date on which the Company obtains a receipt from the applicable securities regulatory authorities in each of the jurisdictions in Canada in which the special warrants were sold for a final prospectus qualifying the distribution of the units, which is intended to be no later than August 31, 2018, and (ii) the date that is four months and one day after the completion of the Company's acquisition of all of the membership interests in Alternative Solutions, LLC, known as Oasis Cannabis, which was June 28, 2018.

Upon exercise, each unit shall consist of one share of the Company’s common stock and one three-year warrant to purchase one share of common stock at a price of CAN$0.65.

The special warrants are not included in the tables in the Warrants section above.

Note 14 – Fair Value of Financial Instruments

The Company has issued convertible notes containing beneficial conversion features to Darling, Efrat, David Lamadrid and YA II PN Notes. One of the features is a ratchet reset provision which, in general, reduces the conversion price should the Company issue equity with an effective price per share that is lower than the stated conversion price in the note. The Company accounts for the fair value of the conversion feature in accordance with ASC 815- Accounting for Derivatives and Hedging and Emerging Issues Task Force (“EITF”) 07-05- Determining Whether an Instrument (or Embedded Feature) Is Indexed to an Entity’s Own Stock (“EITF 07-05”). The Company carries the embedded derivative on its balance sheet at fair value and accounts for any unrealized change in fair value as a component of its results of operations.

The following summarizes the Company's derivative financial liabilities that are recorded at fair value on a recurring basis at August 31, 2018 and May 31, 2018:

	August 31, 2018			
	Level 1	Level 2	Level 3	Total
Liabilities				
Contingent liabilities	$ -	$ -	$ 678,111	$ 678,111

	May 31, 2018			
	Level 1	Level 2	Level 3	Total
Liabilities				
Derivative liabilities	$ -	$ -	$ 1,265,751	$ 1,265,751

The estimated fair values of the Company's derivative liabilities are as follows:

	Derivative Liability
Liabilities Measured at Fair Value	
Balance as of May 31, 2018	$ 1,265,751
Transfers out due to the adoption of ASU 2017-11 effective June 1, 2018	(1,265,751)
Balance as of August 31, 2018	$ -

Note 15 – Operating Segments

The Company has three principal operating segments, which are the retail sales of cannabis and cannabis products through its (1) cannabis dispensary, (2) cannabis production, and (3) cannabis cultivation. These operating segments were determined based on the nature of the products offered and customers. *Operating segments* are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision-maker in deciding how to allocate resources and in assessing performance. The Company's chief executive officer, and CLS Nevada, Inc.'s chief executive officer and chief operating officer have been identified as the chief operating decision makers. The Company's chief operating decision makers direct the allocation of resources to operating segments based on the profitability and cash flows of each respective segment. Neither the Company nor any of its segments depends on any single customer, small group of customers, or government for more than 10% of its sales.

Administrative functions such as finance, accounting and information systems are centralized. However, where applicable, portions of the administrative function expenses are allocated between the operating segments. The cannabis dispensary operating segment does not share distribution facilities, however, the production and cultivation segments share manufacturing and distribution facilities. The costs of operating the manufacturing and distribution facilities are captured discretely within each segment. The Company's property, plant and equipment, inventory, and accounts receivable are captured and reported discretely within each operating segment as well.

The Company has determined that there are currently two reportable segments: (1) cannabis dispensary segment, and (2) cannabis production segment. The cannabis cultivation segment was not separately reported as it does not yet meet any of the quantitative thresholds under applicable accounting literature.

The Company evaluates performance based on several factors, of which the primary financial measure is business segment income before taxes. The accounting policies of the business segments are the same as those described in "Note 1: Summary of Significant Accounting Policies." Intersegment sales are accounted for at fair value as if sales were to third parties. The following table shows the operations of the Company's reportable segments for the three months ended August 31, 2018:

	Cannabis Dispensary Segment	Cannabis Production Segment	Corporate and Eliminations	Consolidated
Sales to unaffiliated customers	$ 776,707	$ 402,646	$ -	$ 1,179,353
Intersegment sales	-	58,814	(58,814)	-
Net sales	$ 776,707	$ 461,460	$ (58,814)	$ 1,179,353
Net income (loss)	$ (204,044)	$ 4,022	$ (16,456,918)	$ (16,656,940)
Total assets[(1)]	$ 1,084,414	$ 361,845	$ 33,751,711	$ 35,197,970
Total liabilities	$ 698,867	$ 265,620	$ 5,347,695	$ 6,312,182
Property additions	$ 3,553	$ -	$ -	$ 3,553
Depreciation and amortization[(2)]	$ 22,043	$ 1,007	$ 25,411	$ 48,461

(1) *Total assets* are the owned or allocated assets used by each business. *Corporate assets* consist of cash and cash equivalents, unallocated fixed assets of support divisions and common facilities, and certain other assets.
(2) Corporate property additions and depreciation and amortization expense include items attributable to the unallocated fixed assets of support divisions and common facilities.

Note 16 – Commitments and Contingencies

In connection with the Colorado Arrangement, on April 17, 2015, pursuant to an Industrial Lease Agreement (the "Lease"), CLS Labs Colorado leased 14,392 square feet of warehouse and office space (the "Leased Real Property") in a building in Denver, Colorado where certain intended activities, including growing, extraction, conversion, assembly and packaging of cannabis and other plant materials, are permitted by and in compliance with state, city and local laws, rules, ordinances and regulations. The Lease had an initial term of seventy-two (72) months and provided CLS Labs Colorado with two options to extend the term of the lease by up to an aggregate of ten (10) additional years. In August 2017, as a result of the Company's decision to suspend its proposed operations in Colorado, CLS Labs Colorado asked its landlord to be relieved from its obligations under the Lease, but the parties have not yet reached an agreement on how to proceed.

In August 2017, the Company's Colorado subsidiary received a demand letter from its Colorado landlord requesting the forfeiture of the $50,000 security deposit, $10,000 in expenses, $15,699 in remaining rent due under the lease agreement and $30,000 to buy out the remaining amounts due under the lease. These expenses, which are a liability of the Company's Colorado subsidiary, have been accrued on the balance sheet as of August 31, 2018.

Employment Agreements

CLS Labs and Jeffrey Binder entered into a five-year employment agreement effective October 1, 2014. Under the agreement, Mr. Binder serves as CLS Labs' Chairman and Chief Executive Officer and is entitled to receive an annual salary of $150,000. Under the agreement, Mr. Binder is also entitled to receive a performance bonus equal to 2% of CLS Labs' annual EBITDA, up to a maximum annual cash compensation of $1 million (including his base salary), and annual stock options, exercisable at the fair market value of CLS Labs' common stock on the date of grant, in an amount equal to 2% of its annual EBITDA up to $42.5 million and 4% of its annual EBITDA in excess of $42.5 million. On April 28, 2015, CLS Labs and the Company entered into an addendum to Mr. Binder's employment agreement whereby Mr. Binder agreed that following the merger of CLS Labs and a subsidiary of the Company, in addition to his obligations to CLS Labs, he would serve the Company and its subsidiaries in such roles as the Company may request. In exchange, the Company agreed to assume the obligations of CLS Labs to grant Mr. Binder annual stock options, as referenced above. Mr. Binder continues to receive an annual salary of $150,000 from CLS Labs for serving as its Chairman, President and Chief Executive Officer. On July 20, 2016, March 31, 2017, August 23, 2017, October 9, 2017, January 5, 2018 and April 6, 2018, the Company issued Mr. Binder convertible notes in exchange for $250,000, $112,500, $62,500, $39,521, $37,500 and $37,500 respectively, in deferred salary, among other amounts owed to Mr. Binder by the Company. As of August 31, 2018 and May 31, 2018, the Company had accrued compensation due to Mr. Binder in the amount of $0 and $37,500.

Effective August 1, 2015, the Company and Alan Bonsett entered into a five-year employment agreement. Pursuant to the agreement, Mr. Bonsett commenced serving as the Company's Chief Operating Officer on August 15, 2015. Under the agreement, Mr. Bonsett is entitled to receive an annual salary of $150,000. Further, he was entitled to receive a performance bonus equal to 2% of the Company's annual EBITDA, up to a maximum annual cash compensation of $1 million (including his base salary), and annual stock options, exercisable at the fair market value of the Company's common stock on the date of grant, in an amount equal to 2% of its annual EBITDA up to $42.5 million and 4% of its annual EBITDA in excess of $42.5 million. Additionally, Mr. Bonsett received a one-time signing bonus of 250,000 (post Reverse-Split) shares of restricted common stock of the Company, valued at $327,500, which became fully vested one year from the effective date of the agreement. Mr. Bonsett, as an owner of Picture Rock Holdings, LLC ("PRH"), was expected to indirectly receive the benefits of the Colorado Arrangement discussed in Note 12. The business to be operated by PRH pursuant to the Colorado Arrangement has not yet produced revenues. Mr. Bonsett agreed to defer his salary effective July 1, 2017; at August 31, 2018, the Company had accrued compensation due to Mr. Bonsett in the amount of $37,500. On October 1, 2017, the Company and Mr. Bonsett, the Company's Chief Operating Officer, mutually agreed to end his employment with the Company. Mr. Bonsett may provide consulting services to the Company in the future on an as needed basis.

Effective November 30, 2017, the Company and Mr. Lamadrid entered into a one-year employment agreement. Pursuant to the agreement, Mr. Lamadrid commenced serving as the Company's President and Chief Financial Officer on December 1, 2017. Under the agreement, Mr. Lamadrid was entitled to receive an annual salary of $175,000. Further, he was entitled to receive a performance bonus equal to 2% of the Company's annual EBITDA, and annual restricted stock awards of the Company's common stock in an amount equal to 3% of its annual EBITDA. Additionally, Mr. Lamadrid was entitled to a one-time signing bonus of 500,000 shares of restricted common stock of the Company, which were to become fully vested one year from the effective date of the agreement. On July 24, 2018, the Company and Mr. Lamadrid mutually agreed to terminate the employment agreement. Mr. Lamadrid resigned as President and Chief Financial Officer effective as of July 13, 2018. In connection with a severance agreement between the Company and Mr. Lamadrid, the Company paid certain amounts and issued 600,000 shares of common stock to Mr. Lamadrid, and the parties further agreed that neither party would have any further obligations under the Employment Agreement after such date.

On July 31, 2018, the Company and Mr. Sillitoe entered into a one-year employment agreement. Pursuant to the agreement, Mr. Sillitoe commenced serving as the Chief Executive Officer of CLS Nevada, Inc. effective July 1, 2018. Under the agreement, Mr. Sillitoe is entitled to receive an annual salary of $150,000. Further, he is entitled to receive a performance bonus equal to 2% of the annual EBITDA of CLS Nevada, Inc., and annual restricted stock awards of the Company's common stock in an amount equal to 3% of the annual EBITDA of CLS Nevada, Inc. Additionally, Mr. Sillitoe is entitled to a one-time signing bonus of 500,000 shares of restricted common stock, which shall become fully vested one year from the effective date of his employment agreement assuming Mr. Sillitoe remains employed by the Company on such date. As of August 31, 2018 and May 31, 2018, the Company had accrued compensation due to Mr. Sillitoe in the amount of $25,000 and $0.

The Company and Mr. Decatur entered into a one-year employment agreement on July 31, 2018. Pursuant to the agreement, Mr. Decatur commenced serving as the Chief Operating Officer of CLS Nevada, Inc. on July 1, 2018. Under the agreement, Mr. Decatur is entitled to receive an annual salary of $150,000. Further, he is entitled to receive a performance bonus equal to 2% of the annual EBITDA of CLS Nevada, Inc., and annual restricted stock awards of the Company' common stock in an amount equal to 3% of the annual EBITDA of CLS Nevada, Inc. Additionally, Mr. Decatur is entitled to a one-time signing bonus of 50,000 shares of restricted common stock, which shall become fully vested one year from the effective date of his employment agreement assuming Mr. Decatur remains employed by the Company on such date.

At August 31, 2018 and May 31, 2018, the Company had accrued salary due to Michael Abrams, a former officer of the Company, prior to his September 1, 2015 termination, in the amount of $16,250.

Note 17 – Related Party Transactions

As of August 31, 2018 and May 31, 2018, the Company owed the amount of $0 and $37,500, respectively, to Jeffrey Binder, its Chief Executive Officer, for accrued salary.

As of August 31, 2018 and May 31, 2018, the Company had accrued salary due to Alan Bonsett, a former officer of the Company prior to his October 1, 2017 separation, in the amount of $37,500 and $37,500, respectively.

As of August 31, 2018 and May 31, 2018, the Company had accrued salary due to Michael Abrams, a former officer of the Company prior to his September 1, 2015 termination, in the amount of $16,250.

As of August 31, 2018 and May 31, 2018, the Company had related party payables in the amount of $17,930 due to officers and directors related to expenses paid on behalf of the Company. The Company imputed interest at the rate of 6% per annum on these liabilities, and recorded imputed interest expense on these liabilities in the amounts of $271 and $271 during the three months ended August 31, 2018 and 2017, respectively. These interest accruals were charged to additional paid-in capital.

On July 27, 2018, the Company granted 25,000 shares of restricted common stock to its Chief Financial Officer. These share will vest four months after issuance. The shares were valued at $17,500, and will be amortized over the vesting period. As of August 31, 2018, these shares have not been issued. As of August 31, 2018, $4,375 had been charged to operations.

On July 31, 2018, the Company granted the Chief Executive Officer of CLS Nevada, Inc. a one-time signing bonus of 500,000 shares of restricted common stock, which shall become fully vested one year from the effective date of his employment agreement. These shares were valued at $355,000 and will be amortized over the vesting period. As of August 31, 2018, $59,167 had been charged to operations.

On July 31, 2018, the Company granted the Chief Operating Officer of CLS Nevada, Inc. a one-time signing bonus of 50,000 shares of restricted common stock, which shall become fully vested one year from the effective date of his employment agreement. These shares were valued at $35,000 and will be amortized over the vesting period. As of August 31, 2018, $5,917 had been charged to operations.

On July 24, 2018, the Company awarded Star Associates, LLC, a limited liability company owned by Andrew Glashow, a director of the Company, a cash payment in the amount of $250,000 and 700,000 shares of restricted common stock in recognition of Mr. Glashow's efforts, through Star Associates, in successfully assisting the Company in negotiating and obtaining the financing necessary to acquire Alternative Solutions, LLC. The shares were valued at $490,000 and were charged to operations during the three months ended August 31, 2018.

Related Party Notes Payable

The Company has convertible notes payable outstanding to Jeffrey Binder, an officer and director, and to Newcan Investment Partners, LLC, an entity that is wholly owned by Frank Koretsky, a director (see note 12).

Note 18 – Subsequent Events

On September 6, 2018, the Company issued 13,684 shares of common stock upon the cashless exercise of 40,000 warrants at an exercise price of $0.75 per share.

On September 11, 2018, the Company issued 31,250 shares of common stock in exchange for legal services previously rendered to the Company.

CLS HOLDINGS USA, INC.

FINANCIAL STATEMENTS FOR THE YEARS ENDED MAY 31, 2018 AND MAY 31, 2017

INDEX TO FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Stockholders of CLS Holdings USA, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of CLS Holdings USA, Inc. (the Company) as of May 31, 2018 and 2017, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for each of the years in the two-year period ended May 31, 2018, and the related notes and schedules (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of May 31, 2018 and 2017, and the results of its operations and its cash flows for each of the years in the two-year period ended May 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company suffered a net loss from operations and has a net capital deficiency, which raises substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters are described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ M&K CPAS, PLLC

We have served as the Company's auditor since 2011.
Houston, TX
August 28, 2018

CLS Holdings USA, Inc.

Consolidated Balance Sheet

	May 31, 2018	May 31, 2017
ASSETS		
Current assets		
Cash and cash equivalents	$ 52,964	$ 78,310
Prepaid expenses	1,410	1,410
Total current assets	54,374	79,720
Investment	2,050,000	-
Security deposit	-	50,000
Property, plant and equipment, net of accumulated depreciation of $2,674 and $1,784	-	890
Intangible assets, net of accumulated amortization of $1,260 and $828	898	1,330
Total assets	$ 2,105,272	$ 131,940
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$ 826,621	$ 581,765
Accrued compensation, related party	120,417	53,750
Due to related party	17,930	17,930
Accrued interest	24,748	20,171
Accrued interest, related party	5,143	106,022
Notes payable, related parties	75,137	699,208
Notes payable	310,000	-
Convertible notes payable, net of discount of $561,599 and $57,644	43,401	252,356
Derivative liability	1,265,751	95,276
Total current liabilities	2,689,148	1,826,478
Noncurrent liabilities		
Convertible notes payable, related parties, net of discount of $65,918 and $0	2,832	192,000
Convertible notes payable - Long Term, net of discount of $733,928 and $0	41,072	-
Total Liabilities	2,733,052	2,018,478
Commitments and contingencies	-	-
Stockholder's equity		
Common stock, $0.0001 par value; 250,000,000 shares authorized; 50,128,972 and 32,582,944 shares issued and outstanding at May 31, 2018 and May 31, 2017, respectively	5,013	3,286
Preferred stock, $0.001 par value; 20,000,000 shares authorized; no shares issued	-	-
Additional paid-in capital	17,628,717	7,032,836
Stock payable	307,584	68,950
Accumulated deficit	(18,569,094)	(8,991,610)
Total stockholder's equity (deficit)	(627,780)	(1,886,538)
Total liabilities and stockholders' equity (deficit)	$ 2,105,272	$ 131,940

See notes to consolidated financial statements.

CLS Holdings USA, Inc.

Consolidated Statements of Operations

	For the Year Ended May 31, 2018	For the Year Ended May 31, 2017
Revenue	$ -	$ -
Cost of goods sold	-	-
Gross margin	-	-
Selling, general and administrative expenses	821,374	718,770
Startup costs	-	141,739
Professional fees	2,294,666	750,446
Total operating expenses	3,116,040	1,610,955
Operating loss	(3,116,040)	(1,610,955)
Other (income) expense:		
Interest expense	4,709,940	2,571,171
Gain on settlement of debt	(3,480)	-
Loss on modification of related party debt	-	951,239
Loss on modification of debt	29,145	43,334
Loss on note exchange	404,082	-
Loss on extinguishment of debt	989,032	-
Prepayment Penalty	137,000	-
Change in fair value of derivative	195,725	(310,975)
Total other expense	6,461,444	3,254,769
Income (Loss) before income taxes	(9,577,484)	(4,865,724)
Income tax expense	-	-
Net income (loss)	$ (9,577,484)	$ (4,865,724)
Net income (loss) per share - basic	$ (0.24)	$ (0.23)
Weighted average shares outstanding - basic	39,224,613	20,778,785

See notes to consolidated financial statements.

CLS Holdings USA, Inc.

Consolidated Statements of Stockholders' Equity (Deficit)

	Common Stock Amount	Value	Additional Paid In Capital	Stock Payable	Accumulated Deficit	Total
Balance, May 31, 2016	20,350,003	2,035	2,627,183	65,700	(4,125,886)	(1,430,968)
Settlement of derivative liability	-	-	612,850	-	-	612,850
Common stock issued for conversion of debt	1,685,981	169	137,331	-	-	137,500
Common stock issued for conversion of related party debt	10,816,960	1,082	2,703,158	-	-	2,704,240
Common stock payable for services	-	-	-	3,250		3,250
Loss on modification of related party debt			951,239			951,239
Imputed interest	-	-	1,075	-	-	1,075
Net loss	-	-	-	-	(4,865,724)	(4,865,724)
Balance, May 31, 2017	32,852,944	$ 3,286	$ 7,032,836	$ 68,950	$ (8,991,610)	$ (1,886,538)
Common stock issued to consultant for services	374,000	37	264,283	25,313	-	289,633
Common stock issued for debt exchange	6,000,000	600	2,353,437	-	-	2,354,037
Common stock issued as commitment fees	250,000	25	94,975	-	-	95,000
Common stock issued to officer	-	-	-	213,321	-	213,321
Common stock issued for cash, net of issuance costs	5,473,000	547	1,460,368	-	-	1,460,915
Common stock issued for conversion of debt	5,179,028	518	1,617,928	-	-	1,618,446
Stock issuance costs	-	-	(249,397)	-	-	(249,397)
Settlement of derivative liability	-	-	442,775	-	-	442,775
Warrants issued with debt	-	-	1,804,470	-	-	1,804,470
Placement agent warrants	-	-	503,655	-	-	503,655
Warrants issued to consultants	-	-	294,173	-	-	294,173
Discount on notes from beneficial conversion feature	-	-	1,758,741	-	-	1,758,741
Imputed interest	-	-	1,076	-	-	1,076
Net loss - 12 months	-	-	-	-	(9,577,484)	(9,577,484)
Balance, May 31, 2018	50,128,972	5,013	17,628,717	307,584	(18,569,094)	(627,780)

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CLS Holdings USA, Inc.

Consolidated Statements of Cash Flows

	For the Year Ended May 31, 2018	For the Year Ended May 31, 2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$ (9,577,484)	$ (4,865,724)
Adjustments to reconcile net loss to net cash used in operating activities:		
Imputed interest	1,076	1,075
Excess derivative	1,940,439	-
Change in fair value of derivative	195,725	(310,975)
Loss on modification of debt	29,145	43,334
Loss on modification of debt – related party	-	951,239
Stock-based compensation	794,607	3,250
Warrants issued to placement agent	503,655	-
Loss on Note exchange	404,082	-
Loss on extinguishment of debt	989,032	-
Gain on settlement of Account Payable	(3,480)	-
Prepayment Penalty	137,000	-
Amortization of debt discounts	2,534,103	2,274,519
Depreciation and amortization expense	1,322	1,324
Start-up costs	-	141,739
Changes in assets and liabilities:		
Prepaid expenses	-	5,332
Other assets	50,000	-
Accounts payable and accrued expenses	300,421	238,387
Accrued compensation	216,667	150,000
Accrued interest, related party	96,211	204,364
Deferred rent	(49,565)	-
Accrued interest	11,746	(20,169)
Net cash used in operating activities	(1,425,298)	(1,182,305)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for investment in Alternative Solutions	(2,050,000)	-
Payment for construction in progress	-	(35,013)
Net cash used in investing activities	(2,050,000)	(35,013)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from related party convertible notes payable	761,829	150,000
Proceeds from related party notes payable	-	1,447,550
Proceeds from issuance of convertible note	1,655,000	-
Proceeds from notes payable	410,000	-
Payments on notes payable	(100,000)	-
Principal payments on related party notes payable	(237,794)	(61,000)
Principal payments on convertible notes payable	(500,000)	(329,166)
Proceeds from sale of equity	1,460,917	-
Net cash provided by financing activities	3,449,952	1,207,384
Net increase in cash and cash equivalents	(25,346)	(9,934)
Cash and cash equivalents at beginning of period	78,310	88,244
Cash and cash equivalents at end of period	$ 52,964	$ 78,310
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid	$ -	$ 53,837

Income taxes paid	$ -	$ -
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Convertible note issued for unpaid accrued salary	$ 150,000	$ 362,500
Discount on notes due to derivatives	$ 1,758,741	$ 600,564
Related party notes payable reclassified as related party convertible notes payable	$ 1,116,816	$ 849,750
Common stock issued for conversion of related party notes payable	$ 2,023,666	$ 2,704,240
Common stock issued for conversion of convertible notes payable	$ 2,554,924	$ 137,500
Common stock issued for settlement of accounts payable	$ 6,000	$ -
Settlement of derivative liability	$ 442,775	$ 612,850

See notes to consolidated financial statements.

CLS HOLDINGS USA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – BUSINESS ORGANIZATION AND NATURE OF OPERATIONS

CLS Holdings USA, Inc. (the “Company”) was originally incorporated as Adelt Design, Inc. (“Adelt”) on March 31, 2011 to manufacture and market carpet binding art. Production and marketing of carpet binding art never commenced.

On November 12, 2014, CLS Labs, Inc. (“CLS Labs”) acquired 10,000,000 shares, or 55.6%, of the outstanding shares of common stock of Adelt from its founder, Larry Adelt. On that date, Jeffrey Binder, the Chairman, President and Chief Executive Officer of CLS Labs, was appointed Chairman, President and Chief Executive Officer of the Company. On November 20, 2014, Adelt adopted amended and restated articles of incorporation, thereby changing its name to CLS Holdings USA, Inc. Effective December 10, 2014, the Company effected a reverse stock split of its issued and outstanding common stock at a ratio of 1-for-0.625 (the “Reverse Split”), wherein 0.625 shares of the Company’s common stock were issued in exchange for each share of common stock issued and outstanding. As a result, 6,250,000 shares of the Company’s common stock were issued to CLS Labs in exchange for the 10,000,000 shares that it owned by virtue of the above-referenced purchase from Larry Adelt.

On April 29, 2015, the Company, CLS Labs and CLS Merger Inc., a Nevada corporation and wholly owned subsidiary of CLS Holdings (“Merger Sub”), entered into an Agreement and Plan of Merger (the “Merger Agreement”) and completed a merger, whereby CLS Merger Inc. merged with and into CLS Labs, with CLS Labs remaining as the surviving entity (the “Merger”). Upon the consummation of the Merger, the shares of the common stock of CLS Holdings owned by CLS Labs were extinguished and the former stockholders of CLS Labs were issued an aggregate of 15,000,000 (post Reverse Split) shares of common stock in CLS Holdings in exchange for their shares of common stock in CLS Labs. As a result of the Merger, the Company acquired the business of CLS Labs and abandoned its previous business.

The Company has been issued a U.S. patent with respect to its proprietary method of extracting cannabinoids from cannabis plants and converting the resulting cannabinoid extracts into concentrates such as oils, waxes, edibles and shatter. These concentrates may be ingested in a number of ways, including through vaporization via electronic cigarettes (“e-cigarettes”), and used for a variety of pharmaceutical and other purposes. Internal testing of this extraction method and conversion process has revealed that it produces a cleaner, higher quality product and a significantly higher yield than the cannabinoid extraction processes currently existing in the marketplace. The Company has not commercialized its proprietary process or otherwise earned any revenues. The Company plans to generate revenues through licensing, fee-for-service and joint venture arrangements related to its proprietary method of extracting cannabinoids from cannabis plants and converting the resulting cannabinoid extracts into saleable concentrates.

On December 4, 2017, the Company and Alternative Solutions, LLC (“Alternative Solutions”) entered into a Membership Interest Purchase Agreement (the “Acquisition Agreement”) for the Company to acquire the outstanding equity interests in three subsidiaries (collectively, the “Oasis LLCs”), Serenity Wellness Center LLC d/b/a/ Oasis Medical Cannabis, Serenity Wellness Growers LLC, and Serenity Wellness Products LLS, from Alternative Solutions. Pursuant to the Acquisition Agreement, the Company paid a non-refundable deposit of $250,000 upon signing, which was followed by an additional payment of $1,800,000 on February 5, 2018, for an initial 10% of each of the subsidiaries. The closing consideration that the Company must pay to acquire the remaining 90% of the subsidiaries, is equal to cash in the amount of $6,200,000, a $4.0 million promissory note due in December 2019, and $6,000,000 in shares of the Company’s common stock. The Oasis LLCs collectively own and operate a vertically integrated cannabis business, including one dispensary, in Las Vegas, Nevada.

NOTE 2 – GOING CONCERN

As shown in the accompanying financial statements, the Company has incurred net losses from operations resulting in an accumulated deficit of $18,569,094 as of May 31, 2018. Further losses are anticipated in the development of the Company’s business raising substantial doubt about the Company’s ability to continue as a going concern. The ability to continue as a going concern is dependent upon the Company generating profitable operations in the future and/or obtaining the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. Management intends to finance operating costs over the next twelve months with loans, the proceeds from the sale of securities, and/or revenues from operations. These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or amounts and classification of liabilities that might result from this uncertainty.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation
These financial statements and related notes are presented in accordance with accounting principles generally accepted in the United States and are expressed in US dollars. The Company has adopted a fiscal year end of May 31st.
Principals of Consolidation

The accompanying consolidated financial statements include the accounts of CLS Holdings USA, Inc., and its wholly owned operating subsidiaries, CLS Labs, Inc. and CLS Labs Colorado, Inc. All material intercompany transactions have been eliminated upon consolidation of these entities.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments with maturities of three months or less to be cash equivalents. The Company had cash and cash equivalents of $52,964 and $78,310 as of May 31, 2018 and 2017.

Equipment

Property and equipment is recorded at the lower of cost or estimated net recoverable amount, and is depreciated using the straight-line method over its estimated useful life. Computer equipment is being depreciated over a three-year period.

Concentrations of Credit Risk

The Company maintains its cash in bank deposit and other accounts, which may not be federally insured, or the balances of which at times may exceed federally insured limits. The Company continually monitors its banking relationships and consequently has not experienced any losses in such accounts.

Advertising and Marketing Costs

Advertising and marketing costs are expensed as incurred. The Company incurred no advertising and marketing costs for the years ended May 31, 2018 and 2017.

Research and Development

Research and development expenses are charged to operations as incurred. The Company incurred research and development costs of $0 and $0 for the years ended May 31, 2018 and 2017, respectively.

Fair Value of Financial Instruments

Pursuant to Accounting Standards Codification ("ASC") No. 825 - *Financial Instruments*, the Company is required to estimate the fair value of all financial instruments included on its balance sheets. The carrying amounts of the Company's cash and cash equivalents, note receivable, notes payable, accounts payable and accrued expenses, none of which is held for trading, approximate their estimated fair values due to the short-term maturities of those financial instruments.

A three-tier fair value hierarchy is used to prioritize the inputs in measuring fair value as follows:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable, either directly or indirectly.

Level 3 - Significant unobservable inputs that cannot be corroborated by market data.

Derivative Financial Instruments

Derivatives are recorded on the condensed consolidated balance sheet at fair value. The conversion features of certain of the convertible notes are embedded derivatives and are separately valued and accounted for on the consolidated balance sheet with changes in fair value recognized during the period of change as a separate component of other income/expense. Fair values for exchange-traded securities and derivatives are based on quoted market prices. The pricing model the Company used for determining fair value of its derivatives is the Lattice Model. Valuations derived from this model are subject to ongoing internal and external verification and review. The model uses market-sourced inputs such as interest rates and stock price volatilities. Selection of these inputs involves management's judgment and may impact net income. The derivative component of certain of the convertible notes issued are valued at issuance, at conversion or redemption, and at each period end. The following assumptions were used for the valuation of the derivative liability related to the convertible notes that contain a derivative component:

For the year ended May 31, 2018:

- That the quoted market price of the common stock, which increased from $0.1250 as of May 31, 2017 to $0.6865 as of May 31, 2018, would fluctuate with the Company's projected volatility;

- That the conversion price of the YAN II PN Convertible Notes would be equal to $0.40 with a full reset feature, and upon default, 75% of the lowest Volume Weighted Average Price (the "VWAP") in the 15 consecutive trading days ending on the trading day that is immediately prior to the applicable conversion date;

-The conversion prices of the various convertible notes would be equal to the lesser of (i) $1.07, $0.80, or $0.40 (reset to $0.03125) , as the case may be, or (ii) 75% of the lowest VWAP in the 15-20 consecutive trading days ending on the trading day that is immediately prior to the application conversion date;

- That the new convertible notes issued during this period with full resets would be initially issued with conversion prices of $0.3125 and $0.40, respectively, which were not reset as a result of the WestPark Offering;;

-That an event of default at a 24% or 15% interest rate would occur 0% of the time, increasing 1.00% per month to a maximum of 25%, and that instead of a penalty, there would be an alternative conversion price;

-That the projected volatility curve from an annualized analysis for each valuation period would be based on the historical volatility of the Company and the remaining term for each convertible note. The projected volatility was in the range of 97.4% to 534.5% during the year ended May 31, 2018;

-That the Company would redeem the convertible notes, projected initially at 0% of the time and increasing monthly by 1.00% to a maximum of 10.0%;

-That the holder would automatically convert the notes at the maximum of 2 times the conversion price or the stock price if the common stock underlying the YAN II PN Convertible Notes was eligible for sale in compliance with securities laws and the Company was not in default;

-That unless an Event of Default occurred, the holder would sell, per trading day, an amount of Common Stock up to the greater of (i) $5,000 or (ii) 25% multiplied by the "Aggregate Amount," as defined in the YAN II PN Convertible Notes.

-That the exchange agreement conversions (contingent on the payment by Glashow to Old Main) would occur based on 95% probability; otherwise, the convertible note would revert to the original terms and settlement, and that the value of the 4,500,000 potential shares would be based on the market price as of September 25, 2017, which is the date the convertible notes were re-issued, and each conversion date price.

For the year ended May 31, 2017:

- That the quoted market price of the common stock, which decreased from $0.0409 as of November 30, 2016 to $0.1250 as of May 31, 2017, would fluctuate with the Company's projected volatility;

- That the conversion price of the amended 2016 Convertible Notes would be equal to the lesser of (i) $1.07 or $0.80; or (ii) 75% of the lowest VWAP in the 15 consecutive trading days ending on the trading day that is immediately prior to the applicable conversion date;

- That an event of default at a 24% interest rate would occur 0% of the time, increasing 1.00% per month to a maximum of 10%, and that instead of a penalty, there would be an alternative conversion price;

- That the projected volatility curve from an annualized analysis for each valuation period would be based on the historical volatility of the Company and the term remaining for each note. The projected volatility was from 265% to 407% during the year ended May 31, 2017;

- That the Company would redeem the notes expiring on September 18, 2017 (with a 130% penalty), projected initially at 50% of the time and increasing monthly by 5.0% to a maximum of 75.0% (from alternative financing being available for a redemption event to occur);

- That the holder would automatically convert the notes at the maximum of 2 times the conversion price or the stock price if the common stock underlying the 2016 Convertible Notes was eligible for sale in compliance with securities laws (assumed at September 18, 2016) and the Company was not in default; and

- That unless an Event of Default occurred, the holder would sell, per trading day, an amount of Common Stock up to the greater of (i) $5,000 or (ii) 25% multiplied by the "Aggregate Amount," as defined in the 2016 Convertible Notes.

Revenue Recognition

The Company applies revenue recognition provisions pursuant to ASC No. 605, Revenue Recognition, which provides guidance on the recognition, presentation and disclosure of revenue in financial statements filed with the SEC. The guidance outlines the basic criteria that must be met to recognize revenue and provides guidance for disclosure related to revenue recognition policies.

Basic and Diluted Earnings or Loss Per Share

Basic net earnings per share is based on the weighted average number of shares outstanding during the period, while fully diluted net earnings per share is based on the weighted average number of shares of common stock and potentially dilutive securities assumed to be outstanding during the period using the treasury stock method. Potentially dilutive securities consist of options and warrants to purchase common stock, and convertible debt. Basic and diluted net loss per share are computed based on the weighted average number of shares of common stock outstanding during the period. At May 31, 2018 and 2017, the Company excluded from the calculation of fully diluted shares outstanding a total of 9,929,058 (4,407,118 issuable upon the conversion of notes payable; 4,700,998 upon the exercise of warrants and 611,071 in stock payable) and 1,180,350 shares, respectively, issuable upon the conversion of notes payable because the result would have been anti-dilutive.

The Company uses the treasury stock method to calculate the impact of outstanding stock options and warrants. Stock options and warrants for which the exercise price exceeds the average market price over the period have an anti-dilutive effect on earnings per common share and, accordingly, are excluded from the calculation.

A net loss causes all outstanding stock options and warrants to be antidilutive. As a result, the basic and dilutive losses per common share are the same for the year ended May 31, 2018 and 2017.

Income Taxes

The Company accounts for income taxes under the asset and liability method in accordance with ASC 740. The Company recognizes deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax liabilities and assets are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The components of the deferred tax assets and liabilities are classified as current and non-current based on their characteristics. A valuation allowance is provided for certain deferred tax assets if it is more likely than not that the Company will not realize tax assets through future operations.

Commitments and Contingencies

Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the Company but which will only be resolved when one or more future events occur or fail to occur. The Company's management and its legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Company or unasserted claims that may result in such proceedings, the Company's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims brought to such legal counsel's attention as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Company's financial statements. If the assessment indicates that a potentially material loss contingency is not probable, but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, would be disclosed.

Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the nature of the guarantee would be disclosed.

Recent Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (the "FASB") issued ASU 2016-15, *Statement of Cash Flows (Topic 230).* The update addresses eight specific cash flow issues and is intended to reduce diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. This update will be effective for reporting periods beginning after December 15, 2017, including interim periods within the reporting period. Early adoption is permitted. The Company is currently evaluating the potential impact of the update on our financial statements.

In January 2017, the FASB issued ASU No. 2017-04, *Simplifying the Test for Goodwill Impairment*, which simplifies the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test. In computing the implied fair value of goodwill under Step 2, current U.S. GAAP requires the performance of procedures to determine the fair value at the impairment testing date of assets and liabilities (including unrecognized assets and liabilities) following the procedure that would be required in determining the fair value of assets acquired and liabilities assumed in a business combination. Instead, the amendments under this ASU require the goodwill impairment test to be performed by comparing the fair value of a reporting unit with its carrying amount. An impairment charge should be recognized for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. The ASU becomes effective for us on January 1, 2020. The amendments in this ASU will be applied on a prospective basis. Early adoption is permitted for interim or annual goodwill impairment tests performed.

In May 2017, the FASB issued ASU No. 2017-09, *Stock Compensation - Scope of Modification Accounting*, which provides guidance on which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting. The ASU requires that an entity account for the effects of a modification unless the fair value (or calculated value or intrinsic value, if used), vesting conditions and classification (as equity or liability) of the modified award are all the same as for the original award immediately before the modification. The ASU becomes effective for us on January 1, 2018, and will be applied prospectively to an award modified on or after the adoption date. Early adoption is permitted, including adoption in any interim period. The Company is currently assessing the impact that this standard will have on any awards that are modified once this standard is adopted.

There are various other updates recently issued, most of which represented technical corrections to the accounting literature or application to specific industries and are not expected to a have a material impact on the Company's consolidated financial position, results of operations or cash flows.

NOTE 4 – PREPAID EXPENSES

Prepaid expenses consisted of the following at May 31, 2018 and 2017:

	May 31, 2018	May 31, 2017
Prepaid legal fees	$ 1,410	$ 1,410
Total	$ 1,410	$ 1,410

NOTE 5 – SECURITY DEPOSIT

The Company had a security deposit in the amount of $0 and $50,000 at May 31, 2018 and 2017, respectively. This amount consisted of a deposit to secure office and warehouse space. In August of 2017, the Company received a demand letter from the landlord requesting the forfeiture of the $50,000 security deposit, $10,000 in expenses, $15,699 in remaining rent due under the lease agreement and $30,000 to buy out the remaining amounts due under the lease; during the year ended May 31, 2018, the Company wrote-off the security deposit in the amount of $50,000.

NOTE 6 – PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of the following at May 31, 2018 and 2017.

	May 31, 2018	May 31, 2017
Computer equipment	$ 2,674	$ 2,674
Property and equipment, gross	2,674	2,674
Less: accumulated depreciation	(2,674)	(1,784)
Property and equipment, net	$ -	$ 890

Depreciation expense totaled $890 and $892 for the years ended May 31, 2018 and 2017, respectively.

NOTE 7 – INVESTMENT IN OASIS LLCS

On December 4, 2017, the Company and Alternative Solutions, LLC ("Alternative Solutions") entered into a Membership Interest Purchase Agreement (the "Acquisition Agreement") for the Company to acquire the outstanding equity interests in three subsidiaries (collectively, the "Oasis LLCs"), Serenity Wellness Center LLC d/b/a/ Oasis Medical Cannabis, Serenity Wellness Growers LLC, and Serenity Wellness Products LLC, from Alternative Solutions. Pursuant to the Acquisition Agreement, the Company paid a non-refundable deposit of $250,000 upon signing, which was followed by an additional payment of $1,800,000 on February 5, 2018, for an initial 10% of each of the subsidiaries. As of May 31, 2018, the Company had a total investment of $2,050,000 in the Oasis LLCs (see note 16).

The closing consideration that the Company must pay to acquire the remaining 90% of the subsidiaries, is equal to cash in the amount of $6,200,000, a $4.0 million promissory note due in December 2019, and $6,000,000 in shares of the Company's common stock.

The number of shares shall equal $6,000,000 divided by the lower of $1.00 or the conversion price to receive one share of the Company's common stock in its next equity offering that it commences in 2018 that exceeds $6 million, multiplied by 80%. The promissory note will be secured by a first priority security interest over the assets of each of the Oasis LLCs, including the Company's 10% equity interest in the three subsidiaries, and the Company shall deliver to Alternative Solutions a confession of judgment that will become effective in the event of any event of default under the promissory note.

Assuming the Company closes on the acquisition, in May 2020, Alternative Solutions will be entitled to a $1,000,000 payment from the Company, if the existing dispensary operated by an Oasis LLC has maintained an average revenue of $20,000 per day during the 2019 calendar year.

The sale, assignment, transfer, pledge or other disposition of any interest in the Oasis LLCs or Alternative Solutions is ineffective unless approved by the State of Nevada and any municipality in which the three subsidiaries' operations is licensed.

As of May 31, 2018, the Company had not yet received regulatory approval to own the 10% interest in Oasis LLCs. As a result, the amount that has been paid by the Company is being held by Alternative Solutions.

NOTE 8 – NOTE RECEIVABLE

During the year ended May 31, 2015, the Company loaned $500,000 (the "Note") to Picture Rock Holdings, LLC, a Colorado limited liability company ("PRH"). Pursuant to the Note, as amended by the parties effective June 30, 2015, October 31, 2015, April 11, 2016, and May 31, 2016, PRH will repay the principal due under the Note in twenty (20) equal quarterly installments of Twenty Five Thousand Dollars ($25,000) commencing in the month following the month in which PRH commences generating revenue at the grow facility, which commencement was originally anticipated to occur in the first quarter of 2017, and continuing until paid in full. The Company is currently unable to estimate when it will commence generating revenues at the grow facility. Interest will accrue on the unpaid principal balance of the Note at the rate of twelve percent (12%) per annum and will be paid quarterly in arrears commencing after such initial payment and continuing until paid in full. All outstanding principal and any accumulated unpaid interest due under the Note is due and payable on the five-year anniversary of the initial payment thereunder. In the event of default as defined in the agreements underlying the Note, all amounts under the Note shall be due and payable at once. During the year ended May 31, 2015, the Company recorded an impairment related to the note receivable in the amount of $500,000. This receivable is recorded on the balance sheet as of May 31, 2017 in the amount of $0, net of allowance in the amount of $500,000.

During the year ended May 31, 2018, the Company received a payment of $50,000 on the Note. As a result, the Company has reduced the impairment of the note by $50,000 reflect this payment. The receivable is recorded on the balance sheet as of May 31, 2018 in the amount of $0, net of allowance in the amount of $450,000.

NOTE 9 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consisted of the following at May 31, 2018 and May 31, 2017.

	May 31, 2018	May 31, 2017
Trade payables	$ 726,457	$ 497,213
Accrued payroll and related liabilities	44,465	34,987
Deferred rent liability	55,699	49,565
Total accounts payable and accrued liabilities	$ 826,621	$ 581,765

NOTE 10 – RELATED PARTY TRANSACTIONS

For the year ended May 31, 2018:

As of May 31, 2018 and 2017, the Company owed the amount of $37,500 and $37,500, respectively, to Jeffrey Binder, its Chief Executive Officer, for accrued salary. For the twelve months ended May 31, 2018, unpaid accrued salary in the amount of $150,000 was transferred to a convertible promissory note due to Mr. Binder.

As of May 31, 2018 and 2017, the Company owed the amount of $29,167 and $0, respectively, to David Lamadrid, its President and Chief Financial Officer.

As of May 31, 2018 and 2017, the Company had accrued salary due to Alan Bonsett, a former officer of the Company prior to his October 1, 2017 separation, in the amount of $37,500 and $0, respectively.

As of May 31, 2018 and 2017, the Company had accrued salary due to Michael Abrams, a former officer of the Company prior to his September 1, 2015 termination, in the amount of $16,250.

As of May 31, 2018 and 2017, the Company had related party payables in the amount of $17,930 due to officers and directors related to expenses paid on behalf of the Company. The Company imputed interest at the rate of 6% per annum on these liabilities, and recorded imputed interest expense on these liabilities in the amounts of $1,076 and $1,075 during the twelve months ended May 31, 2018 and 2017, respectively. These interest accruals were charged to additional paid-in capital.

On March 12, 2018, the Company received conversion notices from Jeffrey I. Binder, Frank Koretsky, Newcan Investment Partners LLC and CLS CO 2016, LLC (collectively, the "Insiders"). Pursuant to the terms of the conversion notices, the following amounts of principal and accrued interest were converted to common stock of the Company:

	Principal	Accrued Interest	# Shares
Jeffrey Binder	$ 464,698	$ 43,058	(1,624,819)
Frank Koretsky	-	46,626	(149,203)
Newcan Investment Partners LLC	956,658	98,098	(3,375,220)
CLS CO 2016 LLC	-	9,308	(29,786)
Total	$ 1,421,356	$ 197,090	(5,179,028)

For the year ended May 31, 2017:

As of May 31, 2017, the Company owed $37,500 to Jeffrey Binder, its President and Chief Executive Officer, for accrued salary. In July 2016, $250,000 was transferred from accrued salary to a convertible promissory note due to Mr. Binder; in February 2017, an additional $112,500 was transferred from accrued salary to a convertible promissory note due to Mr. Binder.

As of May 31, 2017, the Company had accrued salary due to Michael Abrams, a former officer of the Company, prior to his September 1, 2015 termination, in the amount of $16,250.

As of May 31, 2017, the Company had amounts due to related parties of $17,930, representing expenses paid by officers and directors on behalf of the Company. The Company accrued interest at the rate of 6% per annum on these liabilities, and recorded interest expense on these liabilities in the amounts of $1,075 during the year ended May 31, 2017. This interest accrual was charged to additional paid-in capital.

On May 31, 2017, the Company entered into the Omnibus Loan Amendment Agreement (the "Omnibus Loan Agreement") with Jeffrey I. Binder, Frank Koretsky, Newcan Investment Partners LLC and CLS CO 2016, LLC (collectively, the "Insiders"). Pursuant to the Omnibus Loan Agreement, effective May 31, 2017, the following amounts of principal and accrued interest were converted to common stock of the Company:

	Principal	Accrued Interest	# Shares
Jeffrey Binder	$ 442,750	$ 19,427	(1,848,708)
Frank Koretsky	1,485,000	130,069	(6,460,276)
Newcan Investment Partners LLC	460,000	7,747	(1,870,988)
CLS CO 2016 LLC	150,000	9,247	(636,988)
Total	$ 2,537,750	$ 166,490	(10,816,960)

Related Party Notes Payable

At May 31, 2018, the Company had $143,887 in principal and $5,142 in accrued interest of convertible notes payable outstanding to Jeffrey Binder, an officer and director, David Lamadrid, an officer, and to Newcan Investment Partners, LLC, an entity wholly owned by Frank Koretsky, a director.

NOTE 11 – NOTES PAYABLE

Notes Payable

On February 7, 2018, the Company issued a note payable to Todd Blatt in the amount of $210,000. This note accrues interest at a rate of 6% per annum and is due on February 7, 2019. During the year ended May 31, 2018, the Company accrued interest in the amount of $3,901 on this note. As of May 31, 2018, the outstanding balance of this note is $210,000

On February 7, 2018, the Company issued a note payable to AJG Group in the amount of $200,000. This note accrues interest at a rate of 6% per annum and is due on February 7, 2019. During the year ended May 31, 2018, the Company made a payment of $100,000 on this note. During the year ended May 31, 2018, the Company accrued interest in the amount of $2,696 on this note. As of May 31, 2018, the outstanding balance of this note is $100,000.

Related Party Notes Payable

On May 31, 2017, the Company entered into an Omnibus Loan Amendment Agreement (the "Omnibus Loan Amendment") with Jeffrey I. Binder, Frank Koretsky, Newcan Investment Partners LLC and CLS CO 2016, LLC (collectively, the "Insiders"). Pursuant to the Omnibus Loan Amendment, the Company agreed with the Insiders to amend certain terms of loans the Insiders made to the Company for working capital purposes, which loans were initially demand loans, and, except for loans made in 2017, were later memorialized as convertible loans (the "Insider Loans"), in exchange for the agreement of the Insiders to convert all Insider Loans where funds were advanced prior to January 1, 2017, which totaled $2,537,750, plus $166,490 of accrued interest thereon, into an aggregate of 10,816,960 shares of the Company's common stock at $0.25 per share, and forego the issuance of warrants to purchase the Company's common stock upon conversion. This resulted in the issuance of an additional 7,609,910 shares compared to the original number of shares issuable upon conversion of the Insider Loans prior to the Omnibus Loan Agreement. The Company valued the shares at $0.125, which was the market price of the Company's stock at the conversion date, and charged the amount of $951,239 to loss on modification of debt during the twelve months ended May 31, 2017. The Company entered into the Omnibus Loan Amendment in order to ease the debt burden on the Company and prevent it from defaulting on the Insider Loans.

Pursuant to the Omnibus Loan Amendment, the following amendments were made to the Insider Loans: (a) the Company reduced the conversion price on the Insider Loans from between $0.75 and $1.07 per share of common stock to $0.25 per share of common stock, in those cases where the conversion price was greater than $0.25, which reduced conversion price exceeded the closing price of the common stock during the three months prior to the Omnibus Loan Amendment; (b) the Company deleted the requirement to issue warrants to purchase the Company's common stock upon conversion of the Insider Loans; (c) the Company amended one Insider Loan to permit conversion of only the portion of the Insider Loan related to services that were provided to it prior to January 1, 2017; and (d) the Company amended the terms of the Insider Loans where funds were advanced on or after January 1, 2017, which Insider Loans were not converted into the Company's common stock, to provide for, where not already the case, a 10% interest rate per annum, a $0.25 conversion price per share of common stock, and the deletion of the requirement that the Company issue warrants to purchase its common stock upon conversion of such Insider Loans.

On January 10, 2018, effective December 1, 2017, the Company entered into an Omnibus Amendment to Convertible Notes (the "Second Omnibus Loan Agreement") with Jeffrey I. Binder, an officer and director of the Company, and Newcan Investment Partners LLC, an entity owned by Frank Koretsky, a director of the Company. The Second Omnibus Loan Agreement provides that the conversion price of all outstanding convertible promissory notes issued to either Mr. Binder or Newcan Investment Partners, LLC as of the date of the Agreement would be increased from $0.25 to $0.3125 per share of common stock. The remaining terms of such notes remain unchanged.

On March 12, 2018, the Company received conversion notices from the Insiders. The Company converted a total of $1,618,446, of which $1,421,356 was principal and $197,090 was accrued interest, of related party notes payable into 5,179,028 shares of common stock (see note 11).

The following tables summarize the Company's loan balances at May 31, 2018 and 2017:

Convertible Notes Payable Related Parties:	May 31, 2018	May 31, 2017
Notes payable to Jeffrey Binder, an officer and director of the Company, for advances to fund operations (the "Binder Funding Notes"). The Binder Funding Notes bear interest at a rate of 6% for loans made through November 30, 2016, and at a rate of 10% for loans made after November 30, 2016. The Binder Funding Notes have no maturity date and are due on demand. During the twelve months ended May 31, 2017, Mr. Binder advanced a total of $145,850 to the Company under the Binder Funding Notes. Also during the year ended May 31, 2017, Mr. Binder loaned the Company an additional $49,700; which was credited to the Binder Funding Notes. Also during the year ended May 31, 2017, principal in the amount of $59,750 and accrued interest in the amount of $813 was transferred out of the Binder Funding Notes and used to fund two new convertible notes payable to Mr. Binder (See Binder Convertible Notes 3 and 4 below). Also during the year ended May 31, 2017, the Company made principal payments in the aggregate amount of $61,000 under the Binder Funding Notes. During the year ended May 31, 2017, the Company accrued interest in the amount of $1,910 on the Binder Funding Notes. Effective May 31, 2017, pursuant to the Omnibus Loan Agreement, a conversion feature was added to the Binder Funding Notes whereby principal and accrued interest is convertible into common stock of the Company at a rate of $0.25 per share. Effective December 1, 2017, pursuant to the Second Omnibus Loan Amendment, the conversion price was increased from $0.25 per share to $0.3125 per share and a discount in the amount of $35,023 related to the revaluation of the beneficial conversion feature of the Binder Funding Notes was charged to additional paid-in capital and amortized to interest expense. During the twelve months ended May 31, 2018, Mr. Binder advanced a total of $440,579 to the Company under the Binder Funding Notes. During the year ended May 31, 2018, principal in the amount of $280,198 and accrued interest in the amount of $5,188 was transferred out of the Binder Funding Notes and used to fund four new convertible notes payable to Mr. Binder (See Binder Convertible Notes 5, 6, 7 and 8 below). Also during the year ended May 31, 2018 the Company made principal payments in the aggregate of $237,794 under the Binder Funding Notes. During the year ended May 31, 2018, the Company accrued interest in the amount of $7,364 on the Binder Funding Notes. During the year ended May 31, 2018, discounts in the amount of $385,637 related to the beneficial conversion feature of the Binder Funding Notes was charged to additional paid-in capital and amortized to interest expense.	$ 137	$ 77,550

		May 31, 2018		May 31, 2017
Note payable to Frank Koretsky, a director of the Company, for advances to fund operations (the "Koretsky Funding Notes"). The Koretsky Funding Notes bear interest at a rate of 6% for loans made through November 30, 2016, and at a rate of 10% for loans made after November 30, 2016. The Koretsky Funding Notes have no maturity date and are due on demand. During the twelve months ended May 31, 2017, Mr. Koretsky advanced $550,000 to the Company under the Koretsky Funding Notes. Also during the twelve months ended May 31, 2017, $210,000 of principal and $1,346 of accrued interest was transferred out of the Koretsky Funding Notes and used to fund a new convertible note payable to Mr. Koretsky. Also during the twelve months ended May 31, 2017, principal and accrued interest in the amounts of $410,000 and $4,046, respectively, were transferred out of the Koretsky Funding Notes and contributed to the Newcan Funding Notes (see Newcan Funding Notes, below).		-		-
Notes payable to Newcan Investment Partners, LLC ("Newcan"), an entity owned by Frank Koretsky, a director of the Company, for advances to fund operations (the "Newcan Funding Notes"). The Newcan Funding Notes bear interest at a rate of 10%. The Newcan Funding Notes have no maturity date and are due on demand. During the twelve months ended May 31, 2017, principal and interest in the amount of $410,000 and $4,046, respectively, were transferred from the Koretsky Funding Notes into the Newcan Funding Notes. Also during the year ended May 31, 2017, Newcan advanced $791,658 to the Company under the Newcan Funding Notes. Also during the year ended May 31, 2017, principal in the amount of $460,000 and accrued interest in the amount of $7,747, respectively, were transferred from the Newcan Finding Notes and used to fund the Newcan Convertible Notes 2 and 3 (see below); also during the year ended May 31, 2017, principal and accrued interest in the amounts of $120,000 and $2,121, respectively, were transferred out of the Newcan Funding Notes in order to fund the Newcan Convertible Note 3; see below. During the twelve months ended May 31, 2017, the Company accrued interest in the amount of $13,434 on this note. Effective May 31, 2017, pursuant to the Omnibus Loan Agreement, a conversion feature was added to the Newcan Funding Notes whereby principal and accrued interest is convertible into common stock of the Company at a rate of $0.25 per share. Effective December 1, 2017, pursuant to the Second Omnibus Loan Amendment, the conversion price was increased from $0.25 per share to $0.3125 per share and a discount in the amount of $6,120 related to the revaluation of the beneficial conversion feature of the Newcan Funding Notes was charged to additional paid-in capital and amortized to interest expense. During the twelve months ended May 31, 2018, Newcan advanced a total of $290,000 to the Company under the Newcan Funding Notes. During the year ended May 31, 2018, principal in the amount of $836,658 and accrued interest in the amount of $25,018 was transferred out of the Newcan Funding Notes and used to fund four new convertible notes payable to Newcan (See Newcan Convertible Notes 4, 5, 6 and 7 below). During the year ended May 31, 2018, the Company accrued interest in the amount of $16,681 on the Newcan Funding Notes. During the year ended May 31, 2018, discounts in the amount of $210,120 related to the beneficial conversion feature of the Newcan Funding Notes was charged to additional paid-in capital and amortized to interest expense.		75,000		621,658
Total – Demand Convertible Notes Payable, Related Parties	$	75,137	$	699,208
Current portion	$	75,137	$	699,208
Long term portion	$	-	$	-

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Convertible Notes Payable:	May 31, 2018	May 31, 2017
Unsecured convertible note issued to Jeffrey Binder, an officer and director of the Company, dated April 8, 2016 and due April 1, 2019 (the "Binder Convertible Note 2. This note bears interest at the rate of 6% per annum through February 29, 2017 and 10% per annum thereafter. No payments are required until April 1, 2017, at which time all accrued interest becomes due and payable. Commencing on July 1, 2017, the first of eight principal payments in the amount of $5,313 will be due; subsequent principal payments will due on the first day of each October, January, April, and July until paid in full. This note and accrued interest under the note may be converted, in whole or in part, into one "Unit" for each $1.07 converted, with each Unit consisting of one (1) share of common stock and a five-year warrant to purchase (1) share of common stock at a price of $1.07 per share. The Company recognized a discount of $37,840 on the value of the beneficial conversion feature at the time of issuance.		
Pursuant to the Omnibus Loan Agreement, on May 31, 2017, (i) the conversion rate of the Binder Convertible Note 2 was changed to $0.25 per share, and principal and accrued interest in the amounts of $42,500 and $3,583, respectively, were converted into a total of 184,332 shares of common stock; and (ii) the requirement to issue warrants upon conversion was deleted. During the twelve months ended May 31, 2017, the remaining discount on the Binder Convertible Note 2 in the amount of $35,260 was charged to operations, and the Company accrued interest in the amount of $4,287.		
Unsecured convertible note issued to Jeffrey Binder, an officer and director of the Company, dated July 20, 2016 and due July 1, 2019 (the "Binder Convertible Note 3"). This note bears interest at the rate of 10% per annum. No payments are required until July 1, 2017, at which time all accrued interest becomes due and payable. Commencing on October 1, 2017, the first of eight principal payments in the amount of $32,844 will become due; subsequent principal payments will become due on the first day of each, January, April, July and October until paid in full. This note and accrued interest under the note may be converted, in whole or in part, into one "Unit" for each $1.07 converted, with each Unit consisting of one (1) share of common stock and a five-year warrant to purchase (1) share of common stock at a price of $1.07 per share.		
Pursuant to the Omnibus Loan Agreement, on May 31, 2017, (i) the conversion rate of the Binder Convertible Note 3 was changed to $0.25 per share, and principal and accrued interest in the amounts of $262,750 and $11,972, respectively, were converted into a total of 1,098,888 shares of common stock; and (ii) the requirement to issue warrants upon conversion was deleted. During the twelve months ended May 31, 2017, the Company accrued interest in the amount of $22,742 on the Binder Convertible Note 3.		
Unsecured convertible note issued to Jeffrey Binder, an officer and director of the Company, dated March 31, 2017 (the "Binder Convertible Note 4"). The Binder Convertible Note 4 was funded with the conversion of $112,500 of unpaid accrued salary due to Mr. Binder and $47,000 of advances Mr. Binder made to the Company under the Binder Funding Notes. This note bears interest at the rate of 10% per annum. No interest payments are required until April 1, 2018, at which time all accrued interest becomes due and payable. Commencing on July 1, 2018, the first of eight principal payments in the amount of $19,938 will become due; subsequent principal payments will become due on the first day of each October, January, April, and July until paid in full. This note and accrued interest under the note may be converted, in whole or in part, into one "Unit" for each $0.25 converted, with each Unit consisting of one (1) share of common stock and a five-year warrant to purchase (1) share of common stock at a price of $0.25 per share.		
Pursuant to the Omnibus Loan Agreement, on May 31, 2017, the requirement to issue warrants upon conversion was deleted, and principal in the amount of $87,500 was converted into a total of 350,000 shares of common stock. The remaining principal balance of $72,000 will be due in eight quarterly payments in the amount of $9,000 commencing July 1, 2018; subsequent principal payments will become due on the first day of each October, January, April, and July until paid in full. During the twelve months ended May 31, 2017, the Company accrued interest	$ -	$ 72,000

in the amount of $2,666 on the Binder Convertible Note 4.

Effective December 1, 2017, pursuant to the Second Omnibus Loan Amendment, the conversion price was increased from $0.25 per share to $0.3125 per share and a discount was recorded in the amount of $29,376 related to the revaluation of the beneficial conversion feature of the Binder Convertible Note 4; this discount was amortized to interest expense during the year ended May 31, 2018**.**

During the twelve months ended May 31, 2018 and 2017, interest in the amount of $5,622 and $2,666 was accrued on Binder Convertible Note 4, respectively.

During the year ended May 31, 2018, the Binder Convertible Note 4 in the amount of $81,000, of which $72,000 was principal and $9,000 was accrued interest, was converted into 259,200 shares of common stock.

	May 31, 2018	May 31, 2017
Unsecured convertible note issued to Newcan, an entity owned by Frank Koretsky, a director of the Company, dated March 31, 2017 (the “Newcan Convertible Note 1”). The Newcan Convertible Note 1 was funded with the conversion of $120,000 of advances made to the Company under the Newcan Funding Notes. This note bears interest at the rate of 10% per annum. No interest payments are required until April 1, 2018, at which time all accrued interest becomes due and payable. Commencing on July 1, 2018, the first of eight principal payments in the amount of $15,000 will become due; subsequent principal payments will become due on the first day of each October, January, April, and July until paid in full. This note and accrued interest under the note may be converted, in whole or in part, into one “Unit” for each $0.25 converted, with each Unit consisting of one (1) share of common stock and a five-year warrant to purchase (1) share of common stock at a price of $0.25 per share. During the twelve months ended May 31, 2017, the Company accrued interest in the amount of $2,005 on the Koretsky Convertible Note 4. Pursuant to the Omnibus Loan Agreement, on May 31, 2017, the requirement to issue warrants upon conversion was deleted.		
Effective December 1, 2017, pursuant to the Second Omnibus Loan Amendment, the conversion price was increased from $0.25 per share to $0.3125 per share and a discount was recorded in the amount of $48,960 related to the revaluation of the beneficial conversion feature of the Newcan Convertible Note 1; this discount was amortized during the year ended May 31, 2018.		
During the twelve months ended May 31, 2018 and 2017, interest in the amount of $9,370 and $2,005 was accrued on Newcan Convertible Note 1, respectively.		
During the year ended May 31, 2018, the Newcan Convertible Note 1 in the amount of $133,496, of which $120,000 was principal and $13,496 was accrued interest, was converted into 427,187 shares of common stock.	-	120,000
Unsecured convertible note issued to Jeffrey Binder, an officer and director of the Company, dated August 23, 2017 in the original principal amount of $115,050 (the “Binder Convertible Note 5”). The Binder Convertible Note 5 was funded with the conversion of $37,500 of unpaid accrued salary due to Mr. Binder and $77,550 of advances Mr. Binder made to the Company under the Binder Funding Notes. This note bears interest at the rate of 10% per annum. No interest payments are required until October 1, 2018, at which time all accrued interest becomes due and payable. Commencing on January 2, 2019, the first of eight principal payments in the amount of $14,381 will become due; subsequent principal payments will become due on the first day of each April, July, October, and January until paid in full. This note and accrued interest under the note may be converted, in whole or in part, into one share of common stock for each $0.25 converted. The Company recognized a discount of $46,020 on the Binder Convertible Note 5 related to the value of the beneficial conversion feature at the time of issuance; this discount was amortized during the twelve months ended May 31, 2018.		
Effective December 1, 2017, pursuant to the Second Omnibus Loan Amendment, the conversion price was increased from $0.25 per share to $0.3125 per share, and the discount balance in the amount of $41,859 was charged to interest expense. A new discount was recorded in the amount of $46,940 related to the value of the repriced conversion feature of Binder Convertible Note 5; this discount was amortized to interest expense during the twelve months ended May 31, 2018.		
During the twelve months ended May 31, 2018 and 2017, interest in the amount of $6,336 and $0 was accrued on Binder Convertible Note 5, respectively, and 2,246 of accrued interest was transferred from the Binder Funding Notes.		
During the year ended May 31, 2018, the Binder Convertible Note 5 in the amount of $123,632, of which $115,050 was principal and $8,582 was accrued interest, was converted into 395,622 shares of common stock.	-	-

	May 31, 2018	May 31, 2017
Unsecured convertible note issued to Jeffrey Binder, an officer and director of the Company, dated August 23, 2017 in the original principal amount of $72,767 (the "Binder Convertible Note 6"). The Binder Convertible Note 6 was funded with the conversion of $25,000 of unpaid accrued salary due to Mr. Binder and $47,767 of advances Mr. Binder made to the Company under the Binder Funding Notes. This note bears interest at the rate of 10% per annum. No interest payments are required until October 1, 2018, at which time all accrued interest becomes due and payable. Commencing on January 2, 2019, the first of eight principal payments in the amount of $9,096 will become due; subsequent principal payments will become due on the first day of each April, July, October, and January until paid in full. This note and accrued interest under the note may be converted, in whole or in part, into one share of common stock for each $0.25 converted. The Company recognized a discount of $29,107 on the Binder Convertible Note 6 related to the value of the beneficial conversion feature at the time of issuance; this discount was amortized during the twelve months ended May 31, 2018.		
Effective December 1, 2017, pursuant to the Second Omnibus Loan Amendment, the conversion price was increased from $0.25 per share to $0.3125 per share, and the discount balance in the amount of $26,475 was charged to interest expense. A new discount was recorded in the amount of $29,689 related to the value of the repriced conversion feature of Binder Convertible Note 6; this discount was amortized to interest expense during the twelve months ended May 31, 2018.		
During the twelve months ended May 31, 2018 and 2017, interest in the amount of $4,007 and $0 was accrued on Binder Convertible Note 6, respectively, and 1,384 of accrued interest was transferred from the Binder Funding Notes.		
During the year ended May 31, 2018, the Binder Convertible Note 6 in the amount of $78,158, of which $72,767 was principal and $5,391 was accrued interest, was converted into 250,160 shares of common stock.	-	-
Unsecured convertible note issued to Newcan, an entity owned by Frank Koretsky, a director of the Company, dated August 23, 2017 in the original principal amount of $621,658 (the "Newcan Convertible Note 4"). The Newcan Convertible Note 4 was funded with the conversion of $621,658 of advances Newcan made to the Company under the Newcan Funding Notes. This note bears interest at the rate of 10% per annum. No interest payments are required until October 1, 2018, at which time all accrued interest becomes due and payable. Commencing on January 2, 2019, the first of eight principal payments in the amount of $69,074 will become due; subsequent principal payments will become due on the first day of each April, July, October, and January until paid in full. This note and accrued interest under the note may be converted, in whole or in part, into one share of common stock for each $0.25 converted. The Company recognized a discount of $248,663 on the Newcan Convertible Note 4 related to the value of the beneficial conversion feature at the time of issuance.		
Effective December 1, 2017, pursuant to the Second Omnibus Loan Amendment, the conversion price was increased from $0.25 per share to $0.3125 per share, and the discount balance in the amount of $226,181 was charged to interest expense. A new discount was recorded in the amount of $253,636 related to the value of the repriced conversion feature of Newcan Convertible Note 4; this discount was amortized to interest expense during the twelve months ended May 31, 2018.		
During the twelve months ended May 31, 2018 and 2017, interest in the amount of $34,234 and $0 was accrued on Newcan Convertible Note 4, respectively, and $23,198 of accrued interest was transferred from the Newcan Funding Notes.		
During the year ended May 31, 2018, the Newcan Convertible Note 4 in the amount of $679,090, of which $621,658 was principal and $57,432 was accrued interest, was converted into 2,173,088 shares of common stock.	-	-

	May 31, 2018	May 31, 2017
Unsecured convertible note issued to Newcan, an entity owned by Frank Koretsky, a director of the Company, dated August 23, 2017 in the original principal amount of $70,000 (the "Newcan Convertible Note 5"). The Newcan Convertible Note 5 was funded with the conversion of $70,000 of advances Newcan made to the Company under the Newcan Funding Notes. This note bears interest at the rate of 10% per annum. No interest payments are required until October 1, 2018, at which time all accrued interest becomes due and payable. Commencing on January 2, 2019, the first of eight principal payments in the amount of $8,750 will become due; subsequent principal payments will become due on the first day of each April, July, October, and January until paid in full. This note and accrued interest under the note may be converted, in whole or in part, into one share of common stock for each $0.25 converted. The Company recognized a discount of $28,000 on the Newcan Convertible Note 5 related to the value of the beneficial conversion feature at the time of issuance.		
Effective December 1, 2017, pursuant to the Second Omnibus Loan Amendment, the conversion price was increased from $0.25 per share to $0.3125 per share, and the discount balance in the amount of $25,468 was charged to interest expense. A new discount was recorded in the amount of $28,560 related to the value of the repriced conversion feature of Newcan Convertible Note 5; this discount was amortized to interest expense during the twelve months ended May 31, 2018.		
During the twelve months ended May 31, 2018 and 2017, interest in the amount of $3,855 and $0 was accrued on Newcan Convertible Note 5, respectively, and $148 of accrued interest was transferred from the Newcan Funding Notes.		
During the year ended May 31, 2018, the Newcan Convertible Note 5 in the amount of $74,003, of which $70,000 was principal and $4,003 was accrued interest, was converted into 236,810 shares of common stock.	-	-
Unsecured convertible note issued to Newcan, an entity owned by Frank Koretsky, a director of the Company, dated October 9, 2017 in the original amount of $30,000 (the "Newcan Convertible Note 6"). The Newcan Convertible Note 6 was funded with the conversion of $30,000 of advances Newcan made to the Company under the Newcan Funding Notes. This note bears interest at the rate of 10% per annum. No interest payments are required until January 2, 2019, at which time all accrued interest becomes due and payable. Commencing on April 1, 2019, the first of eight principal payments in the amount of $3,750 will become due; subsequent principal payments will become due on the first day of each July, October, January and April until paid in full. This note and accrued interest under the note may be converted, in whole or in part, into one share of common stock for each $0.25 converted. The Company recognized a discount of $15,808 on the Newcan Convertible Note 6 related to the value of the beneficial conversion feature at the time of issuance.		
Effective December 1, 2017, pursuant to the Second Omnibus Loan Amendment, the conversion price was increased from $0.25 per share to $0.3125 per share, and the discount balance in the amount of $11,430 was charged to interest expense. A new discount was recorded in the amount of $12,240 related to the value of the repriced conversion feature of Newcan Convertible Note 6; this discount was amortized to interest expense during the twelve months ended May 31, 2018.		
During the twelve months ended May 31, 2018 and 2017, interest in the amount of 1,266 and $0 was accrued on Newcan Convertible Note 6, respectively.		
During the year ended May 31, 2018, the Newcan Convertible Note 6 in the amount of $31,414, of which $30,000 was principal and $1,414 was accrued interest, was converted into 100,525 shares of common stock.	-	-

	May 31, 2018	May 31, 2017
Unsecured convertible note issued to Jeffery Binder, an officer and director of the Company, dated October 9, 2017 in the original principal amount of $39,521 (the "Binder Convertible Note 7"). The Binder Convertible Note 7 was funded with the conversion of $12,500 of unpaid accrued salary due to Mr. Binder and $27,021 of advances Mr. Binder made to the Company under the Binder Funding Notes. This note bears interest at the rate of 10% per annum. No interest payments are required until January 2, 2019, at which time all accrued interest becomes due and payable. Commencing April 1, 2019, the first of eight principal payments in the amount of $4,940 will become due, subsequent payments will become due on the first day of each July, October, January and April until paid in full. This note and accrued interest under the note may be converted, in whole or in part, into one share of common stock for each $0.25 converted. The Company recognized a discount of $12,000 on the Binder Convertible Note 7 related to the value of the beneficial conversion feature at the time of issuance.		
Effective December 1, 2017, pursuant to the Second Omnibus Loan Amendment, the conversion price was increased from $0.25 per share to $0.3125 per share, and the discount balance in the amount of $15,058 was charged to interest expense. A new discount was recorded in the amount of $16,125 related to the value of the repriced conversion feature of Binder Convertible Note 7; this discount was amortized to interest expense during the twelve months ended May 31, 2018.		
During the twelve months ended May 31, 2018 and 2017, interest in the amount of $1,667 and $0 was accrued on Binder Convertible Note 7, respectively.		
During the year ended May 31, 2018, the Binder Convertible Note 7 in the amount of $41,310, of which $39,521 was principal and $1,789 was accrued interest, was converted into 132,192 shares of common stock.	-	-
Unsecured convertible note issued to Newcan, an entity owned by Frank Koretsky, a director of the Company, dated, January 5, 2018 in the original amount of $115,000 (the "Newcan Convertible Note 7"). The Newcan Convertible Note 7 was funded with the conversion of $115,000 of advances Newcan made to the Company under the Newcan Funding Notes. This note bears interest at the rate of 10% per annum. No interest payments are required until April 1, 2019, at which time all of the accrued interest becomes due and payable. Commencing on July 1, 2019, the first of eight principal payments in the amount of $14,375 will become due; subsequent principal payments will become due on the first day of each October, January, April and July until paid in full. This note and accrued interest under the note may be converted, in whole or in part, into one share of common stock for each $0.3125 converted. The Company recognized a discount of $115,000 on the Newcan Convertible Note 7 related to the value of the beneficial conversion feature at the time of issuance. During the twelve months ended May 31, 2018, the Company amortized this discount to interest expense.		
During the twelve months ended May 31, 2018 and 2017, interest in the amount of $2,079 and $0 was accrued on Newcan Convertible Note 7, respectively, and $1,014 of accrued interest was transferred from the Newcan Funding Notes.		
During the year ended May 31, 2018, the Newcan Convertible Note 7 in the amount of $118,093, of which $115,000 was principal and $3,093 was accrued interest, was converted into 377,898 shares of common stock.	-	-

	May 31, 2018	May 31, 2017
Unsecured convertible note issued to Jeffery Binder, an officer and director of the Company, dated January 5, 2018 in the original principal amount of $165,360 (the "Binder Convertible Note 8"). The Binder Convertible Note 8 was funded with the conversion of $37,500 of unpaid accrued salary due to Mr. Binder and $127,860 of advances Mr. Binder made to the Company under the Binder Funding Notes. This note bears interest at the rate of 10% per annum. No interest payments are required until April 1, 2019, at which time all accrued interest becomes due and payable. Commencing July 1, 2019, the first of eight principal payments in the amount of $20,670 will become due; subsequent payments will become due on the first day of each October, January, April and July until paid in full. This note and accrued interest under the note may be converted, in whole or in part, into one share of common stock for each $0.3125 converted. The Company recognized a discount of $165,360 on the Binder Convertible Note 8 related to the value of the beneficial conversion feature at the time of issuance. During the twelve months ended May 31, 2018, the Company amortized this discount to interest expense. During the twelve months ended May 31, 2018 and 2017, interest in the amount of $2,990 and $0 was accrued on Binder Convertible Note 8, respectively, and $1,437 of accrued interest was transferred from the Binder Funding Notes. During the year ended May 31, 2018, the Binder Convertible Note 8 in the amount of $168,787, of which $165,360 was principal and $4,427 was accrued interest, was converted into 543,318 shares of common stock.	-	-
Convertible promissory note payable to David Lamadrid (the "Lamadrid Note") dated February 20, 2018 in the principal amount of $31,250 and bearing interest at a rate of 8% per annum. The Lamadrid Note is due eighteen months from the date of issue. Mr. Lamadrid may, at his option, convert all or a portion of the Lamadrid Note and accrued but unpaid interest into shares of common stock at a conversion price of $0.3125 per share. The Lamadrid Note also contains a reset feature, whereby, absent certain exceptions, if the Company issues equity securities at an effective price less than $0.3125 per share of common stock, the conversion price of the Lamadrid Note will be reset to such lower price. The Company recognized a discount of $31,250 on the Lamadrid Note related to the beneficial conversion feature at the time of issuance. During the twelve months ended May 31, 2018, $942 of this discount was charged to operations. During the twelve months ended May 31, 2018, the Company accrued interest in the amount of $685 on this note.	31,250	-
Unsecured convertible note issued to Jeffery Binder, an officer and director of the Company, dated April 6, 2018 in the original principal amount of $37,500 (the "Binder Convertible Note 9"). The Binder Convertible Note 9 was funded with the conversion of $37,500 of unpaid accrued salary due to Mr. Binder. This note bears interest at the rate of 10% per annum. No interest payments are required until July 1, 2019, at which time all accrued interest becomes due and payable. Commencing October 1, 2019, the first of eight principal payments in the amount of $4,688 will become due; subsequent payments will become due on the first day of each January, April, July and October until paid in full. This note and accrued interest under the note may be converted, in whole or in part, into one share of common stock for each $0.3125 converted. The Company recognized a discount of $37,500 on the Binder Convertible Note 9 related to the value of the beneficial conversion feature at the time of issuance. During the twelve months ended May 31, 2018, the Company amortized $1,890 of this discount to interest expense. During the twelve months ended May 31, 2018 and 2017, interest in the amount of $565 and $0 was accrued on Binder Convertible Note 9, respectively.	37,500	-
Total – Convertible Notes Payable, Related Parties	$ 68,750	$ 192,000
Less: Discount	(65,918)	-
Convertible Notes Payable, Related Parties, Net of Discounts	$ 2,832	$ 192,000
Convertible Notes Payable, Related Parties, Net of Discounts, Current Portion	$ 2,832	$ -
Convertible Notes Payable, Related Parties, Net of Discounts, Long-term Portion	-	192,000

	May 31, 2018	May 31, 2017
Convertible promissory note issued to an unaffiliated third party due April 29, 2018 (the "April 2015 Note"). During the twelve months ended May 31, 2015, the lender loaned the Company the amount of $200,000 pursuant to this note. The April 2015 Note bears interest at a rate of 15% per annum. On the first anniversary of this note, the all then accrued interest became due. Thereafter, the Company is required to make eight equal payments of principal together with accrued interest, quarterly in arrears, commencing on July 1, 2016 until paid in full. The note and any accrued unpaid interest is convertible into common stock of the Company. For each dollar converted, the note holder shall receive two shares of common stock and one three-year warrant to purchase 1.33 shares of common stock at $0.75 per share. The Company recognized a discount of $200,000 on the April 2015 Note related to the value of the beneficial conversion feature at the time of issuance. During the twelve months ended May 31, 2016, $66,667 of this discount was charged to operations. During the year ended May 31, 2017, the Company repaid principal in the amount of $100,000 and interest in the amount of $53,837 on this note. Also during the year ended May 31, 2017, the Company charged $100,545 of the discount to operations, and accrued interest in the amount of $22,440 on the April 2015 Note. On September 20, 2017, the Company entered into an Exchange Agreement, whereby it agreed to exchange the April 2015 Note for 1,500,000 shares of its common stock. The holder of the April 2015 Note had previously sold it for $105,219, which represented the balance due by the Company, to StarForce Media, Inc., an entity that is not affiliated with the Company. The Company recognized a loss on this exchange in the amount of $404,082, which was charged to operations during the twelve months ended May 31, 2018. The Company also expensed the remaining discount in the amount of $18,155 to interest expense during the twelve months ended May 31, 2018. During the twelve months ended May 31, 2018, the Company accrued interest in the amount of $4,603 on the April 2015 Note.	$ -	$ 100,000

Convertible promissory note payable to Old Main Capital, LLC ("Old Main") dated March 18, 2016 and bearing interest at a rate of 8% (the "8% Note"). The 8% Note was issued for Old Main's commitment to enter into an equity line transaction with the Company and prepare all of the related transaction documents. Old Main may, at its option, convert all or a portion of the note and accrued but unpaid interest into shares of common stock at a conversion price of $1.07 per share (post Reverse-Split) (the "8% Fixed Conversion Price"). The 8% Fixed Conversion Price is subject to adjustment if, at any time while this note is outstanding, the Company should issue any equity security with an effective price per share that is lower than the 8% Fixed Conversion Price (the "8% Base Conversion Price"), other than certain exempt issuances. In such an instance, the 8% Fixed Conversion Price will be lowered to match the 8% Base Conversion Price. The shares underlying the 8% Note are subject to a registration rights agreement. At the earlier of September 18, 2016 or two trading days after this registration statement becomes effective, the Company must begin to redeem 1/6th of the face amount of the note and any accrued but unpaid interest on a monthly basis. Such amortization payment may be made, at its option, in cash or, subject to certain conditions, in common stock pursuant to a conversion rate equal to the lower of (a) $1.07 (post Reverse-Split) or (b) 75% of the lowest daily volume weighted average price of the common stock in the twenty consecutive trading days ending on the trading day that is immediately prior to the applicable conversion date. The Company recognized a discount of $172,108 on the value of the embedded derivative.

On November 28, 2016, the 8% Note was amended converting the note from an installment note to a "balloon" note, with all principal and accrued interest due on March 18, 2017. In addition, the Fixed Conversion Price was changed to a variable conversion price equal to the lesser of the prior Fixed Conversion Price or 75% of the lowest VWAP in the fifteen trading days ending on the trading day immediately prior to the conversion date. The November 28, 2016 amendment required an extinguishment analysis of the 8% Note resulting in gain on extinguishment of debt in the amount of $81,496 for the nine months ended February 28, 2017. The gain on extinguishment of debt was included in additional paid-in capital at February 28, 2017. The 8% Note was revalued as of the November 28, 2016 amendment and the Company recognized a discount of $169,476 on the value of the embedded derivative.

On March 27, 2017, the Company entered into a further amendment to the 8% Note, whereby the Company agreed to increase the outstanding amount due under the 8% Note as of March 18, 2017 by 5%, or $10,000. In exchange for doing so, Old Main agreed to extend the maturity of the 8% Note until July 1, 2017 and to suspend conversions under the 8% Note until July 1, 2017. Also during the year ended May 31, 2017, the Company accrued interest in the amount of $17,207 on the 8% Note.

On July 6, 2017, the 8% Note was further amended, whereby the maturity date was extended to July 15, 2017 and the outstanding balance was increased by $15,750. On August 23, 2017, the 8% Note was amended again to extend the maturity date to September 15, 2017.

On September 23, 2017, but effective on September 15, 2017, the 8% note was further orally amended, and the outstanding balance was increased by $96,862. The Company recognized the modification of this note as an extinguishment of debt and recognized a gain on the extinguishment of $144,851. The Company also recognized a discount on the modified note of $300,435, which was fully charged to operations during the three months ended November 30, 2017. On September 25, 2017, but effective September 15, 2017, the Company entered into an Exchange Agreement, whereby it agreed to exchange the 8% Note for 4,500,000 shares of its common stock. Old Main, the original holder of the 8% Note, had previously sold it for $382,496. The balance due by the Company under the 8% Note at the time it was sold was $322,612. The Company recognized a loss on this exchange in the amount of $1,113,883, which was charged to operations during the twelve months ended May 31, 2018.

	May 31, 2018	May 31, 2017
During the twelve months ended May 31, 2018, the Company accrued interest in the amount of $5,587, on the 8% Note, and $30,411 of the discount was amortized to interest expense during the twelve months ended May 31, 2018.	-	210,000

	May 31, 2018	May 31, 2017
Senior Convertible promissory note payable to FirstFire Global Opportunities Fund, LLC (the "FirstFire Note") dated November 15, 2017 and bearing interest at a rate of 5% per annum. The lender loaned the Company $330,000 and the FirstFire Note has an original issue discount of $33,000. The FirstFire Note is due seven months from the date of issue. FirstFire may, at its option, convert all or a portion of the FirstFire Note and accrued but unpaid interest into shares of common stock at a conversion price of $0.40 per share (the "FirstFire Fixed Conversion Price") for the first 180 calendar days after the issue date. After the 180th day, the conversion price shall equal the lower of (i) the FirstFire Fixed Conversion Price, or (ii) 75% multiplied by the lowest traded price of the common stock during the twenty (20) consecutive trading day period immediately preceding the trading day that the Company received a notice of conversion. During the twelve months ended May 31, 2018, a dilutive issuance occurred. As a result, the FirstFire Fixed Conversion Price was reduced to $0.3125 per share. The Company recognized a discount of $363,000 on the FirstFire Note related to the beneficial conversion feature at the time of issuance. During the twelve months ended May 31, 2018, this discount was charged to operations. During the twelve months ended May 31, 2018, the Company accrued interest in the amount of $9,000 on this note. On May 9, 2018, the Company entered into an Amendment to the FirstFire Note, whereby the Company agreed to make a $50,000 payment on or before May 14, 2018 and a $450,000 payment on or before May 31, 2018 to repay the FirstFire Note in full. The Company also agreed to issue an additional warrant to purchase 25,000 shares of the Company's common stock. In exchange, the note holder agreed that it would not convert the FirstFire Note until after May 31, 2018. During the twelve months ended May 31, 2018, the Company made payments of $500,000 on this note, which amounts repaid the FirstFire Note in full.	-	-
Convertible promissory note payable to Darling Capital, LLC (the "Darling Note") dated February 5, 2018 and bearing interest at a rate of 8% per annum. The lender loaned the Company $500,000 and the Darling Note has an original issue discount of $50,000. The Darling Note is due eighteen months from the date of issue. Darling may, at its option, convert all or a portion of the Darling Note and accrued but unpaid interest into shares of common stock at a conversion price of $0.3125 per share. The Darling Note also contains a reset feature, whereby, absent certain exceptions, if the Company issues equity securities at an effective price less than $0.3125 per share of common stock, the conversion price of the Darling Note will be reset to such lower price. The Company recognized a discount of $550,000 on the Darling Note related to the beneficial conversion feature at the time of issuance. During the twelve months ended May 31, 2018, $40,427 of this discount was charged to operations. During the twelve months ended May 31, 2018, the Company accrued interest in the amount of $13,863 on this note.	550,000	-
Convertible promissory note payable to Efrat Investments, LLC (the "Efrat Note") dated February 12, 2018 and bearing interest at a rate of 8% per annum. The lender loaned the Company $50,000 and the Efrat Note has an original issue discount of $5,000. The Efrat Note is due eighteen months from the date of issue. Efrat may, at its option, convert all or a portion of the Efrat Note and accrued but unpaid interest into shares of common stock at a conversion price of $0.3125 per share. The Efrat Note also contains a reset feature, whereby, absent certain exceptions, if the Company issues equity securities at an effective price less than $0.3125 per share of common stock, the conversion price of the Efrat Note will be reset to such lower price. The Company recognized a discount of $55,000 on the Efrat Note related to the beneficial conversion feature at the time of issuance. During the twelve months ended May 31, 2018, $2,974 of this discount was charged to operations. During the twelve months ended May 31, 2018, the Company accrued interest in the amount of $1,302 on this note.	55,000	-

	May 31, 2018	May 31, 2017
Convertible promissory note payable to YA II PN, Ltd. (the "YA II PN Note") dated May 14, 2018 and bearing an interest rate of 8% per annum. The lender loaned the Company $750,000, and the note is due November 14, 2019. YA II PN may, at its option convert all or a portion of the YA II PN Note and accrued but unpaid interest into shares of common stock at a conversion price of $0.40 per share. The YA II PN Note also contains a reset feature, whereby, absent certain exceptions, if the Company issues equity securities at an effective price less than $0.40 per share of common stock, the conversion price of the YA II PN Note will be reset to such lower price. The Company recognized a discount of $750,000 related to the beneficial conversion feature at the time of issuance. During the twelve months ended May 31, 2018, $23,224 of this discount was charged to operations. During the twelve months ended May 31, 2018, the Company accrued interest in the amount of $2,795 on this note.	750,000	-
Unsecured convertible note issued to Jay Lasky (the "Lasky Note"), dated May 3, 2018 in the original principal amount of $25,000. This note bears interest at the rate of 10% per annum. No interest payments are required until July 1, 2019, at which time all accrued interest becomes due and payable. Commencing October 1, 2019, the first of eight principal payments in the amount of $3,125 will become due; subsequent payments will become due on the first day of each January, April, July and October until paid in full. The Lasky Note and accrued interest under the note may be converted, in whole or in part, into one share of common stock for each $0.40 converted. The Company recognized a discount of $7,301 on the Lasky Note related to the beneficial conversion feature at the time of issuance. During the twelve months ended May 31, 2018, $149 of this discount was charged to operations. During the twelve months ended May 31, 2018, the Company accrued interest in the amount of $192 on this note.	25,000	-
Total - Convertible Notes Payable	$ 1,380,000	$ 310,000
Less: Discount	(1,295,527)	(57,644)
Convertible Notes Payable, Net of Discounts	$ 84,473	$ 252,356
Total - Convertible Notes Payable, Net of Discounts, Current Portion	$ 43,401	$ 252,356
Total - Convertible Notes Payable, Net of Discounts, Long-term Portion	$ 41,072	$ -
Discounts on notes payable amortized to interest expense	$ 2,534,104	$ 2,274,519

Beneficial Conversion Features

The 8% Note, FirstFire Note, Darling Note, Efrat Note, Lamadrid Note and YA II PN Note contain conversion features that create derivative liabilities. The pricing model the Company uses for determining fair value of its derivatives is the Lattice Model. Valuations derived from this model are subject to ongoing internal and external verification and review. The model uses market-sourced inputs such as interest rates and stock price volatilities. Selection of these inputs involves management's judgment and may impact net income. The derivative components of the Notes were valued at issuance, at conversion, at restructure, and at each period end.

Certain of the Company's other convertible notes payable contain beneficial conversion features that are not derivatives, but which require valuation in order to determine the discount to the related convertible note payable. The value of these conversion features is calculated using the intrinsic value method, whereby the amount of the discount is calculated as the difference between the conversion price and the market price of the underlying common stock at the date of issuance multiplied by the number of shares issuable.

The value of these conversion features is calculated using the Black-Scholes valuation model. The following table illustrates certain key information regarding the conversion option valuation assumptions under the Black-Scholes valuation model at May 31, 2018 and 2017:

	May 31,	
	2018	2017
Volatility	97.4% to 534.5%	64% to 138%
Dividends	-	-
Risk-free interest rates	1.93% to 2.62%	0.86% to 1.19%
Term (years)	0.4997 to 3.1622	1.25 to 3

NOTE 12 – STOCKHOLDERS' EQUITY

The Company's authorized capital stock consists of 250,000,000 shares of common stock, par value $0.0001 per share and 20,000,000 shares of preferred stock, par value $0.001 per share. The Company had 50,128,972 and 32,582,944 shares of common stock issued and outstanding as of May 31, 2018 and 2017, respectively.

The Company recorded imputed interest of $1,076 and $1,075 during the year ended May 31, 2018 and 2017 on related party payables due to a director and officer of the Company.

Common Stock

Year ended May 31, 2018:

Stock Issued for Services

On July 13, 2017, the Company issued 24,000 shares of common stock to a consultant in exchange for a $6,000 accrued liability for services previously provided. This resulted in a gain on the settlement of accounts payable in the amount of $3,480.

On March 2, 2018, the Company issued 350,000 shares of common stock to a consultant pursuant to the terms of a consulting agreement. The shares issued for services were valued on the date of grant at $261,800.

On February 8, 2018, the Company agreed to issue 31,250 shares of common stock to a consultant. The shares were valued at $25,313, and are recorded on the balance sheet as stock payable. These shares have not been issued as of May 31, 2018.

During the year ended May 31, 2018, the Company agreed to issue 600,000 shares of common stock to an officer. These shares were valued at $213,321, and are recorded on the balance sheet as stock payable. These shares have not been issued as of May 31, 2018.

Stock Issued upon Note Conversion

On March 12, 2018, pursuant to the Omnibus Loan Agreement, related party convertible noteholders converted principal and interest in the aggregate amount of $1,421,356 and $197,090, respectively, into a total of 5,179,028 shares of common stock.

Stock Issued for Note Exchange

On September 20, 2017, the Company entered into an Exchange Agreement, whereby it agreed to exchange the April 2015 Note for 1,500,000 shares of its common stock valued at $510,000. The holder of the April 2015 Note had previously sold it for $105,219, which represented the balance due by the Company, to StarForce Media, Inc., an entity that is not affiliated with the Company. The Company recognized a loss on this exchange in the amount of $404,082, which was charged to operations during the year ended May 31, 2018.

On September 25, 2017, the Company entered into an Exchange Agreement, whereby it agreed to exchange the 8% Note for 4,500,000 shares of its common stock valued at $1,844,035. The Company recognized a loss on this exchange in the amount of $989,032, which was charged to operations during the year ended May 31, 2018.

Stock Issued with Note

On November 15, 2017, the Company issued 250,000 shares of restricted Common Stock, valued at $95,000, as a commitment fee to a convertible note holder.

Stock Issued in Offering

On December 7, 2017, the Company commenced a private offering of its securities, the terms of which were amended on January 17, 2018 (the "WestPark Offering"). The Company offered for sale a minimum of 800,000 units and a maximum of 4,000,000 units at a price of $1.25 per unit. Each unit consisted of four shares of common stock and one warrant to purchase common stock at $0.75 per share.

On February 7, 2018, the Company received gross proceeds of $1,087,500 from the WestPark Offering, of which $146,975 were expenses, resulting in net proceeds of $940,525, from the sale of 870,000 units.

On February 21, 2018, the Company received additional gross proceeds of $100,000 from the WestPark Offering, of which $28,100 were expenses, resulting in net proceeds of $71,900, from the sale of 80,000 units.

On February 28, 2018, the Company received additional gross proceeds of $81,250 from the WestPark Offering, of which $12,148 were expenses, resulting in net proceeds of $69,102, from the sale of 65,000 units.

On March 29, 2018, the Company received additional gross proceeds of $441,563 from the WestPark Offering, of which $62,172 were expenses, resulting in net proceeds of $379,390, from the sale of 353,250 units.

During the year ended May 31, 2018, the Company incurred offering costs of $249,397. The offering costs were charged to additional paid in capital during the year ended May 31, 2018.

Additional Paid-in-Capital

During the year ended May 31, 2018, the Company recorded a discounts on convertible notes payable relating to the beneficial conversion feature in the amount of $1,758,741.

During the year ended May 31, 2018, the Company recorded a settlement of derivative liabilities in the amount of $442,775.

Year ended May 31, 2017:

Stock Issued for Services

In May 2017, the Company agreed to issue 25,000 shares of common stock with a fair value of $3,250 to a service provider. At May 31, 2017, these shares had not been issued, and the amount of $3,250 is included in stock payable on the Company's balance sheet.

Additional Paid-in-Capital

In March 2017, the Company entered into a modification agreement regarding the 8% Promissory Note due to Old Main, and the derivative liability in the amount of $70,143 related to the conversion feature of this note was charged to additional paid-in capital.

In May 2017, the Company paid the 10% Notes due to Old Main, and the derivative liability in the amount of $145,268 related to the conversion feature of this note was charged to additional paid-in capital.

Stock Issued upon Note Conversions

From December 21, 2016, through March 14, 2017, Old Main, holder of the 2016 Convertible Notes, converted an aggregate of $137,500 of principal, in eight transactions, into 1,685,981 shares of common stock. As a result of the conversions, the Company charged the amount $143,325 to additional paid-in capital related to settlement of derivative liability. See note 10.

On May 31, 2017, pursuant to the Omnibus Loan Agreement, four related party convertible noteholders converted principal and interest in the aggregate amount of $2,537,750 and $166,490, respectively, into a total of 10,816,960 shares of common stock. As a result of the conversions, the Company charged the amount $951,239 to loss on modification of debt.

Warrants

On November 15, 2017, in connection with the Company's sale of a convertible debenture, the Company issued FirstFire Global Opportunities Fund, LLC ("FirstFire") a three-year common stock purchase warrant to purchase 350,000 shares of the Company's common stock at an initial exercise price of $0.75 per share. These warrants were valued at $123,950 and were charged to operations during the twelve months ended May 31, 2018.

On February 9, 2018, in connection with the Company's sale of a convertible debenture, the Company issued Darling Capital, LLC ("Darling") a three-year common stock purchase warrant to purchase 400,000 shares of the Company's common stock at an initial exercise price of $0.75 per share. These warrants were valued at $313,128 and were charged to operations during the twelve months ended May 31, 2018.

On February 16, 2018, in connection with the Company's sale of a convertible debenture, the Company issued Efrat Investments, LLC ("Efrat") a three-year common stock purchase warrant to purchase 40,000 shares of the Company's common stock at an initial exercise price of $0.75 per share. These warrants were valued at $32,076 and were charged to operations during the twelve months ended May 31, 2018.

On February 26, 2018, in connection with the Company's sale of a convertible debenture, the Company issued David Lamadrid a three-year common stock purchase warrant to purchase 25,000 shares of the Company's common stock at an initial exercise price of $0.75 per share. These warrants were valued at $18,794 and were charged to operations during the twelve months ended May 31, 2018.

On March 2, 2018, the Company issued three-year common stock purchase warrants to purchase an aggregate of 412,500 shares of the Company's common stock at an exercise price of $0.75 per share to consultants. These warrants were value at $294,173 and were changed to operations during the twelve months ended May 31, 2018.

On March 29, 2018, the Company issued three-year common stock purchase warrants to purchase an aggregate of 353,250 shares of the Company's common stock at an exercise price of $0.75 per share, to investors in the WestPark Offering.

On May 9, 2018, in connection with the Amendment to the FirstFire Note, the Company amended the FirstFire three-year common stock purchase warrant to provide that the holder could purchase an additional 25,000 shares of the Company's common stock at an initial exercise price of $0.75 per share. These additional warrants were valued to $15,977 and were charge to operations during the twelve months ended May 31, 2018.

On May 14, 2018, in connections with the Company's sale of a convertible debenture, the Company issued YA II PN, Ltd. a five-year common stock purchase warrant to purchase 1,875,000 shares of the Company's common stock at an initial exercise price of $0.60 per share. These warrants were valued at $1,300,545 and were charged to operations during the twelve months ended May 31, 2018.

As of May 31, 2018, the Company was obligated to issue a five-year warrant to purchase 205,238 of the Company's units at an exercise price of $1.25 per unit (the "Unit Warrants") to WestPark Capital, Inc., the placement agent for the WestPark Offering. Each unit consists of four shares of common stock and one warrant to purchase a share of common stock for $0.75 per share. The Unit Warrants are part of the placement agent's compensation pursuant to the placement agent agreement. The Unit Warrant were valued at $503,655, which amount was charged to operations during the twelve months ended May 31, 2018.

The following table summarizes the significant terms of warrants outstanding at May 31, 2018. These warrants were granted as part of financing agreements. This table includes the 205,238 Unit Warrants:

Range of exercise Prices	Number of warrants Outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price of outstanding Warrants	Number of warrants Exercisable	Weighted average exercise price of exercisable Warrants
$ 0.75	2,825,988	3.33	$ 0.75	2,825,988	$ 0.75
0.60	1,875,000	4.96	0.60	1,875,000	0.60
	4,700,988	3.98	0.69	4,700,988	0.69

Transactions involving warrants are summarized as follows:

	Number of Shares	Weighted Average Exercise Price
Warrants outstanding at May 31, 2017	-	$ -
Granted	4,700,988	$ 0.69
Exercised	-	$ -
Cancelled / Expired	-	$ -
Warrants outstanding at May 31, 2018	4,700,988	$ 0.69

NOTE 13 – INCOME TAXES

The Company accounts for income taxes under FASB ASC 740-10, which provides for an asset and liability approach of accounting for income taxes. Under this approach, deferred tax assets and liabilities are recognized based on anticipated future tax consequences, using currently enacted tax laws, attributed to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts calculated for income tax purposes.

As of May 31, 2018 and 2017, the Company had incurred a net operating loss and, accordingly, no provision for income taxes has been recorded. In addition, no benefit for income taxes has been recorded due to the uncertainty of the realization of any tax assets.

The tax effects of the temporary differences that give rise to the Company's estimated deferred tax assets and liabilities are as follows:

	May 31, 2018	May 31, 2017
Federal and state statutory rate	34%	34%
Net operating loss carry forwards	2,790,481	1,386,438
Valuation allowance for deferred tax assets	(2,790,481)	(1,386,438)
Net deferred tax assets	-	-

As of May 31, 2018 and 2017, the Company had net operating loss carry forwards of approximately $2,790,481 and $1,386,438 available to offset future taxable income. The net operating loss carry forwards, if not utilized, will begin to expire in 2037.

Based on the available objective evidence, including the Company's history of losses, management believes it is more likely than not that the net deferred tax assets will not be fully realizable. Accordingly, the Company has provided for a full valuation allowance against its net deferred tax assets at May 31, 2018 and 2017. The Company had no uncertain tax positions as of May 31, 2018.

NOTE 14 – COMMITMENTS AND CONTINGENCIES

Lease Arrangement

In connection with the Colorado Arrangement, on April 17, 2015, pursuant to an Industrial Lease Agreement (the "Lease"), CLS Labs Colorado leased 14,392 square feet of warehouse and office space (the "Leased Real Property") in a building in Denver, Colorado where certain intended activities, including growing, extraction, conversion, assembly and packaging of cannabis and other plant materials, are permitted by and in compliance with state, city and local laws, rules, ordinances and regulations. The Lease had an initial term of seventy-two (72) months and provided CLS Labs Colorado with two options to extend the term of the lease by up to an aggregate of ten (10) additional years. In August 2017, as a result of the Company's decision to suspend its proposed operations in Colorado, CLS Labs Colorado asked its landlord to be relieved from its obligations under the Lease, but the parties have not yet reached an agreement on how to proceed.

In August 2017, the Company's Colorado subsidiary received a demand letter from its Colorado landlord requesting the forfeiture of the $50,000 security deposit, $10,000 in expenses, $15,699 in remaining rent due under the lease agreement and $30,000 to buy out the remaining amounts due under the lease. These expenses, which are a liability of the Company's Colorado subsidiary, have been accrued on the balance sheet as of May 31, 2018.

Employment Agreements

CLS Labs and Jeffrey Binder entered into a five-year employment agreement effective October 1, 2014. Under the agreement, Mr. Binder serves as CLS Labs' Chairman and Chief Executive Officer and is entitled to receive an annual salary of $150,000. Under the agreement, Mr. Binder is also entitled to receive a performance bonus equal to 2% of CLS Labs' annual EBITDA, up to a maximum annual cash compensation of $1 million (including his base salary), and annual stock options, exercisable at the fair market value of CLS Labs' common stock on the date of grant, in an amount equal to 2% of its annual EBITDA up to $42.5 million and 4% of its annual EBITDA in excess of $42.5 million. On April 28, 2015, CLS Labs and the Company entered into an addendum to Mr. Binder's employment agreement whereby Mr. Binder agreed that following the merger of CLS Labs and a subsidiary of the Company, in addition to his obligations to CLS Labs, he would serve the Company and its subsidiaries in such roles as the Company may request. In exchange, the Company agreed to assume the obligations of CLS Labs to grant Mr. Binder annual stock options, as referenced above. Mr. Binder continues to receive an annual salary of $150,000 from CLS Labs for serving as its Chairman, President and Chief Executive Officer. Mr. Binder has deferred all of the salary payable to him under his employment agreement through February 28, 2018. On July 20, 2016, March 31, 2017, August 23, 2017, October 9, 2017, January 5, 2018 and April 6, 2018, the Company issued Mr. Binder convertible notes in exchange for $250,000, $112,500, $62,500, $39,521, $37,500 and $37,500 respectively, in deferred salary, among other amounts owed to Mr. Binder by the Company. As of May 31, 2018 and May 31, 2017, the Company had accrued compensation due to Mr. Binder in the amount of 37,500 and $37,500.

Effective August 1, 2015, the Company and Alan Bonsett entered into a five-year employment agreement. Pursuant to the agreement, Mr. Bonsett commenced serving as the Company's Chief Operating Officer on August 15, 2015. Under the agreement, Mr. Bonsett is entitled to receive an annual salary of $150,000. Further, he is entitled to receive a performance bonus equal to 2% of the Company's annual EBITDA, up to a maximum annual cash compensation of $1 million (including his base salary), and annual stock options, exercisable at the fair market value of the Company's common stock on the date of grant, in an amount equal to 2% of its annual EBITDA up to $42.5 million and 4% of its annual EBITDA in excess of $42.5 million. Additionally, Mr. Bonsett received a one-time signing bonus of 250,000 (post Reverse-Split) shares of restricted common stock of the Company, valued at $327,500, which became fully vested one year from the effective date of the agreement. Mr. Bonsett, as an owner of Picture Rock Holdings, LLC ("PRH"), will indirectly receive the benefits of the Colorado Arrangement discussed in Note 12. The business to be operated by PRH pursuant to the Colorado Arrangement has not yet produced revenues. Mr. Bonsett agreed to defer his salary effective July 1, 2017; at May 31, 2018, the Company had accrued compensation due to Mr. Bonsett in the amount of $37,500. On October 1, 2017, the Company and Mr. Bonsett, the Company's Chief Operating Officer, mutually agreed to end his employment with the Company. Mr. Bonsett may provide consulting services to the Company in the future on an as needed basis.

Effective November 30, 2017, the Company and Mr. Lamadrid entered into a one-year employment agreement. Pursuant to the agreement, Mr. Lamadrid commenced serving as the Company's President and Chief Financial Officer on December 1, 2017. Under the agreement, Mr. Lamadrid is entitled to receive an annual salary of $175,000. Further, he is entitled to receive a performance bonus equal to 2% of the Company's annual EBITDA, and annual restricted stock awards of the Company's common stock in an amount equal to 3% of its annual EBITDA. Additionally, Mr. Lamadrid is entitled to a one-time signing bonus of 500,000 shares of restricted common stock of the Company, which shall become fully vested one year from the effective date of the agreement.

At May 31, 2018 and 2017, the Company had accrued salary due to Michael Abrams, a former officer of the Company, prior to his September 1, 2015 termination, in the amount of $16,250.

NOTE 15 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The following summarizes the Company's derivative financial liabilities that are recorded at fair value on a recurring basis at May 31, 2018 and 2017.

	May 31, 2018			
	Level 1	**Level 2**	**Level 3**	**Total**
Liabilities				
Derivative liabilities	$ -	$ -	$ 1,265,751	$ 1,265,751

	May 31, 2017			
	Level 1	**Level 2**	**Level 3**	**Total**
Liabilities				
Derivative liabilities	$ -	$ -	$ 95,276	$ 95,276

The estimated fair values of the Company's derivative liabilities are as follows:

	Derivative Liability
Liabilities Measured at Fair Value	
Balance as of May 31, 2016	$ 418,537
Issuances	600,564
Convert or Redeem	(612,850)
Revaluation gain	(310,975)
Balance as of May 31, 2017	$ 95,276
Issuances	3,671,505
Convert or Redeem	(2,696,755)
Revaluation loss	195,725
Balance as of May 31, 2018	$ 1,265,751

NOTE 16 – SUBSEQUENT EVENTS

On June 12, 2018, the Company received a conversion notice from a note holder requesting the conversion of $550,000 in principal and $15,000 of accrued interest into 1,808,000 shares of common stock.

On June 20, 2018, the Company executed an agency agreement with Canaccord Genuity Corp. and closed on a private offering of its special warrants for aggregate gross proceeds of CD$13,037,859 (USD$9,988,173). In connection therewith, the Company also entered into a special warrant indenture and a warrant indenture with Odyssey Trust Company, as special warrant agent and warrant agent.

Pursuant to the offering, the Company issued 28,973,019 special warrants at a price of CD$0.45 (USA$0.34) per special warrant. Each special warrant is automatically exercisable, for no additional consideration, into units of the Company on the earlier of: (i) the date that is five business days following the date on which the Company obtains a receipt from the applicable securities regulatory authorities in each of the jurisdictions in Canada in which the special warrants were sold for a final prospectus qualifying the distribution of the units, which is intended to be no later than August 31, 2018, and (ii) the date that is four months and one day after the completion of the Company's acquisition of all of the membership interests in Alternative Solutions, LLC, known as Oasis Cannabis.

Upon exercise of the special warrants, each unit shall consist of one share of the Company's common stock and one warrant to purchase one share of common stock. Each warrant will be exercisable at a price of CD$0.65 for three years after the Company's common stock is listed on a recognized Canadian stock exchange, subject to adjustment in certain events. If the Company has not received a receipt from the applicable Canadian securities authorities for the qualifying prospectus by August 19, 2018, the unexercised special warrant will thereafter generally entitle the holder to receive 1.1 units instead of one unit of the Company.

In connection with the offering, the Company paid a cash commission equal to CD$1,043,028 (USD$799,053), a corporate finance fee equal to 1,448,651 special warrants, and 2,317,842 compensation warrants. Each compensation warrant entitles the holder thereof to acquire one unit at a price of CD$0.45 per unit for a period of 36 months from the date that the Company's common stock is listed on a recognized Canadian stock exchange, subject to adjustment in certain events.

On June 27, 2018, the Company closed on the purchase of the remaining 90% of the membership interests of Alternative Solutions and its three operating subsidiaries (the "Oasis LLCs"). The closing occurred pursuant to the Acquisition Agreement dated December 4, 2017, as amended. On such date, the Company made the payments to indirectly acquire the remaining 90% of the Oasis LLCs, which were equal to cash in the amount of $6,200,000, a $4.0 million promissory note due in December 2019 (the "Oasis Note"), and 22,058,823 shares of its common stock. The Oasis Note bears interest at the rate of 6% per annum. The Oasis Note may be prepaid at any time without penalty. The Oasis Note is secured by all of the membership interests in Alternative Solutions and the Oasis LLCs and by the assets of the Oasis LLCs. The Company also applied for regulatory approval to own the additional 90% in membership interests in the Oasis LLCs, which it expects to receive in due course. The change of ownership in the Oasis LLCs to the Company will be recorded upon receipt of such regulatory approvals.

On July 24, 2018, the Company awarded Star Associates, LLC, a limited liability company owned by Andrew Glashow, a director of the Company, a cash payment in the amount of $250,000 and 700,000 restricted shares of the Company's common stock in recognition of Mr. Glashow's efforts, through Star Associates, in successfully assisting the Company in negotiating and obtaining the financing necessary to acquire Alternative Solutions, LLC.

On July 24, 2018, the Company and Mr. David Lamadrid, its President and Chief Financial Officer, mutually agreed to terminate the employment agreement dated December 1, 2017 between the Company and Mr. Lamadrid (the "Employment Agreement") effective July 13, 2018. Mr. Lamadrid resigned as President and Chief Financial Officer effective as of July 13, 2018. The parties further agreed that neither party would have any further obligations under the Employment Agreement after such date. The Company also agreed to release Mr. Lamadrid from his non-competition obligations under the Confidentiality, Non-Compete and Property Rights Agreement dated November 30, 2017 between the parties (the "Confidentiality Agreement"). The balance of the terms of the Confidentiality Agreement remain in full force and effect.

On July 27, 2018, the Company announced the appointment of Frank J. Tarantino as its Chief Financial Officer, effective August 1, 2018. In connection with his employment, the Company awarded Mr. Tarantino 25,000 shares of restricted common stock, which vests four months after the date he commenced his employment with the Company.

Mr. Benjamin Sillitoe was appointed to serve as the Chief Executive Officer of CLS Nevada, Inc. commencing on July 1, 2018. On July 31, 2018, CLS Nevada, Inc. and Mr. Sillitoe entered into a one-year employment agreement. Under the agreement, Mr. Sillitoe is entitled to receive an annual salary of $150,000. Further, he is entitled to receive a performance bonus equal to 2% of CLS Nevada, Inc.'s annual EBITDA, and annual restricted stock awards of the Company's common stock in an amount equal to 3% of CLS Nevada, Inc.'s annual EBITDA. Additionally, Mr. Sillitoe is entitled to a one-time signing bonus of 500,000 shares of restricted common stock of the Company, which shall become fully vested one year from the effective date of this agreement assuming Mr. Sillitoe remains employed by the Company on such date. Effective July 1, 2018, and in connection with the employment agreement, Mr. Sillitoe and the Company entered into a Confidentiality, Non-Compete and Proprietary Rights Agreement. Pursuant thereto, Mr. Sillitoe agreed (i) not to compete with the Company or CLS Nevada, Inc. during the term of his employment and, unless he is terminated without cause, for a period of one year thereafter, (ii) not to release or disclose the Company's or CLS Nevada, Inc.'s confidential information, and (iii) to assign the rights to all work product to the CLS Nevada, Inc., among other terms.

Mr. Don Decatur was appointed to serve as CLS Nevada, Inc.'s Chief Operating Officer commencing on July 1, 2018. CLS Nevada, Inc. and Mr. Decatur entered into a one-year employment agreement on July 31, 2018. Under the agreement, Mr. Decatur is entitled to receive an annual salary of $150,000. Further, he is entitled to receive a performance bonus equal to 2% of CLS Nevada, Inc.'s annual EBITDA, and annual restricted stock awards of the Company's common stock in an amount equal to 3% of CLS Nevada, Inc.'s annual EBITDA. Additionally, Mr. Decatur is entitled to a one-time signing bonus of 50,000 shares of restricted common stock of the Company, which shall become fully vested one year from the effective date of the agreement assuming Mr. Decatur remains employed by the Company on such date. Effective July 1, 2018, and in connection with the employment agreement, Mr. Decatur and the Company entered into a Confidentiality, Non-Compete and Proprietary Rights Agreement. Pursuant thereto, Mr. Decatur agreed (i) not to compete with the Company or CLS Nevada, Inc during the term of his employment and, unless he is terminated without cause, for a period of one year thereafter, (ii) not to release or disclose the Company's or CLS Nevada, Inc.'s confidential information, and (iii) to assign the rights to all work product to CLS Nevada, Inc., among other terms.

Effective July 31, 2018, the Company, entered into a subscription agreement with Navy Capital Green International, Ltd., a British Virgin Islands limited company ("Navy Capital"), pursuant to which the Company agreed to sell to Navy Capital, for a purchase price of $3,000,000, 7,500,000 Units ($0.40 per unit), representing (i) 7,500,000 shares of the Company's Common Stock, and (ii) three-year warrants to purchase an aggregate of 7,500,000 shares of our Common Stock (the "Warrant Shares") at an exercise price of $0.60 per share of Common Stock. The closing occurred on August 6, 2018. In the subscription agreement, the Company also agreed to file, on or before November 1, 2018, a registration statement with the SEC registering the shares of Common Stock and Warrant Shares issued to Navy Capital. If the Company fails to file the registration statement on or before that date, the Company must issue to Navy Capital an additional number of units equal to ten percent (10%) of the units originally subscribed for by Navy Capital (which will include additional warrants at the original exercise price). The warrant is exercisable from time to time, in whole or in part for three years. The warrant has anti-dilution provisions that provide for an adjustment to the exercise price in the event of a future sale of Common Stock at a lower price, subject to certain exceptions as set forth in the warrant. The warrant also provides that it is callable at any time after the bid price of the Company's Common Stock exceeds 120% of the exercise price of the warrant for a period of 20 consecutive business days.

On August 6, 2018, the Company issued a convertible promissory note to Newcan, an entity owned by Frank Koretsky, a director of the Company, in the amount of $75,000.00 (the "Newcan Convertible Note 8"), to finalize the terms of repayment with respect to a certain loan made to the Company by Newcan on May 4, 2018. The Newcan Convertible Note 8 is unsecured and bears interest at the rate of 10% per annum. No payments are required until October 1, 2019, at which time all accrued interest becomes due and payable. Principal will be paid in eight equal quarterly installments, together with interest accrued thereon, beginning on January 1, 2020. The Notes may be prepaid by the Company with no penalty at any time upon thirty days written notice. The holder of the Newcan Convertible Note 9 may, at any time prior to payment or prepayment in full, convert all principal and accrued interest thereunder, in whole or in part, into securities of the Company. For each $0.40 converted, the holder will receive one share of the Company's Common Stock.

Between August 8, 2018 and August 10, 2018, the Company entered into five subscription agreements, pursuant to which the Company sold, for an aggregate purchase price of $2,750,000, 6,875,000 Units ($0.40 per unit), representing (i) 6,875,000 shares of the Company's Common Stock, and (ii) three-year warrants to purchase an aggregate of 6,875,000 shares of the Company's Common Stock (the "Warrant Shares") at an exercise price of $0.60 per share of Common Stock. The subscription agreements require the Company to file, on or before November 1, 2018, a registration statement with the SEC registering the shares of Common Stock and Warrant Shares issued to the Navy Capital Investors. If the Company fails to file the registration statement on or before that date, the Company must issue to the Navy Capital Investors an additional number of units equal to ten percent (10%) of the units originally subscribed for by each Navy Capital Investor (which will include additional warrants at the original exercise price). The warrants are exercisable from time to time, in whole or in part for three years. The warrants have anti-dilution provisions that provide for an adjustment to the exercise price in the event of a future sale of Common Stock at a lower price, subject to certain exceptions as set forth in the warrant. The warrants also provide that they are callable at any time after the bid price of the Company's Common Stock exceeds 120% of the exercise price of the warrants for a period of 20 consecutive business days.

CLS HOLDINGS USA, INC.

FINANCIAL STATEMENTS FOR THE YEARS ENDED MAY 31, 2017 AND MAY 31, 2016

INDEX TO FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Stockholders of CLS Holdings USA, Inc.

We have audited the accompanying consolidated balance sheets of CLS Holdings USA, Inc. as of May 31, 2017 and 2016, and the related consolidated statements of operations, stockholders' equity (deficit), and cash flows for each of the years in the two-year period ended May 31, 2017. CLS Holdings USA, Inc.'s management is responsible for these consolidated financial statements. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CLS Holdings USA, Inc. as of May 31, 2017 and 2016, and the results of its operations and its cash flows for each of the years in the two-year period ended May 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company suffered a net loss from operations and has a net capital deficiency, which raises substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters are also described in Note 3. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ M&K CPAS, PLLC

Houston, Texas

August 29, 2017

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CLS Holdings USA, Inc.
Consolidated Balance Sheet

	May 31, 2017	May 31, 2016
ASSETS		
Current assets		
Cash and cash equivalents	$ 78,310	$ 88,244
Prepaid expenses	1,410	6,742
Total current assets	79,720	94,986
Security deposit	50,000	50,000
Property, plant and equipment, net of accumulated depreciation of $1,784 and $892	890	1,782
Construction in progress	-	106,726
Intangible assets, net of accumulated amortization of $828 and $396	1,330	1,762
Total assets	$ 131,940	$ 255,256
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$ 581,765	$ 432,260
Accrued compensation, related party	53,750	266,250
Due to related party	17,930	17,930
Accrued interest	20,171	41,116
Accrued interest, related party	106,022	68,148
Notes payable, related parties	699,208	-
Convertible notes payable, net of discount of $57,644 and $227,475	252,356	72,525
Convertible notes payable, related party, net of discount of $0 and $95,447	-	22,678
Derivative liability	95,276	418,537
Total current liabilities	1,826,478	1,339,444
Noncurrent liabilities		
Convertible notes payable, net of discount of $0 and $390,021	-	43,312
Convertible notes payable, related parties, net of discount of $0 and $1,018,657	192,000	230,718
Notes payable, related parties	-	72,750
Total Liabilities	2,018,478	1,686,224
Commitments and contingencies	-	-
Stockholder's equity		
Common stock, $0.0001 par value; 250,000,000 shares authorized; 32,852,944 and 20,350,003 shares issued and outstanding at May 31, 2017 and May 31, 2016, respectively	3,286	2,035
Preferred stock, $0.001 par value; 20,000,000 shares authorized; no shares issued	-	-
Additional paid-in capital	7,032,836	2,627,183
Stock payable	68,950	65,700
Accumulated deficit	(8,991,610)	(4,125,886)
Total stockholder's equity (deficit)	(1,886,538)	(1,430,968)
Total liabilities and stockholders' equity (deficit)	$ 131,940	$ 255,256

See notes to consolidated financial statements.

CLS Holdings USA, Inc.
Consolidated Statements of Operations

	For the Year Ended May 31, 2017	For the Year Ended May 31, 2016
Revenue	$ -	$ -
Cost of goods sold	-	-
Gross margin	-	-
Selling, general and administrative expenses	718,770	1,314,225
Startup costs	141,739	-
Professional fees	750,446	955,810
Total operating expenses	1,610,955	2,270,035
Operating loss	(1,610,955)	(2,270,035)
Other (income) expense:		
Interest expense	2,571,171	402,021
Loss on modification of related party debt	951,239	-
Loss on modification of debt	43,334	-
Change in fair value of derivative	(310,975)	(61,757)
Total other expense	3,254,769	340,264
Income (Loss) before income taxes	(4,865,724)	(2,610,299)
Income tax expense	-	-
Net income (loss)	$ (4,865,724)	$ (2,610,299)
Net income (loss) per share - basic	$ (0.23)	$ (0.13)
Net income (loss) per share - diluted	$ (0.23)	$ (0.13)
Weighted average shares outstanding - basic	20,778,785	20,146,260
Weighted average shares outstanding - diluted	20,778,785	20,146,260

See notes to consolidated financial statements.

CLS Holdings USA, Inc.
Consolidated Statements of Stockholders' Equity

	Common Stock Amount	Common Stock Value	Additional Paid In Capital	Stock Payable	Accumulated Deficit	Total
Balance, May 31, 2015	20,000,003	$ 2,000	$ 887,614	$ 37,500	$ (1,515,587)	$ (588,473)
Stock issued for services	100,000	10	89,840	28,200	-	118,050
Share based compensation	250,000	25	327,475	-	-	327,500
Discount on notes from beneficial conversion feature	-	-	1,321,176	-	-	1,321,176
Imputed interest	-	-	1,078	-	-	1,078
Net loss	-	-	-	-	(2,610,299)	(2,610,299)
Balance, May 31, 2016	20,350,003	2,035	2,627,183	65,700	(4,125,886)	(1,430,968)
Settlement of derivative liability	-	-	612,850	-	-	612,850
Common stock issued for conversion of debt	1,685,981	169	137,331	-	-	137,500
Common stock issued for conversion of related party debt	10,816,960	1,082	2,703,158	-	-	2,704,240
Common stock payable for services	-	-	-	3,250	-	3,250
Loss on modification of related party debt	-	-	951,239	-	-	951,239
Imputed interest	-	-	1,075	-	-	1,075
Net loss	-	-	-	-	(4,865,724)	(4,865,724)
Balance, May 31, 2017	32,852,944	$ 3,286	$ 7,032,836	$ 68,950	$ (8,991,610)	$ (1,886,538)

CLS Holdings USA, Inc.
Consolidated Statements of Cash Flows

	For the Year Ended May 31, 2017	For the Year Ended May 31, 2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$ (4,865,724)	$ (2,610,299)
Adjustments to reconcile net loss to net cash used in operating activities:		
Imputed interest	1,075	1,078
Change in fair value of derivative	(310,975)	(61,757)
Interest expense - excess of discount over principal	-	11,330
Loss on modification of debt	43,334	-
Loss on modification of debt – related party	951,239	-
Issuance of stock for services	3,250	118,050
Note issued as commitment	-	200,000
Stock-based compensation	-	327,500
Amortization of debt discounts	2,274,519	286,317
Depreciation and amortization expense	1,324	1,288
Start-up costs	141,739	-
Changes in assets and liabilities:		
Prepaid expenses	5,332	25,058
Accounts payable and accrued expenses	238,387	285,993
Accrued compensation	150,000	161,243
Due to related parties	-	(525)
Accrued interest, related party	204,364	64,811
Accrued interest	(20,169)	38,486
Net cash used in operating activities	(1,182,305)	(1,151,427)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments to acquire equipment	-	(2,674)
Payment for construction in progress	(35,013)	(106,726)
Net cash used in investing activities	(35,013)	(109,400)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from related party convertible notes payable	150,000	767,500
Proceeds from related party notes payable	1,447,550	72,750
Proceeds from issuance of convertible note	-	300,000
Principal payments on related party notes payable	(61,000)	-
Principal payments on notes payable	(329,166)	-
Net cash provided by financing activities	1,207,384	1,140,250
Net increase in cash and cash equivalents	(9,934)	(120,577)
Cash and cash equivalents at beginning of period	88,244	208,821
Cash and cash equivalents at end of period	$ 78,310	$ 88,244
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid	$ 53,837	$ -
Income taxes paid	$ -	$ -
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Convertible note issued for unpaid accrued salary	$ 362,500	$ -
Discount on notes due to derivatives	$ 600,564	$ 502,296
Discount on related party notes from beneficial conversion feature and warrants	$ -	$ 1,321,176
Related party notes payable reclassified as related party convertible notes payable	$ 849,750	$ 1,367,500
Common stock issued for conversion of related party notes payable	$ 2,704,240	$ -

Common stock issued for conversion of convertible notes payable	$	137,500	$	-
Settlement of derivative liability	$	612,850		

See notes to consolidated financial statements.

CLS HOLDINGS USA, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – BUSINESS ORGANIZATION AND NATURE OF OPERATIONS

CLS Holdings USA, Inc. (the "Company") was originally incorporated as Adelt Design, Inc. ("Adelt") on March 31, 2011 to manufacture and market carpet binding art. Production and marketing of carpet binding art never commenced.

On November 12, 2014, CLS Labs, Inc. ("CLS Labs") acquired 10,000,000 shares, or 55.6%, of the outstanding shares of common stock of Adelt from its founder, Larry Adelt. On that date, Jeffrey Binder, the Chairman, President and Chief Executive Officer of CLS Labs, was appointed Chairman, President and Chief Executive Officer of the Company. On November 20, 2014, Adelt adopted amended and restated articles of incorporation, thereby changing its name to CLS Holdings USA, Inc. Effective December 10, 2014, the Company effected a reverse stock split of its issued and outstanding common stock at a ratio of 1-for-0.625 (the "Reverse Split"), wherein 0.625 shares of the Company's common stock were issued in exchange for each share of common stock issued and outstanding. As a result, 6,250,000 (post Reverse-Split) shares of the Company's common stock were issued to CLS Labs in exchange for the 10,000,000 shares that it owned by virtue of the above-referenced purchase from Larry Adelt.

On April 29, 2015, the Company, CLS Labs and CLS Merger Inc., a Nevada corporation and wholly owned subsidiary of CLS Holdings, entered into an Agreement and Plan of Merger (the "Merger Agreement") and completed a merger, whereby CLS Merger Inc. merged with and into CLS Labs, with CLS Labs remaining as the surviving entity (the "Merger"). Upon the consummation of the Merger, the shares of the common stock of CLS Holdings owned by CLS Labs were extinguished and the former stockholders of CLS Labs were issued an aggregate of 15,000,000 (post Reverse Split) shares of common stock in CLS Holdings in exchange for their shares of common stock in CLS Labs. As a result of the Merger, the Company acquired the business of CLS Labs and abandoned its previous business.

The Company has a patent pending proprietary method of extracting cannabinoids from cannabis plants and converting the resulting cannabinoid extracts into concentrates such as oils, waxes, edibles and shatter. These concentrates may be ingested in a number of ways, including through vaporization via electronic cigarettes ("e-cigarettes"), and used for a variety of pharmaceutical and other purposes. Internal testing of this extraction method and conversion process has revealed that it produces a cleaner, higher quality product and a significantly higher yield than the cannabinoid extraction processes currently existing in the marketplace. The Company has not commercialized its patent pending proprietary process or otherwise earned any revenues. The Company plans to generate revenues through licensing, fee-for-service and joint venture arrangements related to its patent pending proprietary method of extracting cannabinoids from cannabis plants and converting the resulting cannabinoid extracts into saleable concentrates.

NOTE 2 – GOING CONCERN

As shown in the accompanying financial statements, the Company has incurred net losses from operations resulting in an accumulated deficit of $8,991,610 as of May 31, 2017. Further losses are anticipated in the development of its business raising substantial doubt about the Company's ability to continue as a going concern. The ability to continue as a going concern is dependent upon the Company generating profitable operations in the future and/or obtaining the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. Management intends to finance operating costs over the next twelve months from operations, with loans and/or the sale of debt or equity securities. These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or amounts and classification of liabilities that might result from this uncertainty.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These financial statements and related notes are presented in accordance with accounting principles generally accepted in the United States and are expressed in US dollars. The Company has adopted a fiscal year end of May 31st.

Principals of Consolidation

The accompanying consolidated financial statements include the accounts of CLS Holdings USA, Inc., and its wholly owned operating subsidiaries, CLS Labs, Inc. and CLS Labs Colorado, Inc. All material intercompany transactions have been eliminated upon consolidation of these entities.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments with maturities of three months or less to be cash equivalents. The Company had cash and cash equivalents of $78,310 and $88,244 as of May 31, 2017 and 2016.

Equipment

Property and equipment is recorded at the lower of cost or estimated net recoverable amount, and is depreciated using the straight-line method over its estimated useful life. Computer equipment is being depreciated over a three-year period.

Concentrations of Credit Risk

The Company maintains its cash in bank deposit accounts, the balances of which at times may exceed federally insured limits. The Company continually monitors its banking relationships and consequently has not experienced any losses in such accounts.

Advertising and Marketing Costs

Advertising and marketing costs are expensed as incurred. The Company incurred no advertising and marketing costs for the years ended May 31, 2017 and 2016.

Research and Development

Research and development expenses are charged to operations as incurred. The Company incurred research and development costs of $0 and $0 for the years ended May 31, 2017 and 2016, respectively.

Fair Value of Financial Instruments

Pursuant to Accounting Standards Codification ("ASC") No. 825 - *Financial Instruments*, the Company is required to estimate the fair value of all financial instruments included on its balance sheets. The carrying amounts of the Company's cash and cash equivalents, note receivable, notes payable, accounts payable and accrued expenses, none of which is held for trading, approximate their estimated fair values due to the short-term maturities of those financial instruments.

A three-tier fair value hierarchy is used to prioritize the inputs in measuring fair value as follows:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable, either directly or indirectly.

Level 3 - Significant unobservable inputs that cannot be corroborated by market data.

Derivative Financial Instruments

Derivatives are recorded on the condensed consolidated balance sheet at fair value. The conversion features of certain of the convertible notes are embedded derivatives and are separately valued and accounted for on the consolidated balance sheet with changes in fair value recognized during the period of change as a separate component of other income/expense. Fair values for exchange-traded securities and derivatives are based on quoted market prices. The pricing model the Company used for determining fair value of its derivatives is the Lattice Model. Valuations derived from this model are subject to ongoing internal and external verification and review. The model uses market-sourced inputs such as interest rates and stock price volatilities. Selection of these inputs involves management's judgment and may impact net income. The derivative component of the convertible notes issued on March 18, 2016 (the "2016 Convertible Notes") was valued at issuance, at conversion or redemption, and at each period end. The following assumptions were used for the valuation of the derivative liability related to the 2016 Convertible Notes:

For the year ended May 31, 2017:

- That the quoted market price of the common stock, which decreased from $0.0409 as of November 30, 2016 to $0.1250 as of May 31, 2017, would fluctuate with the Company's projected volatility;

- That the conversion price of the amended 2016 Convertible Notes would be equal to the lesser of (i) $1.07 or $0.80; or (ii) 75% of the lowest Volume Weighted Average Price ("VWAP") in the 15 consecutive trading days ending on the trading day that is immediately prior to the applicable conversion date;

- That an event of default at a 24% interest rate would occur 0% of the time, increasing 1.00% per month to a maximum of 10%, and that instead of a penalty, there would be an alternative conversion price;

- That the projected volatility curve from an annualized analysis for each valuation period would be based on the historical volatility of the Company and the term remaining for each note. The projected volatility was from 265% to 407% during the year ended May 31, 2017;

- That the Company would redeem the notes expiring on September 18, 2017 (with a 130% penalty), projected initially at 50% of the time and increasing monthly by 5.0% to a maximum of 75.0% (from alternative financing being available for a redemption event to occur);

- That the holder would automatically convert the notes at the maximum of 2 times the conversion price or the stock price if the common stock underlying the 2016 Convertible Notes was eligible for sale in compliance with securities laws (assumed at September 18, 2016) and the Company was not in default; and

- That unless an Event of Default occurred, the holder would sell, per trading day, an amount of Common Stock up to the greater of (i) $5,000 or (ii) 25% multiplied by the "Aggregate Amount," as defined in the 2016 Convertible Notes.

For the year ended May 31, 2016:

- That the quoted market price of the common stock of $1.06 – $0.88 would fluctuate with the Company's projected volatility;

- That the original conversion prices of the 2016 Convertible Notes, which are fixed at $1.07 and $0.80, or upon default/fundamental transaction at 52%, of the 20 trading day lowest VWAP, would remain in effect;

- That an event of default at a 24% interest rate would occur 0% of the time, increasing 1.00% per month to a maximum of 10%, and that instead of a penalty, there would be an alternative conversion price;

- That the projected volatility curve from an annualized analysis for each valuation period would be based on the historical volatility of the Company and the term remaining for each note. The projected volatility was from 138% through 161% at issuance, conversion, and at May 31, 2016;

- That the Company would redeem the notes (with a 130% prepayment penalty) projected initially at 0% of the time and increasing monthly by 1.0% to a maximum of 10.0% (from alternative financing being available for a redemption event to occur); and

- That the holder would automatically convert the notes at the maximum of 2 times the conversion price or the stock price if the registration statement was effective (assumed after 180 days) and the Company was not in default.

Revenue Recognition

The Company applies revenue recognition provisions pursuant to ASC No. 605, Revenue Recognition, which provides guidance on the recognition, presentation and disclosure of revenue in financial statements filed with the SEC. The guidance outlines the basic criteria that must be met to recognize revenue and provides guidance for disclosure related to revenue recognition policies.

Basic and Diluted Earnings or Loss Per Share

Basic net earnings per share is based on the weighted average number of shares outstanding during the period, while fully diluted net earnings per share is based on the weighted average number of shares of common stock and potentially dilutive securities assumed to be outstanding during the period using the treasury stock method. Potentially dilutive securities consist of options and warrants to purchase common stock, and convertible debt. Basic and diluted net loss per share are computed based on the weighted average number of shares of common stock outstanding during the period. At May 31, 2017 and 2016, the Company excluded from the calculation of fully diluted shares outstanding a total of 1,180,350 and 2,658,441 shares, respectively, issuable upon the conversion of notes payable because the result would have been anti-dilutive.

The Company uses the treasury stock method to calculate the impact of outstanding stock options and warrants. Stock options and warrants for which the exercise price exceeds the average market price over the period have an anti-dilutive effect on earnings per common share and, accordingly, are excluded from the calculation.

A net loss causes all outstanding stock options and warrants to be antidilutive. As a result, the basic and dilutive losses per common share are the same for the year ended May 31, 2017 and 2016.

Income Taxes

The Company accounts for income taxes under the asset and liability method in accordance with ASC 740. The Company recognizes deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax liabilities and assets are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The components of the deferred tax assets and liabilities are classified as current and non-current based on their characteristics. A valuation allowance is provided for certain deferred tax assets if it is more likely than not that the Company will not realize tax assets through future operations.

Commitments and Contingencies

Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the Company but which will only be resolved when one or more future events occur or fail to occur. The Company's management and its legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Company or unasserted claims that may result in such proceedings, the Company's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims brought to such legal counsel's attention as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Company's financial statements. If the assessment indicates that a potentially material loss contingency is not probable, but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, would be disclosed.

Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the nature of the guarantee would be disclosed.

Recent Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (the "FASB") issued ASU 2016-15, *Statement of Cash Flows (Topic 230)*. The update addresses eight specific cash flow issues and is intended to reduce diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. This update will be effective for reporting periods beginning after December 15, 2017, including interim periods within the reporting period. Early adoption is permitted. The Company is currently evaluating the potential impact of the update on our financial statements.

In January 2017, the FASB issued ASU No. 2017-04, *Simplifying the Test for Goodwill Impairment*, which simplifies the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test. In computing the implied fair value of goodwill under Step 2, current U.S. GAAP requires the performance of procedures to determine the fair value at the impairment testing date of assets and liabilities (including unrecognized assets and liabilities) following the procedure that would be required in determining the fair value of assets acquired and liabilities assumed in a business combination. Instead, the amendments under this ASU require the goodwill impairment test to be performed by comparing the fair value of a reporting unit with its carrying amount. An impairment charge should be recognized for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. The ASU becomes effective for us on

January 1, 2020. The amendments in this ASU will be applied on a prospective basis. Early adoption is permitted for interim or annual goodwill impairment tests performed.

In May 2017, the FASB issued ASU No. 2017-09, *Stock Compensation - Scope of Modification Accounting*, which provides guidance on which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting. The ASU requires that an entity account for the effects of a modification unless the fair value (or calculated value or intrinsic value, if used), vesting conditions and classification (as equity or liability) of the modified award are all the same as for the original award immediately before the modification. The ASU becomes effective for us on January 1, 2018, and will be applied prospectively to an award modified on or after the adoption date. Early adoption is permitted, including adoption in any interim period. The Company is currently assessing the impact that this standard will have on any awards that are modified once this standard is adopted.

There are various other updates recently issued, most of which represented technical corrections to the accounting literature or application to specific industries and are not expected to a have a material impact on the Company's consolidated financial position, results of operations or cash flows.

There are various other updates recently issued, most of which represented technical corrections to the accounting literature or application to specific industries and are not expected to a have a material impact on the Company's consolidated financial position, results of operations or cash flows.

NOTE 4 – PREPAID EXPENSES

The Company had prepaid expenses of $1,410 and $6,742 at May 31, 2017 and May 31, 2016, respectively, consisting of prepaid legal fees.

NOTE 5 – CONSTRUCTION IN PROGRESS

The Company had construction in progress in the amount of $0 and $106,726 at May 31, 2017 and 2016, respectively, on improvements to its leased facility in Colorado. During the year ended May 31, 2017, the Company capitalized an additional $35,013 to construction in progress at its leased facility in Colorado. Also during the year ended May 31, 2017, the Company wrote-off the amount of $141,739 of construction in progress at its leased facility in Colorado.

NOTE 6 – SECURITY DEPOSIT

The Company had a security deposit in the amount of $50,000 at May 31, 2017 and 2016. This amount consists of a deposit to secure office and warehouse space.

NOTE 7 – NOTE RECEIVABLE

During the year ended May 31, 2015, the Company loaned $500,000 (the "Note") to Picture Rock Holdings, LLC, a Colorado limited liability company ("PRH"). Pursuant to the Note, as amended by the parties effective June 30, 2015, October 31, 2015, April 11, 2016, and May 31, 2016, PRH will repay the principal due under the Note in twenty (20) equal quarterly installments of Twenty Five Thousand Dollars ($25,000) commencing in the month following the month in which PRH commences generating revenue at the grow facility, which commencement was originally anticipated to occur in the first quarter of 2017, and continuing until paid in full. The Company is currently unable to estimate when it will commence generating revenues at the grow facility. Interest will accrue on the unpaid principal balance of the Note at the rate of twelve percent (12%) per annum and will be paid quarterly in arrears commencing after such initial payment and continuing until paid in full. All outstanding principal and any accumulated unpaid interest due under the Note is due and payable on the five-year anniversary of the initial payment thereunder. In the event of default as defined in the agreements underlying the Note, all amounts under the Note shall be due and payable at once. During the year ended May 31, 2015, the Company recorded an impairment related to the note receivable in the amount of $500,000. This receivable is recorded on the balance sheet as of May 31, 2017 and 2016 in the amount of $0, net of allowance in the amount of $500,000 (see note 10).

NOTE 8 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The Company had accounts payable and accrued liabilities of $581,765 and $432,260 at May 31, 2017 and May 31, 2016, respectively, consisting of legal fees, consulting fees and other trade payables.

NOTE 9 – RELATED PARTY TRANSACTIONS

For the year ended May 31, 2017:

As of May 31, 2017, the Company owed $37,500 to Jeffrey Binder, its President and Chief Executive Officer, for accrued salary. In July 2016, $250,000 was transferred from accrued salary to a convertible promissory note due to Mr. Binder; in February 2017, an additional $112,500 was transferred from accrued salary to a convertible promissory note due to Mr. Binder (see note 10).

As of May 31, 2017, the Company had accrued salary due to Michael Abrams, a former officer of the Company, prior to his September 1, 2015 termination, in the amount of $16,250.

As of May 31, 2017, the Company had amounts due to related parties of $17,930, representing expenses paid by officers and directors on behalf of the Company. The Company accrued interest at the rate of 6% per annum on these liabilities, and recorded interest expense on these liabilities in the amounts of $1,075 during the year ended May 31, 2017. This interest accrual was charged to additional paid-in capital.

On May 31, 2017, the Company entered into the Omnibus Loan Amendment Agreement (the “Omnibus Loan Agreement”) with Jeffrey I. Binder, Frank Koretsky, Newcan Investment Partners LLC and CLS CO 2016, LLC (collectively, the “Insiders”). See note 10. Pursuant to the Omnibus Loan Agreement, effective May 31, 2017, the following amounts of principal and accrued interest were converted to common stock of the Company:

	Principal	Accrued Interest	# Shares
Jeffrey Binder	$ 442,750	$ 19,427	(1,848,708)
Frank Koretsky	1,485,000	130,069	(6,460,276)
Newcan Investment Partners LLC	460,000	7,747	(1,870,988)
CLS CO 2016 LLC	150,000	9,247	(636,988)
Total	$ 2,537,750	$ 166,490	(10,816,960)

For the year ended May 31, 2016:

As of May 31, 2016, the Company owed $250,000 to Jeffrey Binder, its President and Chief Executive Officer, for accrued salary.

As of May 31, 2016, the Company had accrued salary due to Michael Abrams, a former officer of the Company, prior to his September 1, 2015 termination, in the amount of $16,250.

As of May 31, 2016, the Company had amounts due to related parties of $17,930, representing expenses paid by officers and directors on behalf of the Company. The Company accrued interest at the rate of 6% per annum on these liabilities, and recorded interest expense on these liabilities in the amounts of $1,078 during the year ended May 31, 2016. This interest accrual was charged to additional paid-in capital.

Related Party Notes Payable

The Company has convertible notes payable and notes payable outstanding to Jeffrey Binder, an officer and director, and to Frank Koretsky, a director (see note 10).

NOTE 10 – NOTES PAYABLE

Related Party Notes Payable

On May 31, 2017, the Company entered into an Omnibus Loan Amendment Agreement (the "Omnibus Loan Amendment") with Jeffrey I. Binder, Frank Koretsky, Newcan Investment Partners LLC and CLS CO 2016, LLC (collectively, the "Insiders"). Pursuant to the Omnibus Loan Amendment, the Company agreed with the Insiders to amend certain terms of loans the Insiders made to the Company for working capital purposes, which loans were initially demand loans, and, except for recent loans made in 2017, were later memorialized as convertible loans (the "Insider Loans"), in exchange for the agreement of the Insiders to convert all Insider Loans where funds were advanced prior to January 1, 2017, which totaled $2,537,750, plus $166,490 of accrued interest thereon, into an aggregate of 10,816,960 shares of the Company's common stock at $0.25 per share, and forego the issuance of warrants to purchase the Company's common stock upon conversion. This resulted in the issuance of an additional 7,609,910 shares compared to the original number of shares issuable upon conversion of the Insider Loans prior to the Omnibus Loan Agreement. The Company valued the shares at $0.125, which was the market price of the Company's stock at the conversion date, and charged the amount of $951,239 to loss on modification of debt during the twelve months ended May 31, 2017. The Company entered into the Omnibus Loan Amendment in order to ease the debt burden on the Company and prevent it from defaulting on the Insider Loans.

Pursuant to the Omnibus Loan Amendment, the following amendments were made to the Insider Loans: (a) the Company reduced the conversion price on the Insider Loans from between $0.75 and $1.07 per share of common stock to $0.25 per share of common stock, in those cases where the conversion price was greater than $0.25, which reduced conversion price exceeded the closing price of the common stock during the three months prior to the Omnibus Loan Amendment; (b) the Company deleted the requirement to issue warrants to purchase the Company's common stock upon conversion of the Insider Loans; (c) the Company amended one Insider Loan to permit conversion of only the portion of the Insider Loan related to services that were provided to it prior to January 1, 2017; and (d) the Company amended the terms of the Insider Loans where funds were advanced on or after January 1, 2017, which Insider Loans were not converted into the Company's common stock, to provide for, where not already the case, a 10% interest rate per annum, a $0.25 conversion price per share of common stock, and the deletion of the requirement that the Company issue warrants to purchase its common stock upon conversion of such Insider Loans.

The following tables summarize the Company's loan balances at May 31, 2017 and 2016:

	May 31, 2017	May 31, 2016
Note payable to Jeffrey Binder, an officer and director of the Company, for advances to fund operations (the "Binder Funding Notes"). The Binder Funding Notes bear interest at a rate of 6% for loans made through November 30, 2016, and at a rate of 10% for loans made after November 30, 2016. The Binder Funding Notes have no maturity date and are due on demand. During the twelve months ended May 31, 2016, Mr. Binder advanced a total of $95,250 to the Company under the Binder Funding Note 1; during the year ended May 31, 2016, $92,500 of this amount was transferred out of the Binder Funding Note 1 and used to fund two new convertible notes payable to Mr. Binder (See Binder Convertible Notes 1 and 2 below). During the twelve months ended May 31, 2016, the Company accrued interest in the amount of $1,308 on the Binder Funding Note 1. In July 2016, the remaining principal balance of $2,750 in the Binder Funding Note 1 was transferred to a new Convertible Note payable to Mr. Binder (the "Binder Convertible Note 3"). During the twelve months ended May 31, 2017, Mr. Binder advanced a total of $145,850 to the Company under the Binder Funding Note 1. Also during the year ended May 31, 2017, Mr. Binder loaned the Company an additional $49,700; which was credited to the Binder Funding Note 1. Also during the year ended May 31, 2017, principal in the amount of $59,750 and accrued interest in the amount of $813 was transferred out of the Binder Funding Note 1 and used to fund two new convertible notes payable to Mr. Binder (See Binder Convertible Notes 3 and 4 below). Also during the year ended May 31, 2017, the Company made principal payments in the aggregate amount of $61,000 under the Binder Funding Note 1. During the year ended May 31, 2017, the Company accrued interest in the amount of $1,910 on the Binder Funding Note 1. Effective May 31, 2017, pursuant to the Omnibus Loan Agreement, a conversion feature was added to the Binder Funding Notes whereby principal and accrued interest is convertible into common stock of the Company at a rate of $0.25 per share.	$ 77,550	$ 2,750
Note payable to Frank Koretsky, a director of the Company, for advances to fund operations (the "Koretsky Funding Notes"). The Koretsky Funding Notes bear interest at a rate of 6% for loans made through November 30, 2016, and at a rate of 10% for loans made after November 30, 2016. The Koretsky Funding Notes have no maturity date and are due on demand. During the twelve months ended May 31, 2017, Mr. Koretsky advanced $550,000 to the Company under the Koretsky Funding Notes. Also during the twelve months ended May 31, 2017, $210,000 of principal and $1,346 of accrued interest was transferred out of the Koretsky Funding Notes and used to fund a new convertible notes payable to Mr. Koretsky (see Koretsky Convertible Note 3 below). Also during the twelve months ended May 31, 2017, principal and accrued interest in the amounts of $410,000 and $4,046, respectively, were transferred out of the Koretsky Funding Notes and contributed to the Newcan Funding Notes (see Newcan Funding Notes, below). During the twelve months ended May 31, 2017, the Company accrued interest in the amount of $5,104 on the Koretsky Funding Notes.	-	70,000
Notes payable to Newcan Investment Partners, LLC ("Newcan"), an entity owned by Frank	621,658	-

Koretsky, a director of the Company, for advances to fund operations (the "Newcan Funding Notes"). The Newcan Funding Notes bear interest at a rate of 10%. The Newcan Funding Notes have no maturity date and are due on demand. During the twelve months ended May 31, 2017, principal and interest in the amount of $410,000 and $4,046, respectively, were transferred from the Koretsky Funding Notes into the Newcan Funding Notes (see Koretsky Funding Notes, above). Also during the year ended May 31, 2017, Newcan advanced $791,658 to the Company under the Newcan Funding Notes. Also during the year ended May 31, 2017, principal in the amount of $460,000 and accrued interest in the amount of $7,747, respectively, were transferred from the Newcan Finding Notes and used to fund the Newcan Convertible Notes 2 and 3 (see below); also during the year ended May 31, 2017, principal and accrued interest in the amounts of $120,000 and $2,121, respectively, were transferred out of the Newcan Funding Notes in order to fund the Newcan Convertible Note 1; see below. During the twelve months ended May 31, 2017, the Company accrued interest in the amount of $13,434 on this note. Effective May 31, 2017, pursuant to the Omnibus Loan Agreement, a conversion feature was added to the Newcan Funding Notes whereby principal and accrued interest is convertible into common stock of the Company at a rate of $0.25 per share.		
Total - Notes Payable, Related Parties	$ 699,208	$ 72,750

	May 31, 2017	May 31, 2016
Unsecured convertible note issued to Jeffrey Binder, an officer and director of the Company, dated January 12, 2016 and due January 1, 2019 (the "Binder Convertible Note 1"). This note bears interest at the rate of 6% per annum. No payments are required until January 1, 2017, at which time all accrued interest becomes due and payable. Commencing on April 1, 2017, the first of eight principal payments in the amount of $6,250 will be due; subsequent principal payments will due on the first day of each July, October, January, and April until paid in full. This note and accrued interest under the note may be converted, in whole or in part, into one "Unit" for each $0.75 converted, with each Unit consisting of one (1) share of common stock and a five-year warrant to purchase (1) share of common stock at a price of $1.00 per share (post Reverse-Split). The Company recognized a discount of $50,000 on the value of the beneficial conversion feature at the time of issuance. During the twelve months ended May 31, 2016, $9,599 of this discount was charged to operations. During the twelve months ended May 31, 2016, the Company accrued interest in the amount of $1,151 on this note. Pursuant to the Omnibus Loan Agreement, on May 31, 2017, (i) the conversion rate of the Binder Convertible Note 1 was changed to $0.25 per share, and principal and accrued interest in the amounts of $50,000 and $3,872, respectively, were converted into a total of 215,488 shares of common stock; and (ii) the requirement to issue warrants upon conversion was deleted. During the twelve months ended May 31, 2017, the remaining discount on the Binder Convertible Note 1 in the amount of $40,401 was charged to operations, and the Company accrued interest in the amount of $3,000.	-	50,000
Unsecured convertible note issued to Jeffrey Binder, an officer and director of the Company, dated April 8, 2016 and due April 1, 2019 (the "Binder Convertible Note 2"). During the year ended May 31, 2016, Mr. Binder made advances to the Company in the aggregate amount of $95,250 (see Binder Funding Notes); $42,500 of this amount was used to fund the Binder Convertible Note 2. This note bears interest at the rate of 6% per annum through February 29, 2017 and 10% per annum thereafter. No payments are required until April 1, 2017, at which time all accrued interest becomes due and payable. Commencing on July 1, 2017, the first of eight principal payments in the amount of $5,313 will be due; subsequent principal payments will due on the first day of each October, January, April, and July until paid in full. This note and accrued interest under the note may be converted, in whole or in part, into one "Unit" for each $1.07 converted, with each Unit consisting of one (1) share of common stock and a five-year warrant to purchase (1) share of common stock at a price of $1.07 per share (post Reverse-Split). The Company recognized a discount of $37,840 on the value of the beneficial conversion	-	42,500

feature at the time of issuance. During the twelve months ended May 31, 2016, $7,263 of this discount was charged to operations. During the twelve months ended May 31, 2016, the Company accrued interest in the amount of $773 on this note.

Pursuant to the Omnibus Loan Agreement, on May 31, 2017, (i) the conversion rate of the Binder Convertible Note 2 was changed to $0.25 per share, and principal and accrued interest in the amounts of $42,500 and $3,583, respectively, were converted into a total of 184,332 shares of common stock; and (ii) the requirement to issue warrants upon conversion was deleted. During the twelve months ended May 31, 2017, the remaining discount on the Binder Convertible Note 2 in the amount of $35,260 was charged to operations, and the Company accrued interest in the amount of $4,287.

	May 31, 2017	May 31, 2016
Unsecured convertible note issued to Jeffrey Binder, an officer and director of the Company, dated July 20, 2016 and due July 1, 2019 (the "Binder Convertible Note 3"). The Binder Convertible Note 3 was funded with the conversion of $250,000 of unpaid accrued salary due to Mr. Binder and $12,750 of advances Mr. Binder made to the Company under the Binder Funding Notes. This note bears interest at the rate of 10% per annum. No payments are required until July 1, 2017, at which time all accrued interest becomes due and payable. Commencing on October 1, 2017, the first of eight principal payments in the amount of $32,844 will become due; subsequent principal payments will become due on the first day of each, January, April, July and October until paid in full. This note and accrued interest under the note may be converted, in whole or in part, into one "Unit" for each $1.07 converted, with each Unit consisting of one (1) share of common stock and a five-year warrant to purchase (1) share of common stock at a price of $1.07 per share. Pursuant to the Omnibus Loan Agreement, on May 31, 2017, (i) the conversion rate of the Binder Convertible Note 3 was changed to $0.25 per share, and principal and accrued interest in the amounts of $262,750 and $11,972, respectively, were converted into a total of 1,098,888 shares of common stock; and (ii) the requirement to issue warrants upon conversion was deleted. During the twelve months ended May 31, 2017, the Company accrued interest in the amount of $22,742 on the Binder Convertible Note 3.	-	-
Unsecured convertible note issued to Jeffrey Binder, an officer and director of the Company, dated March 31, 2017 (the "Binder Convertible Note 4"). The Binder Convertible Note 4 was funded with the conversion of $112,500 of unpaid accrued salary due to Mr. Binder and $47,000 of advances Mr. Binder made to the Company under the Binder Funding Notes. This note bears interest at the rate of 10% per annum. No interest payments are required until April 1, 2018, at which time all accrued interest becomes due and payable. Commencing on July 1, 2018, the first of eight principal payments in the amount of $19,938 will become due; subsequent principal payments will become due on the first day of each October, January, April, and July until paid in full. This note and accrued interest under the note may be converted, in whole or in part, into one "Unit" for each $0.25 converted, with each Unit consisting of one (1) share of common stock and a five-year warrant to purchase (1) share of common stock at a price of $0.25 per share. Pursuant to the Omnibus Loan Agreement, on May 31, 2017, the requirement to issue warrants upon conversion was deleted, and principal in the amount of $87,500 was converted into a total of 350,000 shares of common stock. The remaining principal balance of $72,000 will be due in eight quarterly payments in the amount of $9,000 commencing July 1, 2018; subsequent principal payments will become due on the first day of each October, January, April, and July until paid in full. During the twelve months ended May 31, 2017, the Company accrued interest in the amount of $2,666 on the Binder Convertible Note 4.	72,000	-

	May 31,	May 31,

	2017	2016
Unsecured convertible note issued to Frank Koretsky, a director of the Company, dated January 12, 2016 and due January 1, 2019 (the "Koretsky Convertible Note 1"). During the years ended May 31, 2016 and 2015, Mr. Koretsky made advances to the Company in the amounts of $745,000 and $600,000, respectively (a total of $1,345,000) pursuant to note payable agreements (see Koretsky Funding Note 1). During the year ended May 31, 2016, $895,000 of this amount was used to fund the Koretsky Convertible Note 1. This note bears interest at the rate of 6% per annum. No payments are required until January 1, 2017, at which time all accrued interest becomes due and payable. Commencing on April 1, 2017, the first of eight principal payments in the amount of $111,875 will be due; subsequent principal payments will due on the first day of each July, October, January, and April until paid in full. This note and accrued interest under the note may be converted, in whole or in part, into one "Unit" for each $0.75 converted, with each Unit consisting of one (1) share of common stock and a five-year warrant to purchase (1) share of common stock at a price of $1.00 per share (post Reverse-Split). The Company recognized a discount of $895,000 on the value of the beneficial conversion feature at the time of issuance. During the twelve months ended May 31, 2016, $171,822 of this discount was charged to operations. During the twelve months ended May 31, 2016 the Company accrued interest in the amount of $20,597 on this note. Pursuant to the Omnibus Loan Agreement, on May 31, 2017, (i) the conversion rate of the Koretsky Convertible Note 1 was changed to $0.25 per share, and principal and accrued interest in the amounts of $895,000 and $83,089, respectively, were converted into a total of 3,912,356 shares of common stock; and (ii) the requirement to issue warrants upon conversion was deleted. During the twelve months ended May 31, 2017, the remaining discount on the Koretsky Convertible Note 1 in the amount of $732,178 was charged to operations, and the Company accrued interest in the amount of $53,700.	-	895,000
Unsecured convertible note issued to Frank Koretsky, a director of the Company, dated April 8, 2016 and due April 1, 2019 (the "Koretsky Convertible Note 2"). During the years ended May 31, 2016 and 2015, Mr. Koretsky made advances to the Company in the amounts of $745,000 and $600,000, respectively (a total of $1,345,000), pursuant to note payable agreements (see Koretsky Funding Notes). During the year ended May 31, 2016, $380,000 of this amount was used to fund the Koretsky Convertible Note 2. This note bears interest at the rate of 6% per annum through February 29, 2017 and 10% per annum thereafter. No payments are required until April 1, 2017, at which time all accrued interest becomes due and payable. Commencing on July 1, 2017, the first of eight principal payments in the amount of $47,500 will be due; subsequent principal payments will due on the first day of each October, January, April, and July until paid in full. This note and accrued interest under the note may be converted, in whole or in part, into one "Unit" for each $1.07 converted, with each Unit consisting of one (1) share of common stock and a five-year warrant to purchase (1) share of common stock at a price of $1.07 per share (post Reverse-Split). The Company recognized a discount of $338,336 on the value of the beneficial conversion feature at the time of issuance. During the twelve months ended May 31, 2016, $64,939 of this discount was charged to operations. During the twelve months ended May 31, 2016, the Company accrued interest in the amount of $7,100 on this note. Pursuant to the Omnibus Loan Agreement, on May 31, 2017, (i) the conversion rate of the Koretsky Convertible Note 2 was changed to $0.25 per share, and principal and accrued interest in the amounts of $380,000 and $35,302, respectively, were converted into a total of 1,661,208 shares of common stock; and (ii) the requirement to issue warrants upon conversion was deleted. During the twelve months ended May 31, 2017, the remaining discount on the Koretsky Convertible Note 2 in the amount of $315,265 was charged to operations, and the Company accrued interest in the amount of $38,000.		380,000

	May 31, 2017	May 31, 2016
Unsecured convertible note issued to Frank Koretsky, a director of the Company, dated July 20, 2016 and due July 1, 2019 (the "Koretsky Convertible Note 3"). The Koretsky Convertible Note	-	-

3 was funded with $210,000 of advances Mr. Koretsky made to the Company under the Koretsky Funding Notes. This note bears interest at the rate of 10% per annum. No payments are required until July 1, 2017, at which time all accrued interest becomes due and payable. Commencing on October 1, 2017, the first of eight principal payments in the amount of $32,844 will become due; subsequent principal payments will become due on the first day of each, January, April, July and October until paid in full. This note and accrued interest under the note may be converted, in whole or in part, into one "Unit" for each $1.07 converted, with each Unit consisting of one (1) share of common stock and a five-year warrant to purchase (1) share of common stock at a price of $1.07 per share. Pursuant to the Omnibus Loan Agreement, on May 31, 2017, (i) the conversion rate of the Koretsky Convertible Note 3 was changed to $0.25 per share, and principal and accrued interest in the amounts of $210,000 and $11,678, respectively, were converted into a total of 886,712 shares of common stock; and (ii) the requirement to issue warrants upon conversion was deleted. During the twelve months ended May 31, 2017, the Company accrued interest in the amount of $19,021 on the Koretsky Convertible Note 3.		
Unsecured convertible note issued to Newcan, an entity owned by Frank Koretsky, a director of the Company, dated March 31, 2017 (the "Newcan Convertible Note 1"). The Newcan Convertible Note 1 was funded with the conversion of $120,000 of advances made to the Company under the Newcan Funding Notes. This note bears interest at the rate of 10% per annum. No interest payments are required until April 1, 2018, at which time all accrued interest becomes due and payable. Commencing on July 1, 2018, the first of eight principal payments in the amount of $15,000 will become due; subsequent principal payments will become due on the first day of each October, January, April, and July until paid in full. This note and accrued interest under the note may be converted, in whole or in part, into one "Unit" for each $0.25 converted, with each Unit consisting of one (1) share of common stock and a five-year warrant to purchase (1) share of common stock at a price of $0.25 per share. During the twelve months ended May 31, 2017, the Company accrued interest in the amount of $2,005 on the Koretsky Convertible Note 4. Pursuant to the Omnibus Loan Agreement, on May 31, 2017, the requirement to issue warrants upon conversion was deleted.	120,000	-
Unsecured convertible note issued to CLS CO 2016, LLC an entity affiliated with Frank Koretsky, a director of the Company, dated August 3, 2016 and due August 1, 2018 (the "CLS CO 2016 Note"). This note has a face amount of $150,000 and bears interest at the rate of 15% per annum. All interest accruing on this Note through the first anniversary of this Note shall be added to principal. Commencing on November 1, 2017, the Company shall pay the outstanding principal balance in four (4) equal quarterly installments, together with accrued interest, in arrears, until paid in full. This note and accrued interest under the note may be converted, in whole or in part, into one "Unit" for each $1.07 converted, with each Unit consisting of one (1) share of common stock and a five-year warrant to purchase (1) share of common stock at a price of $1.07 per share. Pursuant to the Omnibus Loan Agreement, on May 31, 2017, (i) the conversion rate of the CLS CO 2016 Note was changed to $0.25 per share, and principal and accrued interest in the amounts of $150,000 and $9,247, respectively, were converted into a total of 636,988 shares of common stock; and (ii) the requirement to issue warrants upon conversion was deleted. During the twelve months ended May 31, 2017, the Company accrued interest in the amount of $18,555 on the CLS CO 2016 Note.	-	-

	May 31, 2017	**May 31, 2016**
Unsecured convertible note issued to Newcan, dated January 10, 2017 and due January 2, 2020 (the "Newcan Convertible Note 2"). The Newcan Convertible Note 2 was funded with $410,000 of advances Newcan made to the Company under the Newcan Funding Notes. This note bears interest at the rate of 10% per annum. No payments are required until January 2, 2018, at which	-	-

time all accrued interest becomes due and payable. Commencing on April 1, 2018, the first of eight principal payments in the amount of $51,250 will become due; subsequent principal payments will become due on the first day of each, July, October, January, and April until paid in full. This note and accrued interest under the note may be converted, in whole or in part, into one "Unit" for each $1.07 converted, with each Unit consisting of one (1) share of common stock and a five-year warrant to purchase (1) share of common stock at a price of $1.07 per share. Pursuant to the Omnibus Loan Agreement, on May 31, 2017, (i) the conversion rate of the Newcan Convertible Note 2 was changed to $0.25 per share, and principal and accrued interest in the amounts of $410,000 and $7,527, respectively, were converted into a total of 1,670,108 shares of common stock; and (ii) the requirement to issue warrants upon conversion was deleted. During the twelve months ended May 31, 2017, the Company accrued interest in the amount of $15,838 on the Newcan Convertible Note 2.		
Unsecured convertible note issued to Newcan, dated January 10, 2017 and due January 2, 2020 (the "Newcan Convertible Note 3"). The Newcan Convertible Note 3 was funded with $50,000 of advances Newcan made to the Company under the Newcan Funding Notes. This note bears interest at the rate of 10% per annum. No payments are required until January 2, 2018, at which time all accrued interest becomes due and payable. Commencing on April 1, 2018, the first of eight principal payments in the amount of $6,250 will become due; subsequent principal payments will become due on the first day of each July, October, January, and April until paid in full. This note and accrued interest under the note may be converted, in whole or in part, into one "Unit" for each $1.07 converted, with each Unit consisting of one (1) share of common stock and a five-year warrant to purchase (1) share of common stock at a price of $1.07 per share. Pursuant to the Omnibus Loan Agreement, on May 31, 2017, (i) the conversion rate of the Newcan Convertible Note 3 was changed to $0.25 per share, and principal and accrued interest in the amounts of $50,000 and $220, respectively, were converted into a total of 200,880 shares of common stock; and (ii) the requirement to issue warrants upon conversion was deleted. During the twelve months ended May 31, 2017, the Company accrued interest in the amount of $2,822 on the Newcan Convertible Note 3.	-	-
Total – Convertible Notes Payable, Related Parties	$ 192,000	$ 1,367,500
Less: Discount	-	(1,114,104)
Convertible Notes Payable, Related Parties, Net of Discounts	$ 192,000	$ 253,396
Convertible Notes Payable, Related Parties, Current Portion	$ -	$ 118,125
Convertible Notes Payable, Related Parties, Long-term Portion	$ 192,000	$ 1,249,375
Convertible Notes Payable, Related Parties, Net of Discounts, Current Portion	$ -	$ 22,678
Convertible Notes Payable, Related Parties, Net of Discounts, Long-term Portion	$ 192,000	$ 230,718

	May 31, 2017	**May 31, 2016**
Convertible promissory note issued to an unaffiliated third party due April 29, 2018 (the "April 2015 Note"). During the twelve months ended May 31, 2015, the lender loaned the Company the amount of $200,000 pursuant to this note. The April 2015 Note bears interest at a rate of 15% per annum. On the first anniversary of this note, the all then accrued interest became due. Thereafter, the Company is required to make eight equal payments of principal together with accrued interest, quarterly in arrears, commencing on July 1, 2016 until paid in full. The note and any accrued unpaid interest is convertible into common stock of the Company. For each dollar converted, the note holder shall receive two shares of common stock and one three-year warrant to purchase 1.33 shares of common stock at $0.75 per share. The Company recognized a discount of $200,000 on the April 2015 Note related to the value of the beneficial conversion feature at the time of issuance. During the twelve months ended May 31, 2016, $66,667 of this discount was charged to operations. During the twelve months ended May 31, 2016, the Company accrued interest in the	100,000	200,000

amount of $30,082 on this note. During the year ended May 31, 2017, the Company repaid principal in the amount of $100,000 and interest in the amount of $53,837 on this note. Also during the year ended May 31, 2017, the Company charged $100,545 of the discount to operations, and accrued interest in the amount of $22,440 on the April 2015 Note.		
Convertible Promissory Note payable to Old Main Capital, LLC ("Old Main") dated March 18, 2016, for the purchase of up to $555,555 in 10% Original Issue Discount Convertible Promissory Notes (the "10% Notes"). During the year ended May 31, 2016, Old Main loaned the Company the amount of $333,332 pursuant to these notes. These notes bear interest at the rate of 10% per annum. Old Main may, at its option, convert all or a portion of the notes and accrued but unpaid interest into shares of common stock at a conversion price of $0.80 per share (post Reverse-Split) (the "Fixed Conversion Price"). The Fixed Conversion Price is subject to adjustment if, at any time while this note is outstanding, the Company should issue any equity security with an effective price per share that is lower than the Fixed Conversion Price (the "Base Conversion Price"), other than certain exempt issuances. In such an instance, the Fixed Conversion Price will be lowered to match the Base Conversion Price. The shares underlying the 10% Notes are subject to a registration rights agreement. At the earlier of September 18, 2016 or two trading days after the registration statement is declared effective, the Company must begin to redeem 1/24th of the face amount of the notes and any accrued but unpaid interest on a bi-weekly basis. Such amortization payments may be made, at our option, in cash or, subject to certain conditions, in common stock pursuant to a conversion rate equal to the lower of (a) $0.80 or (b) 75% of the lowest daily volume weighted average price of the common stock in the twenty consecutive trading days immediately prior to the conversion date. The Company recognized a discount of $330,188 on the 10% Notes related to the value of the original issue discount and embedded derivative. During the twelve months ended May 31, 2016, $4,056 of this discount was charged to operations. During the twelve months ended May 31, 2016, the Company accrued interest in the amount of $5,160 on this note. On October 6, 2016, the 10% Notes were amended to increase the interest rate to 15% (effective August 1, 2016) and subsequently amended November 28, 2016 to convert the 10% Notes from installment notes to "balloon" notes, with all principal and accrued interest due on September 18, 2017. In exchange for amending the terms of the 10% Notes, the Company increased the outstanding principal balance by 10% to $366,666; pursuant to this modification, the Company recorded a loss on modification of debt in the amount of $33,334. In addition, the Fixed Conversion Price was changed to a variable conversion price equal to the lesser of the prior Fixed Conversion Price or 75% of the lowest VWAP in the fifteen trading days ending on the trading day immediately prior to the conversion date. The 10% Notes were revalued as of the November 28, 2016 amendment and the Company recognized a discount of $366,666 on the value of the embedded derivative. During the three months ended February 28, 2017, Old Main converted an aggregate of $100,000 of principal, in six transactions, into 828,173 shares of common stock. On March 27, 2017, the Company entered into a further amendment to the Convertible Promissory Notes issued on March 18, April 22 and May 27, 2016, whereby the Company agreed to prepay all amounts due under the 10% Notes on or before April 1, 2017, which amount was agreed to be $372,670, consisting of principal in the amount of $229,166, accrued interest in the amount of $57,504, and a prepayment penalty in the amount of $86,000. The payment to Old Main of $372,670 was made from the proceeds of loans to the Company made by Newcan and Jeffrey Binder, who are either officers and directors of the Company or affiliates of officers and directors of the Company. These loans are reflected in the Newcan Funding Notes (see above, $323,000); and the Binder Funding Note 1 (see above, $49,700). Also, during the year ended May 31, 2017, the Company accrued interest in the amount of $52,344 on the 10% notes.	-	333,332

	May 31, 2017	**May 31, 2016**
Convertible promissory note payable to Old Main dated March 18, 2016 and bearing interest at a rate of 8% (the "8% Note"). The 8% Note was issued for Old Main's commitment to enter into an equity line transaction with the Company and prepare all of the related transaction documents. Old Main may, at its option, convert all or a portion of the note and accrued but unpaid interest into shares of common stock at a conversion price of $1.07 per share (post	210,000	200,000

Reverse-Split) (the “8% Fixed Conversion Price”). The 8% Fixed Conversion Price is subject to adjustment if, at any time while this note is outstanding, the Company should issue any equity security with an effective price per share that is lower than the 8% Fixed Conversion Price (the “8% Base Conversion Price”), other than certain exempt issuances. In such an instance, the 8% Fixed Conversion Price will be lowered to match the 8% Base Conversion Price. The shares underlying the 8% Note are subject to a registration rights agreement. At the earlier of September 18, 2016 or two trading days after this registration statement becomes effective, the Company must begin to redeem 1/6th of the face amount of the note and any accrued but unpaid interest on a monthly basis. Such amortization payment may be made, at its option, in cash or, subject to certain conditions, in common stock pursuant to a conversion rate equal to the lower of (a) $1.07 (post Reverse-Split) or (b) 75% of the lowest daily volume weighted average price of the common stock in the twenty consecutive trading days ending on the trading day that is immediately prior to the applicable conversion date. The Company recognized a discount of $172,108 on the value of the embedded derivative.

On November 28, 2016, the 8% Note was amended converting the note from an installment note to a “balloon” note, with all principal and accrued interest due on March 18, 2017. In addition, the Fixed Conversion Price was changed to a variable conversion price equal to the lesser of the prior Fixed Conversion Price or 75% of the lowest VWAP in the fifteen trading days ending on the trading day immediately prior to the conversion date. The November 28, 2016 amendment required an extinguishment analysis of the 8% Note resulting in gain on extinguishment of debt in the amount of $81,496 for the nine months ended February 28, 2017. The gain on extinguishment of debt was included in additional paid-in capital at February 28, 2017. The 8% Note was revalued as of the November 28, 2016 amendment and the Company recognized a discount of $169,476 on the value of the embedded derivative. At February 28, 2017 and May 31, 2016, the amount of discount remaining on these notes was $118,998 and $163,586, respectively.

On March 27, 2017, the Company entered into a further amendment to the convertible promissory notes issued on March 18, April 22 and May 27, 2016, whereby the Company agreed to increase the outstanding amount due under the 8% Note as of March 18, 2017 by 5%, or $10,000. In exchange for doing so, Old Main agreed to extend the maturity of the 8% Note until July 1, 2017 and to suspend conversions under the 8% Note until July 1, 2017. Also during the year ended May 31, 2017, the Company accrued interest in the amount of $17,207 on the 8% Note.

Total - Convertible Notes Payable	$	310,000	$	733,332
Less: Discount		(57,644)		(617,495)
Convertible Notes Payable, Net of Discounts	$	252,356	$	115,837
Total - Convertible Notes Payable, Current Portion	$	310,000	$	300,000
Total - Convertible Notes Payable, Long-term Portion	$	-	$	433,332
Total - Convertible Notes Payable, Net of Discounts, Current Portion	$	252,356	$	72,525
Total - Convertible Notes Payable, Net of Discounts, Long-term Portion	$	-	$	43,312
Discounts on notes payable amortized to interest expense:	$	252,356	$	286,317

Beneficial Conversion Features

The 8% Note and the 10% Notes contain conversion features that create derivative liabilities. The pricing model the Company used for determining fair value of its derivatives is the Lattice Model. Valuations derived from this model are subject to ongoing internal and external verification and review. The model uses market-sourced inputs such as interest rates and stock price volatilities. Selection of these inputs involves management’s judgment and may impact net income. The derivative components of the 8% and 10% Convertible Notes were valued at issuance, at conversion, at restructure, and at period end. See note 3 and note 10.

Certain other of the Company’s notes payable contain beneficial conversion features which are not derivatives, but which require valuation in order to determine the discount to the related note payable. The value of these conversion features is calculated using the Black-Scholes valuation model. The following table illustrates certain key information regarding the conversion option valuation assumptions under the Black-Scholes valuation model at May 31, 2016 and 2015:

	May 31,	
	2017	**2016**
Volatility	64% to 138%	89% to 107%
Dividends	-	-
Risk-free interest rates	0.86% to 1.19%	1.18% to 0.91%
Term (years)	1.25 to 3	3

NOTE 11 – STOCKHOLDERS' EQUITY

The Company's authorized capital stock consists of 250,000,000 shares of common stock, par value $0.0001 per share and 20,000,000 shares of preferred stock, par value $0.001 per share. The Company had 32,852,944 and 20,350,003 shares of common stock issued and outstanding as of May 31, 2017 and 2016, respectively.

The Company recorded imputed interest of $1,075 and $1,078 during the year ended May 31, 2017 and 2016 on related party payables due to a director and officer of the Company.

On August 1, 2015, the Company and Alan Bonsett entered into a five-year employment agreement. Pursuant to the agreement, Mr. Bonsett commenced serving as the Company's Chief Operating Officer on August 15, 2015. Mr. Bonsett was entitled to a one-time signing bonus of 250,000 shares of restricted common stock of the Company, which became fully vested one year from the effective date of the agreement. The shares were issued on January 19, 2016. The Company valued the shares at $327,500 based on the stock price at August 3, 2015. During the year ended May 31, 2016, the Company recognized $327,500 in share based compensation.

On April 18, 2016, the Company entered into an equity purchase agreement (the "Equity Purchase Agreement") with Old Main providing that, upon the terms and subject to the conditions thereof, Old Main is committed to purchase, on an unconditional basis, shares of common stock (the "Commitment Shares") at an aggregate price of up to $4,000,000 over the course of a 24-month term (the "Equity Line"). From time to time over the 24-month term of the Equity Purchase Agreement, the Company may, in its sole discretion, provide Old Main with a put notice (each, a "Put Notice"), to purchase a specified number of Commitment Shares (each, the "Put Amount Requested"). The actual amount of proceeds the Company receives pursuant to each Put Notice (each, the "Put Amount") will be determined by multiplying the Put Amount Requested by the applicable purchase price. The purchase price of each Commitment Share will equal 80% of the market price of the Company's common stock during the five consecutive trading days immediately following the clearing date associated with the applicable Put Notice.

On November 28, 2016, the Company amended the 2016 Convertible Notes, which was treated as an extinguishment and reissuance of the debt. As a result, the Company recorded a gain on the settlement of derivative liability in the amount of $254,114, which was included in additional paid-in-capital at May 31, 2017.

Common Stock

Year ended May 31, 2017:

From December 21, 2016, through March 14, 2017, Old Main, holder of the 2016 Convertible Notes, converted an aggregate of $137,500 of principal, in eight transactions, into 1,685,981 shares of common stock. As a result of the conversions, the Company charged the amount $143,325 to additional paid-in capital related to settlement of derivative liability. See note 10.

In May 2017, the Company agreed to issue 25,000 shares of common stock with a fair value of $3,250 to a service provider. At May 31, 2017, these shares had not been issued, and the amount of $3,250 is included in stock payable on the Company's balance sheet.

In March 2017, the Company entered into a modification agreement regarding the 8% Promissory Note due to Old Main, and the derivative liability in the amount of $70,143 related to the conversion feature of this note was charged to additional paid-in capital. See note 10.

In May 2017, the Company paid the 10% Notes due to Old Main, and the derivative liability in the amount of $145,268 related to the conversion feature of this note was charged to additional paid-in capital. See note 10.

On May 31, 2017, pursuant to the Omnibus Loan Agreement, four related party convertible noteholders converted principal and interest in the aggregate amount of $2,537,750 and $166,490, respectively, into a total of 10,816,960 shares of common stock. As a result of the conversions, the Company charged the amount $951,239 to loss on modification of debt. See note 10.

Year ended May 31, 2016:

On August 28, 2015, the Company issued 60,000 shares of common stock, valued at $45,000, to a consultant for services. Of these shares, 50,000 were valued at $37,500, and were included in stock payable as of May 31, 2015. The shares were valued based on the closing market price of the common stock on the grant date.

On July 22, 2015, pursuant to a consulting agreement, we agreed to issue 5,000 shares of common stock, valued at $5,750, to a consulting firm in exchange for investor relations consulting services. On August 17, 2015, the consulting agreement was amended, whereby we agreed to issue 5,000 additional shares of common stock, valued at $6,650. On August 26, 2015, we extended the consulting agreement and agreed to issue the consultant an additional 10,000 shares of common stock, valued at $12,700. On October 9, 2015, we extended the consulting agreement and agreed to issue the consultant an additional 10,000 shares of common stock, valued at $11,700. On December 15, 2015, we extended the consulting agreement and agreed to issue the consultant an additional 10,000 shares of common stock, valued at $8,000. All shares were valued based on the closing market price on the grant date. During the year ended May 31, 2016, we issued 40,000 shares to this consultant, valued at $32,750.

On October 15, 2015, pursuant to a consulting agreement, the Company agreed to issue 10,000 shares of common stock per month, valued at $11,600 per month, to a consultant in exchange for investor relations consulting services. The consulting agreement was terminated during the first month of its term. The parties are in discussions regarding whether any shares of the Company's common stock have been earned and it is uncertain whether any shares will be issued. As of May 31, 2016, the Company had included 20,000 shares of common stock, valued at $23,200 in stock payable on the accompanying balance sheets. The shares were valued based on the closing market price of the common stock on the grant date.

On December 29, 2015, pursuant to a consulting agreement commencing on January 4, 2016, the Company agreed to issue 25,000 shares of common stock per month, valued at $21,250 per month, to a consultant in exchange for investor relations consulting services. The consulting agreement was terminated during the first month of its term. The parties are in discussions regarding whether any shares of the Company's common stock have been earned and it is uncertain whether any shares will be issued. As of May 31, 2016, the Company had 50,000 shares of common stock, valued at $42,500 included in stock payable on the accompanying balance sheet. The shares were valued based on the closing market price of the common stock on the grant date.

On January 19, 2016, the Company issued 250,000 shares of restricted common stock with a fair value of $327,500 to its Chief Operating Officer as a signing bonus. The shares vested on August 1, 2016.

NOTE 12 – INCOME TAXES

The Company accounts for income taxes under FASB ASC 740-10, which provides for an asset and liability approach of accounting for income taxes. Under this approach, deferred tax assets and liabilities are recognized based on anticipated future tax consequences, using currently enacted tax laws, attributed to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts calculated for income tax purposes.

As of May 31, 2017 and 2016, the Company had incurred a net operating loss and, accordingly, no provision for income taxes has been recorded. In addition, no benefit for income taxes has been recorded due to the uncertainty of the realization of any tax assets.

The tax effects of the temporary differences that give rise to the Company's estimated deferred tax assets and liabilities are as follows:

	May 31, 2017	May 31, 2016
Federal and state statutory rate	34%	34%
Net operating loss carry forwards	1,386,438	787,513
Valuation allowance for deferred tax assets	(1,386,438)	(787,513)
Net deferred tax assets	-	-

As of May 31, 2017 and 2016, the Company had net operating loss carry forwards of approximately $1,386,438 and $787,513 available to offset future taxable income. The net operating loss carry forwards, if not utilized, will begin to expire in 2037.

Based on the available objective evidence, including the Company's history of losses, management believes it is more likely than not that the net deferred tax assets will not be fully realizable. Accordingly, the Company has provided for a full valuation allowance against its net deferred tax assets at May 31, 2017 and 2016. The Company had no uncertain tax positions as of May 31, 2017.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

Lease Arrangement

The Company, through CLS Labs Colorado, leases 42,392 square feet of warehouse and office space (the "Leased Space") in a building located on 1.92 acres in Denver Colorado. CLS Labs Colorado subleases the Leased Space to Picture Rock Holdings, LLC as part of an arrangement whereby Picture Rock Holdings, LLC and its affiliate will conduct certain intended activities, including growing, extraction, conversion, assembly and packaging of cannabis and other plant materials, as permitted by and in compliance with state, city and local laws, rules, ordinances and regulations. Total expense for the lease was $177,844 for the years ended May 31, 2017 and 2016.

Future annual minimum base rental payments for the lease as of May 31, 2017 are approximately as follows:

For the 12 months ended May 31,	
2018	177,845
2019	177,845
2020	177,845
2021	148,202
Thereafter	-
Total	681,737

Employment Agreements

CLS Labs and Jeffrey Binder entered into a five-year employment agreement effective October 1, 2014. Under the agreement, Mr. Binder serves as CLS Labs' Chairman, President and Chief Executive Officer and is entitled to receive an annual salary of $150,000. Under the agreement, Mr. Binder is also entitled to receive a performance bonus equal to 2% of CLS Labs' annual EBITDA, up to a maximum annual cash compensation of $1 million (including his base salary), and annual stock options, exercisable at the fair market value of CLS Labs' common stock on the date of grant, in an amount equal to 2% of its annual EBITDA up to $42.5 million and 4% of its annual EBITDA in excess of $42.5 million. On April 28, 2015, CLS Labs and the Company entered into an addendum to Mr. Binder's employment agreement whereby Mr. Binder agreed that following the Merger, in addition to his obligations to CLS Labs, he would serve the Company and its subsidiaries in such roles as the Company may request. In exchange, the Company agreed to assume the obligations of CLS Labs to grant Mr. Binder annual stock options, as referenced above. Mr. Binder continues to receive an annual salary of $150,000 from CLS Labs for serving as its Chairman, President and Chief Executive Officer. My Binder deferred all of the salary payable to him under his employment agreement through May 31, 2016. On July 20, 2016, the Company issued Mr. Binder a convertible note in exchange for $250,000 in deferred salary, among other amounts owed to Mr. Binder by the Company; on February 28, 2017, the Company issued Mr. Binder an additional convertible note in exchange for $112,500 in deferred salary. As of May 31, 2017 and 2016, the Company had accrued compensation due to Mr. Binder in the amount of $37,500 and $250,000.

Effective August 1, 2015, the Company and Alan Bonsett entered into a five-year employment agreement. Pursuant to the agreement, Mr. Bonsett commenced serving as the Company's Chief Operating Officer on August 15, 2015. Under the agreement, Mr. Bonsett is entitled to receive an annual salary of $150,000. Further, he is entitled to receive a performance bonus equal to 2% of the Company's annual EBITDA, up to a maximum annual cash compensation of $1 million (including his base salary), and annual stock options, exercisable at the fair market value of the Company's common stock on the date of grant, in an amount equal to 2% of its annual EBITDA up to $42.5 million and 4% of its annual EBITDA in excess of $42.5 million. Additionally, Mr. Bonsett is received a one-time signing bonus of 250,000 (post Reverse-Split) shares of restricted common stock of the Company, with a fair value of $327,500, which became fully vested one year from the effective date of the agreement. Mr. Bonsett, as an owner of PRH, will indirectly receive the benefits of the Colorado Arrangement, as discussed in Note 10.

At May 31, 2016, the Company had accrued salary due to Michael Abrams, a former officer of the Company prior to his September 1, 2015 termination, in the amount of $16,290.

NOTE 14 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The following summarizes the Company's derivative financial liabilities that are recorded at fair value on a recurring basis at May 31, 2017 and 2016.

	May 31, 2017			
	Level 1	Level 2	Level 3	Total
Liabilities				
Derivative liabilities	$ -	$ -	$ 95,276	$ 95,276

	May 31, 2016			
	Level 1	Level 2	Level 3	Total
Liabilities				
Derivative liabilities	$ -	$ -	$ 418,537	$ 418,537

The estimated fair values of the Company's derivative liabilities are as follows:

Liabilities Measured at Fair Value	Derivative Liability
Balance as of May 31, 2015	$ -
Issuances	480,294
Revaluation gain	(61,757)
Balance as of May 31, 2016	$ 418,537
Issuances	600,564
Convert or Redeem	(612,850)
Revaluation gain	(310,975)
Balance as of May 31, 2017	$ 95,276

NOTE 15 – SUBSEQUENT EVENTS

On July 6, 2017, the Company entered into Amendment #4 to Convertible Promissory Note Issued on March 18, 2016 (the "Fourth Amendment") to further amend the terms of the 8% Note, which is the only Note that remains outstanding. Pursuant to the Fourth Amendment, the maturity date of the 8% Note was extended to July 15, 2017 and the outstanding balance of the 8% Note as of June

30, 2017 was increased by multiplying it by 1.075. The Fourth Amendment was effective on June 30, 2017.

In order to raise additional capital, make provision for the repayment of certain convertible promissory notes and acquire certain operating companies in synergistic businesses, on June 29, 2017, the Company entered into a non-binding letter of intent (the “LOI”) with Pure Harvest Cannabis Producers, Inc. (“Pure Harvest”) to (i) arrange for the sale of that certain 8% convertible promissory note in the original principal amount of $200,000 made by the Corporation in favor of Old Main Capital, LLC (the “Old Main Note”) by Old Main Capital, LLC; (ii) arrange for the sale of that certain 15% convertible promissory note in the original principal amount of $200,000 made by the Corporation in favor of Dr. Trocki (the “Trocki Note”) by Dr. Trocki; (iii) arrange for the sale of certain unrestricted shares of common stock of the Company by certain unaffiliated shareholders to certain persons named by Pure Harvest; (iv) arrange for the sale of certain restricted shares of common stock by the Company by certain affiliated shareholders to certain persons named by Pure Harvest; (v) arrange for the assumption of certain debt of the Corporation by certain of the Company’s affiliates; (vi) structure certain private securities offerings of the Company’s securities; and (vii) acquire certain assets of Pure Harvest. As the first step of implementing the LOI, the Company authorized and designated 650,000 shares of its preferred stock as “Series A Preferred Stock” with the intention of requiring the purchasers of the Old Main Note and the Trocki Note to convert such convertible debt into preferred stock. No preferred stock has been issued to date.

In June 2017, the Company entered into a letter agreement to amend its September 22, 2014 Investor Relations Consulting Agreement. Pursuant to the amendment, the Company agreed to issue the consultant 24,000 shares of its restricted common stock to satisfy $6,000 of past due invoices for services previously rendered by the consultant from January 2017 through June 2017.

On August 23, 2017, Jeffrey Binder exchanged $115,050 and $72,767 in principal on Binder Funding Notes for the Binder Convertible Note 5 and the Binder Convertible Note 6. On the same date, Newcan Investment Partners, LLC exchanged $621,658 and $70,000 in principal on Newcan Funding Notes for Newcan Convertible Note 4 and Newcan Convertible Note 5. These notes bear interest at the rate of 10% per annum. No payments are required until October 1, 2018, at which time all accrued interest becomes due and payable. Commencing on January 2, 2019, the first of eight equal principal payments will become due; subsequent principal payments will become due on the first day of each April, July, October and January until paid in full. These notes and accrued interest under these notes may be converted, in whole or in part, into one share of common stock for each $0.25 converted.

On August 23, 2017, the Company entered into Amendment #5 to Convertible Promissory Note Issued on March 18, 2016 (the "Fifth Amendment") to further amend the terms of the 8% Note. Pursuant to the Fifth Amendment, the maturity of the 8% Note was extended to September 15, 2017. The outstanding balance remained unchanged. The Fifth Amendment was effective on July 15, 2017.

SCHEDULE "B"

MD&A OF THE COMPANY

[See attached.]

CLS HOLDINGS USA, INC.

MD&A FOR THE THREE MONTHS ENDED AUGUST 31, 2018

EXPLANATORY NOTE

Unless otherwise noted, references in this registration statement to "CLS Holdings USA, Inc.," the "Company," "we," "our" or "us" means CLS Holdings USA, Inc. and its subsidiaries.

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. These statements relate to anticipated future events, future results of operations or future financial performance. These forward-looking statements include, but are not limited to, statements relating to our ability to finance our planned operations and proposed acquisitions, market acceptance of our services and product offerings, our ability to attract and retain key personnel, and our ability to protect our intellectual property. In some cases, you can identify forward-looking statements by terminology such as "may," "might," "will," "should," "intends," "expects," "plans," "goals," "projects," "anticipates," "believes," "estimates," "predicts," "potential," or "continue" or the negative of these terms or other comparable terminology.

These forward-looking statements are only predictions, are uncertain and involve substantial known and unknown risks, uncertainties and other factors which may cause our (or our industry's) actual results, levels of activity or performance to be materially different from any future results, levels of activity or performance expressed or implied by these forward-looking statements.

We cannot guarantee future results, levels of activity or performance. You should not place undue reliance on these forward-looking statements, which speak only as of the date that they were made. These cautionary statements should be considered together with any written or oral forward-looking statements that we may issue in the future. Except as required by applicable law, we do not intend to update any of the forward-looking statements to conform these statements to reflect actual results, later events or circumstances or to reflect the occurrence of unanticipated events.

AVAILABLE INFORMATION

We file annual, quarterly and special reports and other information with the Securities and Exchange Commission ("SEC") that can be obtained from the SEC by telephoning 1-800-SEC-0330. The Company's filings are also available through the SEC's Electronic Data Gathering Analysis and Retrieval System, known as EDGAR, through the SEC's website (www.sec.gov).

OVERVIEW AND OUTLOOK

We were incorporated on March 31, 2011 as Adelt Design, Inc. to manufacture and market carpet binding art. Production and marketing of carpet binding art never commenced. On November 20, 2014, we adopted amended and restated articles of incorporation, thereby changing our name to CLS Holdings USA, Inc. Effective December 10, 2014, we effected a reverse stock split of our issued and outstanding common stock at a ratio of 1-for-0.625 (the "Reverse Split"), wherein 0.625 shares of our common stock were issued in exchange for each share of common stock issued and outstanding.

On April 29, 2015, the Company, CLS Labs and the Merger Sub consummated the merger, whereby the Merger Sub merged with and into CLS Labs, with CLS Labs remaining as the surviving entity. As a result of the merger, we acquired the business of CLS Labs and abandoned our previous business. As such, only the financial statements of CLS Labs are included herein.

CLS Labs was originally incorporated in the state of Nevada on May 1, 2014 under the name RJF Labs, Inc. before changing its name to CLS Labs, Inc. on October 24, 2014. It was formed to commercialize a proprietary method of extracting cannabinoids from cannabis plants and converting the resulting cannabinoid extracts into concentrates such as oils, waxes, edibles and shatter. These concentrates may be ingested in a number of ways, including through vaporization via electronic cigarettes ("e-cigarettes"), and used for a variety of pharmaceutical and other purposes. Testing in conjunction with two Colorado growers of this extraction method and conversion process has revealed that it produces a cleaner, higher quality product and a significantly higher yield than the cannabinoid extraction processes currently existing in the marketplace.

On April 17, 2015, CLS Labs took its first step toward commercializing its proprietary methods and processes by entering into the Colorado Arrangement through its wholly owned subsidiary, CLS Labs Colorado, with certain Colorado entities, including Picture Rock Holdings, LLC ("PRH"), an entity affiliated with one of our former officers. During 2017, we suspended our plans to proceed with the Colorado Arrangement due to regulatory delays and have not yet determined if or when we will pursue it again.

We have been issued a U.S. patent with respect to our proprietary method of extracting cannabinoids from cannabis plants and converting the resulting cannabinoid extracts into concentrates such as oils, waxes, edibles and shatter. These concentrates may be ingested in a number of ways, including through vaporization via electronic cigarettes, and used for a variety of pharmaceutical and other purposes. Internal testing of this extraction method and conversion process has revealed that it produces a cleaner, higher quality product and a significantly higher yield than the cannabinoid extraction processes currently existing in the marketplace. We have not commercialized our proprietary process. We plan to generate revenues through licensing, fee-for-service and joint venture arrangements related to our proprietary method of extracting cannabinoids from cannabis plants and converting the resulting cannabinoid extracts into saleable concentrates.

We intend to monetize our extraction and conversion method and generate revenues through (i) the licensing of our patent pending proprietary methods and processes to others, (ii) the processing of cannabis for others, and (iii) the purchase of cannabis and the processing and sale of cannabis-related products. We plan to accomplish this through the acquisition of companies, the creation of joint ventures, through licensing agreements, and through fee-for-service arrangements with growers and dispensaries of cannabis products. We believe that we can establish a position as one of the premier cannabinoid extraction and processing companies in the industry. Assuming we do so, we then intend to explore the creation of our own brand of concentrates for consumer use, which we would sell wholesale to cannabis dispensaries. We believe that we can create a "gold standard" national brand by standardizing the testing, compliance and labeling of our products in an industry currently comprised of small, local businesses with erratic and unreliable product quality, testing practices and labeling. We also plan to offer consulting services through Cannabis Life Sciences Consulting, LLC, which will generate revenue by providing consulting services to cannabis-related businesses, including growers, dispensaries and laboratories, and driving business to our processing facilities.

On December 4, 2017, we entered into a Membership Interest Purchase Agreement (the "Acquisition Agreement") with Alternative Solutions to acquire the outstanding equity interests in three of its subsidiaries (collectively, the "Oasis LLCs"), Serenity Wellness Center LLC d/b/a/ Oasis Medical Cannabis, Serenity Wellness Growers LLC, and Serenity Wellness Products LLS. Pursuant to the Acquisition Agreement, as amended, we paid a non-refundable deposit of $250,000 upon signing, which was followed by an additional payment of $1,800,000 on February 5, 2018, for an initial 10% of Alternative Solutions and each of the subsidiaries. At the closing of our purchase of the remaining 90% of the ownership interests in Alternative Solutions and the Oasis LLCs, which occurred on June 27, 2018, we paid the following consideration: $5,995,543 in cash, a $4.0 million promissory note due in December 2019, and $6,000,000 in shares of our common stock. The cash payment of $5,995,543 was less than the $6,200,000 payment originally contemplated because we assumed an additional $204,457 of liabilities. The Oasis LLCs collectively own and operate a vertically integrated cannabis business, including one dispensary, in Las Vegas, Nevada. Our ownership of the Oasis LLCs is subject to the approval of state and local regulators. We have already received such approvals for our initial acquisition of the 10% interest in Alternative Solutions and the Oasis LLCs and expect to receive the approvals for the remaining ownership interests in due course. The change of ownership in the Oasis LLCs to us will be recorded upon receipt of such regulatory approvals.

On January 4, 2018, the Attorney General of the United States issued new written guidance concerning the enforcement of federal laws relating to marijuana. The Attorney General's memorandum stated that previous DOJ guidance specific to marijuana enforcement, including the memorandum issued by former Deputy Attorney General James Cole on August 29, 2013 (as amended on February 14, 2014, the "Cole Memo") is unnecessary and is rescinded, effective immediately. The Cole Memo told federal prosecutors that in states that had legalized marijuana, they should use their prosecutorial discretion to focus not on businesses that comply with state regulations, but on illicit enterprises that create harms like selling drugs to children, operating with criminal gangs, and selling across state lines. In addition, since 2014, the federal budget has prohibited the DOJ from using federal funds to prosecute medical cannabis businesses pursuant to a budget rider, which must be renewed annually and is presently set to expire on January 19, 2018. The Attorney General has now advised that it will be left to the discretion of the local US attorneys in the various districts to decide how and when to enforce the federal marijuana laws. As a result of the Attorney General's recent guidance, it is unclear whether and how US attorneys in states with medical and/or recreational marijuana laws will enforce federal laws relating to the prohibition of the possession, ownership or sale of marijuana, among other things. It is also unclear whether any states will challenge the Attorney General's new pronouncement in the applicable courts. However, as a result of the Attorney General's new guidance, some banks, clearing brokers and other businesses may cease or limit how they do business with companies in the marijuana business to avoid a possible violation of federal law. It is also possible that some US attorneys may begin enforcing federal laws to prevent marijuana businesses that are otherwise validly operating under state laws, from conducting business. Thus, regardless of whether the Attorney General's new pronouncement is enforced or found to be lawful, it could have a material adverse impact on the marijuana industry, including our business.

Results of Operations for the Three Months Ended August 31, 2018 and 2017

Revenues

We had revenues of $1,179,353 and $0 during the three months periods ended August 31, 2018 and August 31, 2017. The increase in revenue for the three months ended August 31, 2018 is due to our acquisition of the membership interest in the Oasis, LLCs. Our cannabis dispensary segment accounted for $776,707 of our revenue, and our cannabis production segment accounted for $402,646 of our revenue.

Cost of goods sold

Our cost of goods sold for the three months ended August 31, 2018 was $759,944, an increase of $759,944 or approximately 100%, compared to cost of goods sold of $0 for the three months ended August 31, 2017. The increase in cost of goods sold for the three months ended August 31, 2018 is due to our acquisition of the membership interest in the Oasis, LLCs. Cost of goods sold consisted of $735,330 of product cost, $21,293 of licensing fees, $2,987 of supplies and materials, and $334 of freight. Our gross margin for the three months ended August 31, 2018 was 36%.

Selling, general and administrative expenses

Selling, general and administrative expenses increased $15,032,926, or approximately 4,185%, to $15,392,130 during the three months ended August 31, 2018, compared to $359,204 for the three months ended August 31, 2017. General and administrative expenses consisted primarily of $11,886,783 of non-recurring non-cash offering costs: the fair value of the special warrants and compensation broker warrants issued to Canaccord in connection with our sale of the special warrants in the amount of $2,908,673; the fair value of additional warrants and special warrants issued due to the failure to meet certain registration statement filing requirements in connection with the Westpark offering and the Canaccord offering in the amount of $8,084,522; the fair value of 700,000 shares of common stock issued to Star Associates for services in connection with the Oasis transaction of $490,000; and a foreign exchange loss on conversion of the Canaccord funds from Canadian to U.S. dollars in the amount of $403,588. Selling, general, and administrative expenses also included $1,060,773 of non-recurring cash offering costs paid to Canaccord in connection with our fundraising activities, consisting of broker and agent fees and expenses. Selling, general and administrative expenses also increased due to legal and accounting costs associated with the Oasis Cannabis acquisition and related financing activities, and due to costs associated with the ongoing operations of the Oasis LLCs from the acquisition date of June 27, 2018 through August 31, 2018. Although we expect expenses related to fundraising activities to vary depending on our future growth, we expect ongoing general and administrative expenses to increase in future periods as we implement our business plan and commence operations.

Interest expense

Interest expense for the three months ended August 31, 2018 was $1,684,219, an increase of $1,609,353, or 2,150%, compared to $74,866 for the three months ended August 31, 2017. We have recorded discounts on certain of our convertible debt due to beneficial conversion features; interest expense in connection with the amortization of these discounts increased by $1,556,442 to $1,598,502, compared to $42,060 in the prior period. Also during the three months ended August 31, 2018, accrued interest on notes payable increased by $73,612 to $81,949 compared to $8,337 in the prior period. This increase was the result on an increase in the principal amount of notes payable from $1,397,255 at August 31, 2017 to $5,189,959 at August 31, 2018. Also during the three months ended August 31, 2018, interest expense on related party debt decreased by $20,701 to $3,497, compared to $24,198 in the prior period as a result of a decrease in the principal amount of related party notes payable.

Gain on Settlement of Debt

During the three months ended August 31, 2017, we recognized a gain on the settlement of accounts payable in the amount of $3,480 because we repaid an account using our common stock. There was no comparable transaction during the current year.

Loss on Modification of Debt

During the three months ended August 31, 2017, we recognized a loss on modification of debt in the amount of $29,145 related to the amendment of the 8% Note. There was no comparable transaction during the first quarter of the current year.

Change in fair value of derivative liability

During the three months ended August 31, 2017, we incurred a loss on the revaluation of derivative liability of $105,950. On June 1, 2018, the Company adopted ASU 2017-11 and reclassified the aggregate amount of $1,295,751, which is the fair value of the reset provisions embedded in previously issued convertible notes payable and certain warrants with embedded anti-dilutive provisions, from liability to equity. Upon adoption of ASU 2017-11, the Company is no longer required to treat reset (anti-dilution) provisions as derivative liabilities.

Net loss

For the reasons above, the Company incurred a net loss for the three months ended August 31, 2018 of $16,656,940, which is an increase of $16,091,255, or approximately 2,845%, compared to a net loss of $565,685 during the three months ended August 31, 2017.

Liquidity and Capital Resources

The following table summarizes our total current assets, liabilities and working capital at August 31, 2018 compared to May 31, 2018.

	August 31, 2018	May 31, 2018
Current Assets	$ 6,771,613	$ 54,374
Current Liabilities	$ 5,957,447	$ 2,689,148

At August 31, 2018, we had working capital of $814,166, an increase of $3,448,940 from the working capital deficit of ($2,634,774) we had at May 31, 2018. Our working capital at August 31, 2018, includes $5,953,925 of cash. The increase in working capital was a result of our successful financing activities during the three months ended August 31, 2018, including $15,535,978 in proceeds from the sale of equity, $500,000 from the issuance of convertible notes, and $81,961 from the issuance of related party notes. We are presently seeking to expand the Oasis Cannabis and related City Trees businesses in Nevada and are considering other potential acquisitions. Our working capital needs will likely continue to increase, which could result in future working capital deficits, until we complete at least the first phase of our expansion plan at Oasis Cannabis. We have operated at a loss since inception.

Cash flows used in operating activities was $3,810,387 during the three months ended August 31, 2018 compared to $183,978 during the three months ended August 31, 2017, an increase of $3,626,409 or 1,971%. The increase was primarily due to approximately $1,060,773 of cash offering costs in connection with our fundraising activities. The increase in cash used in operating activities is also related to the acquisition of the Oasis LLCs, which operated at a loss. The Company expects cash flows from operating activities to improve in the next twelve months as the revenue generated by the Oasis LLCs increases.

Cash flows used in investing activities was $5,982,710 during the three months ended August 31, 2018 compared to $0 during the three months ended August 31, 2017. The amounts used during the three months ended August 31, 2018 consisted of the cash payment of $5,995,543, net of cash acquired of $12,833, in connection with our acquisition of the Oasis LLCs.

Cash flows provided by financing activities was $15,694,058 during the three months ended August 31, 2018 compared to $117,767 during the three months ended August 31, 2017. The increase in cash flows from financing activities during the three months ended August 31, 2018 was primarily due to our receipt of proceeds from the special warrant offering of $9,785,978 and $5,750,000 from our sale of common stock; and our receipt of $500,000 from the issuance of a convertible note. Cash flows from financing activities decreased by $310,000 due to principal payments on notes.

Third Party Debt

The table below summarizes the status of our third party debt and reflects whether such debt remains outstanding, has been repaid, or has been converted into or exchanged for our common stock:

Name of Note	Original Principal Amount		Payment Details
April 2015 Note	$ 200,000	Repaid	Repaid in part and exchanged in part
Old Main 8% Note	$ 200,000	Repaid	Exchanged for 4,500,000 shares
FirstFire Note	$ 363,000	Repaid	Repaid
Darling Capital Note	$ 550,000	Repaid	Converted into 1,808,000 shares
Efrat Investments Note	$ 55,000	Repaid	Converted into 183,040 shares
Todd Blatt	$ 210,000	Repaid	Repaid
AJG Group	$ 100,000	Repaid	Repaid
YA II PN Note	$ 1,250,000	Outstanding	Repayment commences December 2018
Oasis Note	$ 4,000,000	Outstanding	Due December 2019

April 2015 Note

On April 29, 2015, we issued a convertible promissory note (the "April 2015 Note") to an unaffiliated individual in the amount of $200,000. Interest accrued on the April 2015 Note at a rate of 15% per annum. On the first anniversary of the April 2015 Note, all then-accrued interest was due thereunder. Thereafter, principal together with accrued interest was due in eight (8) equal quarterly payments, in arrears, commencing on July 1, 2016. All outstanding principal and any accumulated unpaid interest thereon was due and payable on the third anniversary of note. At the holder's election, at any time prior to payment or prepayment of the April 2015 Note in full, all principal and accrued interest under the April 2015 Note could be converted in whole, but not in part, into our securities. For each dollar converted, the holder would receive two shares of common stock and a three-year warrant to purchase 1.33 shares of common stock at $0.75 per share. During the year ended May 31, 2017, we repaid principal in the amount of $100,000 and interest in the amount of $53,837 on this note.

On September 20, 2017, we entered into an exchange agreement, whereby we agreed to exchange the April 2015 Note for 1,500,000 shares of our common stock. The holder of the April 2015 Note had previously sold it for $105,219, which represented the balance due by us, to StarForce Media, Inc., an entity that is not affiliated with us. We recognized a loss on this exchange in the amount of $404,082, which was charged to operations during the twelve months ended May 31, 2018. We also expensed the remaining discount in the amount of $18,155 to interest expense during the twelve months ended May 31, 2018.

Old Main 8% Note and Equity Line

On March 18, 2016, we issued Old Main an 8% Convertible Promissory Note (the “8% Note”) in the principal amount of $200,000 for Old Main’s commitment to enter into an equity line transaction with us and prepare all of the related transaction documents. The 8% Note bore interest at the rate of 8% per annum. On October 6, 2016, we amended the 8% Note, among other documents (the “First Amendment”) to defer the commencement of amortization payments on the 8% Note so that they commenced at the earlier of February 3, 2017 or on the date the registration statement with respect to the underlying shares had been declared effective by the SEC. On such date, we were required to begin to redeem 1/6th of the face amount of the 8% Note and any accrued but unpaid interest on a monthly basis. Such amortization payment could be made, at our option, in cash or, subject to certain conditions, in our common stock pursuant to a conversion rate equal to the lower of (a) $1.07 (the “8% Note Fixed Conversion Price”) or (b) 75% of the lowest VWAP in the twenty (20) consecutive trading days ending on the trading day that is immediately prior to the applicable conversion date.

On November 28, 2016, we entered into a Second Amendment to the 8% Note issued on March 18 (the “Second Amendment”) to amend the 8% Note, among other documents, as amended by the First Amendment, in certain respects. Pursuant to the Second Amendment, among other things, the 8% Note was converted from an installment note to a “balloon” note, with all principal and interest on the 8% Note due on March 18, 2017; the Fixed Conversion Price associated with the 8% Note was changed to a variable conversion price equal to the lesser of the prior Fixed Conversion Price or 75% of the lowest VWAP in the fifteen trading days ending on the trading day immediately prior to the conversion date; our ability to repay the 8% Note with our common stock was deleted except pursuant to a voluntary conversion by Old Main; and Old Main was prohibited from selling, per trading day, an amount of our common stock in excess of the greater of $5,000 or 25% of the average number of shares of common stock sold per day for the five trading days preceding the day of sale multiplied by the average daily VWAP during the immediately preceding 5-trading day period.

On March 27, 2017, we entered into the third amendment to the 8% Note, which, among other things, increased the outstanding amount due under the 8% Note as of March 18, 2017 by 5%. In exchange for doing so, Old Main agreed to extend the maturity of the 8% Note until July 1, 2017 and to suspend conversions under the 8% Note until July 1, 2017.

On July 6, 2017, we entered into the fourth amendment to the 8% Note (the “Fourth Amendment”) to further amend the terms of the 8% Note. Pursuant to the Fourth Amendment, the maturity date of the 8% Note was extended to July 15, 2017 and the outstanding balance of the 8% Note as of June 30, 2017 was increased by multiplying it by 1.075. The Fourth Amendment was effective on June 30, 2017.

On August 23, 2017, we entered into the fifth amendment to the 8% Note (the “Fifth Amendment”) to further amend the terms of the 8% Note. Pursuant to the Fifth Amendment, the maturity date of the 8% Note was extended to September 15, 2017 and the outstanding balance remained unchanged. The Fifth Amendment was effective on July 15, 2017.

On September 25, 2017, but effective as of September 15, 2017, we entered into an exchange agreement, whereby we agreed to exchange the 8% Note for 4,500,000 shares of our common stock. Pursuant to an oral agreement with the original holder of the 8% Note, principal due under the 8% note was increased by $96,862 to a total of $322,612 prior to the date on which the exchange of the 8% Note for common stock occurred.

On April 18, 2016, we also entered into an equity line agreement with Old Main whereby we may issue and sell to Old Main, at our option from time to time, up to $4,000,000 of our common stock at a purchase price equal to 80% of the lowest VWAP of the common stock during a five day "Valuation Period."

On October 6, 2016, we entered into an amendment to the equity line Agreement to amend the new commitment period, which is 24 months from the date of this amendment. Second, the equity line agreement was amended to prohibit us from delivering a subsequent put notice from the beginning of any "Valuation Period" until the fourth trading day immediately following the closing associated with the prior put notice. Third, the beneficial ownership limitation was amended to increase the beneficial ownership limitation to 9.99% and to remove the ability of Old Main to increase or decrease the beneficial ownership limitation. We have not "put" any common stock to Old Main under the equity line Agreement.

FirstFire Note

On November 15, 2017, we entered into a securities purchase agreement with FirstFire Global Opportunities Fund, LLC ("FirstFire"), whereby FirstFire agreed to purchase a 5% senior convertible promissory note in the aggregate principal amount of $363,000 (the "FirstFire Note") from us due, subject to the terms therein, seven (7) months from the date of issuance, for a purchase price of $330,000.

The FirstFire Note bore interest at the rate of 5% per annum. Any past due accrued and unpaid interest to be paid under the FirstFire Note was to bear interest at the lesser of 15% per annum or the maximum rate permitted by applicable law. At any time prior to the 180th day following the date of issuance, we could prepay all or any portion of the principal amount of the FirstFire Note and any accrued and unpaid interest by paying the following amounts: (i) within the initial 90 days after the date of issuance: 115% multiplied by the principal amount then due plus accrued interest; and (ii) from the 91st day through the 180th day after the date of issuance: 125% multiplied by the principal amount then due plus accrued interest.

The FirstFire Note was convertible at any time into shares of our common stock, at the option of the holder, at an initial conversion rate equal $0.40 per share of common stock (the "Fixed Conversion Price"). Any time on or after the 180th day after the issuance of the FirstFire Note, the conversion price would equal the lower of (a) the Fixed Conversion Price or (b) 75% of the lowest traded price of our common stock in the 20 consecutive trading days immediately prior to the day that we receive the applicable conversion notice.

On the closing date, we also issued FirstFire a three-year common stock purchase warrant to purchase 350,000 shares of our common stock at an initial exercise price of $0.75 per share and agreed to issue FirstFire promptly following the closing date 250,000 shares of our restricted common stock as a commitment fee to enter into the purchase agreement and prepare all of the related transaction documents. During the three months ended February 28, 2018, an event occurred that triggered the reduction of the FirstFire Fixed Conversion Price from $0.40 per share to $0.3125 per share.

On May 9, 2018, we entered into an amendment to the FirstFire Note, whereby we agreed to make a $50,000 payment on or before May 14, 2018 and a $450,000 payment on or before May 31, 2018 to repay the FirstFire Note in full. We also agreed to issue an additional warrant to purchase 25,000 shares of our common stock. In exchange, the note holder agreed that it would not convert the FirstFire Note until after May 31, 2018. During the twelve months ended May 31, 2018, we made payments of $500,000 on this note, which amounts repaid the FirstFire Note in full.

Darling Capital Note

On February 5, 2018, we entered into a securities purchase agreement with Darling Capital LLC, ("Darling"), whereby Darling agreed to purchase a 8% convertible promissory note in the aggregate principal amount of $550,000 (the "Darling Note") from us due, subject to the terms therein, eighteen (18) months from the date of issuance, for a purchase price of $500,000.

Darling could, at its option, convert all or a portion of the Darling Note and accrued but unpaid interest into shares of common stock at a conversion price of $0.3125 per share. On the closing date, we also issued Darling a three-year common stock purchase warrant to purchase 400,000 shares of our common stock at an initial exercise price of $0.75 per share.

On June 12, 2018, we received a conversion notice from Darling notifying us that it had converted $550,000 in principal and $15,000 of accrued interest into 1,808,000 shares of our common stock.

Efrat Investments Note

On February 16, 2018, we entered into a securities purchase agreement with Efrat Investments LLC, (“Efrat”), whereby Efrat agreed to purchase a 8% convertible promissory note in the aggregate principal amount of $55,000 (the “Efrat Note”) from us due, subject to the terms therein, eighteen (18) months from the date of issuance, for a purchase price of $50,000.

Efrat could, at its option, convert all or a portion of the Efrat Note and accrued but unpaid interest into shares of common stock at a conversion price of $0.3125 per share. On the closing date, we also issued Efrat a three-year common stock purchase warrant to purchase 40,000 shares of our common stock at an initial exercise price of $0.75 per share.

On August 9, 2018, we received a conversion notice from Efrat notifying us that it had converted $55,000 in principal and $2,200 of accrued interest into 183,040 shares of our common stock.

The YA II PN, Ltd. Notes

On May 11, 2018, we entered into a securities purchase agreement with YA II PN, Ltd. (“YA II”), pursuant to which we agreed to sell to YA II, in two closings, (i) convertible debentures in the aggregate principal amount of $1,250,000, plus accrued interest, which may be converted into shares of our common stock, at the discretion of either YA II or us in accordance with the terms of the debentures, and (ii) five-year warrants to purchase an aggregate of 3,125,000 shares of our common stock at $0.60 per share of common stock. At the first closing, which occurred on May 14, 2018, we issued a $750,000 debenture to YA II and warrants to purchase 1,875,000 shares of our common stock. At the second closing, which occurred on July 20, 2018, we issued a $500,000 debenture to YA II and warrants to purchase 1,250,000 additional shares of our common stock.

The debentures bear interest at the rate of 8% per annum. If an event of default occurs and for so long as such event of default remains uncured, the interest rate on the debentures shall immediately become 15% per annum and shall remain at such increased interest rate until the applicable event of default is cured.

Commencing on December 1, 2018 and on the first day of each month thereafter through July 1, 2019 (each an “Installment Date”), we shall pay to YA II one-eighth of the principal amount of the debentures, plus accrued and outstanding interest (the “Installment Amount”), plus 20% of the of the Installment Amount for Installment Amounts due within 180 days following the date of execution of the purchase agreement, and 25% of the Installment Amount for Installment Amounts due thereafter in cash or by converting such Installment Amount into shares of our common stock. if we have met the applicable conditions for such a conversion and as long as the conversion does not exceed certain maximum amounts.

Pursuant to the terms of the debentures, YA II may elect to convert any portion of the principal and accrued interest under the debentures into our common stock at a fixed conversion price of $0.40 per share. The fixed conversion price may change if certain dilutive events or issuances occur. In addition, we may, at our sole discretion, make an Installment Payment using our common stock if certain conditions have been met. In such case, the applicable conversion price would be equal to 75% of the VWAP of our common stock during the fifteen consecutive trading days immediately preceding such conversion. During the three months ended August 31, 2018, a reset event occurred. As a result, the conversion price of the first YA II PN Note, in the principal amount of $750,000, was reduced to $0.34 per share of common stock.

Blatt Note

On February 7, 2018, we issued a note payable to Todd Blatt in the amount of $210,000. This note accrued interest at a rate of 6% per annum and was due on February 7, 2019. This note along with $5,627 of accrued interest was paid on July 20, 2018.

AJG Group Note

On February 7, 2018, we issued a note payable to AJG Group in the amount of $200,000. This note accrued interest at a rate of 6% per annum and was due on February 7, 2019. We made a principal payment in the amount of $100,000 on this note on March 30, 2018; we then made an additional principal payment of $100,000, together with accrued interest in the amount of $3,337, on July 9, 2018.

Oasis Note

On June 27, 2018, we closed on the purchase of the remaining 90% of the membership interests of Alternative Solutions and the Oasis LLCs. The closing occurred pursuant to the Acquisition Agreement dated December 4, 2017, as amended. On such date, we made the payments to indirectly acquire the remaining 90% of the Oasis LLCs, which were equal to cash in the amount of $6,200,000, a $4.0 million promissory note due in December 2019 (the "Oasis Note"), and 22,058,823 shares of its common stock. The cash payment of $5,995,543 was less than the $6,200,000 payment originally contemplated because the Company assumed an additional $204,457 of liabilities. The Oasis Note bears interest at the rate of 6% per annum. The Oasis Note may be prepaid at any time without penalty. The Oasis Note is secured by all of the membership interests in Alternative Solutions and the Oasis LLCs and by the assets of the Oasis LLCs. We also applied for regulatory approval to own the additional 90% in membership interests in the Oasis LLCs, which we expect to receive in due course. The change of ownership in the Oasis LLCs to the Company will be recorded upon receipt of such regulatory approvals.

Related Party Debt

David Lamadrid Note

On February 26, 2018, we entered into a securities purchase agreement with David Lamadrid, ("Lamadrid"), our former President and Chief Financial Officer, whereby Mr. Lamadrid agreed to purchase a 8% Convertible Promissory Note in the aggregate principal amount of $31,250 (the "Lamadrid Note") from us due, subject to the terms therein, eighteen (18) months from the date of issuance.

Mr. Lamadrid could, at his option, convert all or a portion of the Lamadrid Note and accrued but unpaid interest into shares of common stock at a conversion price of $0.3125 per share. On the closing date, we also issued Mr. Lamadrid a three-year common stock purchase warrant to purchase 25,000 shares of our common stock at an initial exercise price of $0.75 per share.

On August 21, 2018, we received a conversion notice from Mr. Lamadrid notifying us that he had converted $31,250 in principal and $1,247 of accrued interest into 103,989 shares of our common stock.

Koretsky and Affiliate Notes

Between August 11, 2015 and May 31, 2017, we borrowed an aggregate of $1,657,000 from Frank Koretsky, a director of the Company, and $150,000 from CLS CO 2016, LLC and $465,000 from Newcan Investment Partners, LLC, two entities that are affiliated with Mr. Koretsky. These loans were unsecured, accrued interest between 6% and 15% per year, were due either on demand or within three years after the date of the applicable note, and, in some cases, were convertible into shares of our common stock and warrants at rates between $0.25 and 1.07 per share. Effective on May 31, 2017, we entered into the Omnibus Loan Amendment Agreement, whereby the portion of these loans that was advanced prior to December 31, 2017 was converted into our common stock, together with accrued interest on these loans. As a result of these conversions, Mr. Koretsky, CLS CO 2016 and Newcan converted an aggregate of $1,485,000, $150,000, and $460,000 in principal, and $130,069, 49,247 and $7,747 in accrued interest, into an aggregate of 6,460,276, 636,988 and 1,870,988 shares of common stock at $.25 per share. Pursuant to the Omnibus Loan Amendment Agreement, the conversion rate on all of the loans made by Mr. Koretsky, CO CLS 2016, and Newcan was reduced, if applicable, to $.25 per share and Mr. Koretsky and his affiliates gave up the right to receive warrants upon conversion. Thus, each of Mr. Koretsky, CLS CO 2016 and Newcan received 4,560,849, 488,159 and 1,433,841 shares of common stock in excess of what they would have received had they converted their loans into common stock prior to the effective date of the Omnibus Loan Amendment Agreement.

Between June 1, 2017 and May 31, 2018, we borrowed an aggregate of $145,000 from Newcan Investment Partners, LLC, an entity that is affiliated with Mr. Koretsky. These loans were unsecured, accrued interest at 10% per year, were due either on demand or within three years after the date of the applicable note, and were convertible into shares of our common stock and warrants at $0.25 per share. On January 10, 2018, effective December 1, 2017, we entered into the Second Omnibus Loan Agreement with Newcan and Mr. Binder. The Second Omnibus Loan Agreement provides that the conversion price of all outstanding convertible promissory notes issued to Newcan as of the date of the agreement would be increased from $0.25 to $0.3125 per share of common stock. The remaining terms of such notes remain unchanged. Following the Second Omnibus Loan Agreement, on March 12, 2018, Newcan converted all of its outstanding convertible loans, which totaled $956,658 in principal and $98,098 in accrued interest, into a total of 3,375,220 shares of our common stock.

On August 6, 2018, the we issued a convertible promissory note to Newcan, an entity owned by Frank Koretsky, a director of the Company, in the amount of $75,000.00 (the “Newcan Convertible Note 8”), to finalize the terms of repayment with respect to a certain loan made to the Company by Newcan on May 4, 2018. The Newcan Convertible Note 8 is unsecured and bears interest at the rate of 10% per annum. No payments are required until October 1, 2019, at which time all accrued interest becomes due and payable. Principal will be paid in eight equal quarterly installments, together with interest accrued thereon, beginning on January 1, 2020. The Notes may be prepaid by the Company with no penalty at any time upon thirty days written notice. The holder of the Newcan Convertible Note 9 may, at any time prior to payment or prepayment in full, convert all principal and accrued interest thereunder, in whole or in part, into securities of the Company. For each $0.40 converted, the holder will receive one share of the our common stock.

Binder Notes

Between June 1, 2015 and May 31, 2017, we borrowed an aggregate of $251,800 from Jeffrey Binder, a director and officer of the Company. These loans were unsecured, accrued interest between 6% and 10% per year, were due either on demand or within three years after the date of the applicable note, and, in some cases, were convertible into shares of our common stock and warrants at rates between $.25 and 1.07 per share. Effective on May 31, 2017, we entered into the Omnibus Loan Amendment Agreement, whereby the portion of these loans that was advanced prior to May 31, 2017 was converted into our common stock, together with accrued interest on these loans. As a result of these conversions, Mr. Binder converted an aggregate of $442,750 in principal and $19,427 in accrued interest, into an aggregate of 1,848,708 shares of common stock at $.25 per share. Pursuant to the Omnibus Loan Amendment Agreement, the conversion rate on all of the loans made by Mr. Binder was reduced, if applicable, to $.25 per share and Mr. Binder gave up the right to receive warrants upon conversion. Thus, Mr. Binder received 1,127,061 shares of common stock in excess of what he would have received had he converted his loans into common stock prior to the effective date of the Omnibus Loan Amendment Agreement.

Between June 1, 2017 and March 31, 2018, we borrowed an aggregate of $204,881 from Mr. Binder. These loans were unsecured, accrued interest at 10% per year, were due either on demand or within three years after the date of the applicable note, and were convertible into shares of our common stock and warrants at $0.25 per share. On January 10, 2018, effective December 1, 2017, we entered into the Second Omnibus Loan Agreement with Newcan and Mr. Binder. The Second Omnibus Loan Agreement provides that the conversion price of all outstanding convertible promissory notes issued to Mr. Binder as of the date of the agreement would be increased from $0.25 to $0.3125 per share of common stock. The remaining terms of such notes remain unchanged. Following the Second Omnibus Loan Agreement, on March 12, 2018, Mr. Binder converted all of his outstanding convertible loans, which totaled $464,698 in principal and $43,058 in accrued interest, into a total of 1,624,819 shares of our common stock.

On April 6, 2018, we issued Binder Convertible Note 9, in the amount of $37,500.00, to Mr. Binder with respect to certain compensation payable to Mr. Binder as of February 28, 2018. Binder Convertible Note 8 is unsecured and bears interest at the rate of 10% per annum. No payments are required until April 1, 2019, at which time all accrued interest becomes due and payable. Principal will be paid in eight equal quarterly installments, together with interest accrued thereon, beginning on July 1, 2019. The note may be prepaid by us with no penalty at any time upon thirty days written notice. Mr. Binder may, at any time prior to payment or prepayment in full, convert all principal and accrued interest thereunder, in whole or in part, into our securities. For each $0.3125 converted, Mr. Binder will receive one share of the our common stock.

Omnibus Loan Amendment Agreements

On May 31, 2017, we entered into an Omnibus Loan Amendment Agreement (the "Omnibus Loan Amendment") with Jeffrey I. Binder, Frank Koretsky, Newcan Investment Partners LLC and CLS CO 2016, LLC (collectively, the "Insiders"). Pursuant to the Omnibus Loan Amendment, we agreed with the Insiders to amend certain terms of loans the Insiders made to us for working capital purposes, which loans were initially demand loans, and, except for certain loans made in 2017, were later memorialized as convertible loans (the "Insider Loans"), in exchange for the agreement of the Insiders to convert all Insider Loans where funds were advanced prior to January 1, 2017, which total $2,537,750, plus $166,490 of accrued interest thereon, into an aggregate of 10,816,960 shares of our common stock, and forego the issuance of warrants to purchase our common stock upon conversion. This resulted in the issuance of an additional 7,609,910 shares compared to the original number of shares issuable upon conversion of the Insider Loans prior to the Omnibus Loan Agreement. We valued the shares at $0.125, which was the market price of our stock at the conversion date, and charged the amount of $951,239 to loss on modification of debt during the twelve months ended May 31, 2017.

We entered into the Omnibus Loan Amendment in order to ease the debt burden on us and prevent us from defaulting on the Insider Loans. Pursuant to the Omnibus Loan Amendment, the following amendments were made to the Insider Loans: (a) we reduced the conversion price on the Insider Loans from between $0.75 and $1.07 per share of common stock to $0.25 per share of common stock, in those cases where the conversion price was greater than $0.25, which reduced conversion price exceeds the closing price of the common stock during the last three months; (b) we deleted the requirement to issue warrants to purchase our common stock upon conversion of the Insider Loans; (c) we amended one Insider Loan to permit conversion of only the portion of the Insider Loan related to services that were provided to us prior to January 1, 2017; and (d) we amended the terms of the Insider Loans where funds were advanced on or after January 1, 2017, which Insider Loans were not converted into our common stock, to provide for, where not already the case, a 10% interest rate per annum, a $0.25 conversion price per share of common stock, and the deletion of the requirement that we issue warrants to purchase our common stock upon conversion of such Insider Loans.

On January 10, 2018, effective December 1, 2017, we entered into the Second Omnibus Loan Agreement with Jeffrey I. Binder, an officer and director of the Company, and Newcan, an entity owned by Frank Koretsky, a director of the Company. The Second Omnibus Loan Agreement provides that the conversion price of all outstanding convertible promissory notes issued to either Mr. Binder or Newcan as of the date of the such agreement would be increased from $0.25 to $0.3125 per share of common stock. The remaining terms of such notes remain unchanged.

Sales of Equity

WestPark Offering

During February and March 2018, we held four closings of the WestPark Offering, whereby we sold units for $1.25 per unit. Each unit consisted of four shares of common stock and one warrant to purchase one share of our common stock for $0.75 per share. We sold a total of 1,368,250 units in the WestPark Offering for aggregate gross proceeds of $1,710,313, and aggregate net proceeds of $1,460,918 after deduction of placement agent commissions, a non-accountable expense allowance and expenses associated with the offering. We also issued WestPark Capital, Inc., as placement agent, a five-year warrant to purchase 205,238 units at a price of $1.25 per unit. The unit warrant were valued at $503,655, which amount was charged to operations during the twelve months ended May 31, 2018. We used the proceeds of the WestPark Offering towards deposits due in connection with our acquisition of Oasis Cannabis and for general corporate purposes. During the three months ended August 31, 2018, we issued 1,368,250 four-year warrants at an exercise price of $0.50 per share at a fair value of $941,972 to the investors in the Westpark Offering as a penalty for failure to timely file a registration statement with respect to the securities we sold to them in the Westpark Offering.

The Canaccord Special Warrant Offering

On June 20, 2018, we executed an agency agreement with Canaccord Genuity Corp. and closed on a private offering of our special warrants for aggregate gross proceeds of CD$13,037,859 (USD$9,785,978). In connection therewith, we also entered into a special warrant indenture and a warrant indenture with Odyssey Trust Company, as special warrant agent and warrant agent.

Pursuant to the offering, we issued 28,973,019 special warrants at a price of CD$0.45 (USA$0.34) per special warrant. Each special warrant is automatically exercisable, for no additional consideration, into our units on the earlier of: (i) the date that is five business days following the date on which we obtain a receipt from the applicable securities regulatory authorities in each of the jurisdictions in Canada in which the special warrants were sold for a final prospectus qualifying the distribution of the units, which is intended to be no later than August 31, 2018, and (ii) the date that is four months and one day after the completion of our acquisition of all of the membership interests in Alternative Solutions, known as Oasis Cannabis, which occurred on June 27, 2018.

Upon exercise of the special warrants, each unit shall consist of one share of our common stock and one warrant to purchase one share of common stock. Each warrant will be exercisable at a price of CD$0.65 for three years after our common stock is listed on a recognized Canadian stock exchange, subject to adjustment in certain events. Because we did not receive a receipt from the applicable Canadian securities authorities for the qualifying prospectus by August 19, 2018, the unexercised special warrant will generally entitle the holder to receive 1.1 of our units instead of one unit.

In connection with the offering, we paid a cash commission and other fees equal to CD$1,413,267 (USD$1,060,773), a corporate finance fee equal to 1,448,651 special warrants with a fair value of USD$1,413,300, and 2,317,842 compensation broker warrants with a fair value of USD$1,495,373. Each compensation broker warrant entitles the holder thereof to acquire one unit at a price of CD$0.45 per unit for a period of 36 months from the date that our common stock is listed on a recognized Canadian stock exchange, subject to adjustment in certain events. During the three months ended August 31, 2018, we also issued investors 3,042,167 special warrants with a fair value of $7,142,550 as a penalty for failure to timely effect a Canadian prospectus with regard to the securities underlying the special warrants.

We used the proceeds for the Canaccord offering to close the purchase of Oasis Cannabis and for general corporate purposes.

The Navy Capital Investors

Effective July 31, 2018, we entered into a subscription agreement with Navy Capital Green International, Ltd., a British Virgin Islands limited company ("Navy Capital"), pursuant to which we agreed to sell to Navy Capital, for a purchase price of $3,000,000, 7,500,000 Units ($0.40 per unit), representing (i) 7,500,000 shares of our common stock, and (ii) three-year warrants to purchase an aggregate of 7,500,000 shares of our common stock (the "Warrant Shares") at an exercise price of $0.60 per share of common stock. The closing occurred on August 6, 2018. In the subscription agreement, we also agreed to file, on or before November 1, 2018, a registration statement with the SEC registering the shares of common stock and Warrant Shares issued to Navy Capital. If we fail to file the registration statement on or before that date, we must issue to Navy Capital an additional number of units equal to ten percent (10%) of the units originally subscribed for by Navy Capital (which will include additional warrants at the original exercise price). The warrant is exercisable from time to time, in whole or in part for three years. The warrant has anti-dilution provisions that provide for an adjustment to the exercise price in the event of a future sale of common stock at a lower price, subject to certain exceptions as set forth in the warrant. The warrant also provides that it is callable at any time after the bid price of our common stock exceeds 120% of the exercise price of the warrant for a period of 20 consecutive business days.

Between August 8, 2018 and August 10, 2018, we entered into five subscription agreements, pursuant to which we sold, for an aggregate purchase price of $2,750,000, 6,875,000 Units ($0.40 per unit), representing (i) 6,875,000 shares of our common stock, and (ii) three-year warrants to purchase an aggregate of 6,875,000 shares of our common stock at an exercise price of $0.60 per share of common stock. The balance of the terms set forth in the subscription agreements are the same as the terms in the Navy Capital subscription agreement summarized above.

We plan to use the proceeds of the Navy Capital offering to fund certain planned expansions at our City Trees and Oasis Cannabis businesses in Nevada and for general corporate purposes.

Liquidity and Capital Needs

Over the next twelve months we will likely require additional capital to cover our projected cash flow deficits, payments on the loan from YA PN II, the implementation of our business plan, including the expansion of our Nevada operation, and the development of other revenue sources, including our previously announced two proposed Massachusetts acquisitions and other possible acquisitions.

During the next twelve months we expect to complete phase 1 and possibly phase 2 of our expansion plan, which includes the substantial expansion of our grow facility in Nevada. At present, we estimate that we will require up to $3,000,000 to complete phase 1 and up to $2,000,000 to complete phase 2 of this expansion (excluding development of the outdoor space). We expect to fund the cost of this expansion from a portion of the proceeds of our previously announced proposed sale of up to $40 million in senior unsecured debentures through a Canadian agent on a commercially reasonable efforts private placement basis. We also plan to use the proceeds of this proposed offering to fund certain payments associated with our two proposed Massachusetts acquisitions, including working capital. We have not executed any definitive documents with respect to this financing and there can be no assurance that we will be successful in closing on all or any of the proposed offering amount. We may also pursue additional acquisitions in the next twelve months but we have not entered into any definitive agreements with respect to either additional acquisitions or the capital necessary to finance them.

Although our revenues are expected to grow as we expand our operations, our revenues are not expected to exceed operating costs until approximately the first quarter of 2019. Although we believe we have sufficient funds to sustain our operations at their current level until such time, if we require additional cash, we expect to obtain the necessary funds as described above; however, our prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies in their early stage of operations. To address these risks, we must, among other things, seek growth opportunities through additional debt and/or equity investments and acquisitions in our industry, successfully execute our business strategy, including our planned expansion and acquisitions, and successfully navigate any changes that may arise in the cannabis regulatory environment. We cannot assure that we will be successful in addressing such risks, and the failure to do so could have a material adverse effect on our business prospects, financial condition and results of operations.

Although PRH made one payment to us during fiscal 2018, because we do not know when we will re-visit commencing operations in Colorado, there can be no assurance that PRH will ever generate sufficient cash to repay the $500,000 loan from CLS Labs Colorado or to meet PRH's obligations under the Licensing Agreement or Equipment Lease. Further, due to the delays we encountered with the construction of our Colorado processing facility, we have placed our proposed Colorado operations on hold and will pursue revenue producing opportunities in other states.

Oasis Cannabis Transaction

On December 4, 2017, we entered into a Membership Interest Purchase Agreement, as amended (the "Acquisition Agreement"), with Alternative Solutions for us to acquire all of the outstanding equity interests in Alternative Solutions and the Oasis LLCs. Pursuant to the Acquisition Agreement, we paid a non-refundable deposit of $250,000 upon signing, which was followed by an additional payment of $1,800,000 approximately 45 days thereafter and were to receive, upon receipt of applicable regulatory approvals, an initial 10% of each of the Oasis LLCs. Regulatory approvals were received and the 10% membership interests were transferred to us.

On June 27, 2018, we closed on the purchase of the remaining 90% of the membership interests in Alternative Solutions and the Oasis LLCs from the owners thereof (excluding Alternative Solutions). The closing consideration was as follows: $5,995,543 in cash, a $4.0 million promissory note due in December 2019, known as the Oasis Note, and $6,000,000 in shares of our common stock. The cash payment of $5,995,543 was less than the $6,200,000 payment originally contemplated because the Company assumed an additional $204,457 of liabilities.

The number of shares to be issued was computed as follows: $6,000,000 divided by the lower of $1.00 or the conversion price to receive one share of our common stock in our first equity offering of a certain minimum size that commenced in 2018, multiplied by 80%. This price was determined to be $0.272 per share. The Oasis Note is secured by a first priority security interest over our membership interests in Alternative Solutions and the Oasis LLCs, and by the assets of each of the Oasis LLCs and Alternative Solutions. We also delivered a confession of judgment to a representative of the former owners of Alternative Solutions and the Oasis LLCs (other than Alternative Solutions) that will generally become effective in the event of any event of default under the Oasis Note.

Oasis currently owes certain amounts to a consultant known as 4Front Advisors, LLC. If we make any payments to this company post-closing, generally speaking, we will be entitled to deduct the present value of such payments from the principal amount due under the Oasis Note.

In May 2020, the former owners Alternative Solutions and the Oasis LLCs (other than Alternative Solutions) will also be entitled to a $1,000,000 payment from us if the existing dispensary operated by an Oasis LLC has maintained an average revenue of $20,000 per day during the 2019 calendar year.

The transfer of 90% of the membership interests in Alternative Solutions and the Oasis LLCs to us is ineffective unless approved by the State of Nevada and any municipality in which the Oasis LLC's operations is licensed. Such approvals are pending and we expect to receive them in due course.

Consulting Agreements

We periodically use the services of outside investor relations consultants. On July 24, 2018, we issued 700,000 shares of common stock with a fair value of $490,000 to Star Associates for services in connection with the Oasis acquisition. Star Associates is controlled by Andrew Glashow, a director of the Company.

Going Concern

Our financial statements were prepared using accounting principles generally accepted in the United States of America applicable to a going concern, which contemplate the realization of assets and liquidation of liabilities in the normal course of business. We have incurred continuous losses from operations since inception, have an accumulated deficit of $35,226,034 and had working capital of $814,166 at August 31, 2018. The report of our independent auditors for the year ended May 31, 2018, contained a going concern qualification. Our ability to continue as a going concern must be considered in light of the problems, expenses, and complications frequently encountered by early stage companies.

Our ability to continue as a going concern is dependent on our ability to generate sufficient cash from operations to meet our cash needs, to borrow capital and to sell equity to support our plans to acquire operating businesses, open processing facilities and finance ongoing operations. There can be no assurance, however, that we will be successful in our efforts to raise additional debt or equity capital and/or that cash generated by our future operations will be adequate to meet our needs. These factors, among others, indicate that we may be unable to continue as a going concern for a reasonable period of time.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

Critical Accounting Estimates

Management uses various estimates and assumptions in preparing our financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Accounting estimates that are the most important to the presentation of our results of operations and financial condition, and which require the greatest use of judgment by management, are designated as our critical accounting estimates. We have the following critical accounting estimates:

- Estimates and assumptions used in the valuation of derivative liabilities: Management utilizes a lattice model to estimate the fair value of derivative liabilities. The model includes subjective assumptions that can materially affect the fair value estimates.

Recently Issued Accounting Standards

Accounting standards promulgated by the Financial Accounting Standards Board ("FASB") are subject to change. Changes in such standards may have an impact on our future financial statements. The following are a summary of recent accounting developments.

In August 2016, the Financial Accounting Standards Board (the "FASB") issued ASU 2016-15, *Statement of Cash Flows (Topic 230).* The update addresses eight specific cash flow issues and is intended to reduce diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. This update will be effective for reporting periods beginning after December 15, 2017, including interim periods within the reporting period. Early adoption is permitted. We are currently evaluating the potential impact of the update on our financial statements.

In January 2017, the FASB issued ASU No. 2017-04, *Simplifying the Test for Goodwill Impairment*, which simplifies the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test. In computing the implied fair value of goodwill under Step 2, current U.S. GAAP requires the performance of procedures to determine the fair value at the impairment testing date of assets and liabilities (including unrecognized assets and liabilities) following the procedure that would be required in determining the fair value of assets acquired and liabilities assumed in a business combination. Instead, the amendments under this ASU require the goodwill impairment test to be performed by comparing the fair value of a reporting unit with its carrying amount. An impairment charge should be recognized for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. The ASU becomes effective for us on January 1, 2020. The amendments in this ASU will be applied on a prospective basis. Early adoption is permitted for interim or annual goodwill impairment tests performed.

In May 2017, the FASB issued ASU No. 2017-09, *Stock Compensation - Scope of Modification Accounting*, which provides guidance on which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting. The ASU requires that an entity account for the effects of a modification unless the fair value (or calculated value or intrinsic value, if used), vesting conditions and classification (as equity or liability) of the modified award are all the same as for the original award immediately before the modification. The ASU became effective for us on January 1, 2018, and will be applied prospectively to an award modified on or after the adoption date. Early adoption is permitted, including adoption in any interim period. We are currently assessing the impact that this standard will have on any awards that are modified.

Effective June 1, 2018, the we adopted Accounting Standards Codification ("ASC") 606 — Revenue from Contracts with Customers. Under ASC 606, the we recognize revenue from the commercial sales of products, licensing agreements and contracts to perform pilot studies by applying the following steps: (1) identify the contract with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to each performance obligation in the contract; and (5) recognize revenue when each performance obligation is satisfied. For the comparative periods, revenue has not been adjusted and continues to be reported under ASC 605 — Revenue Recognition. Under ASC 605, revenue is recognized when the following criteria are met: (1) persuasive evidence of an arrangement exists; (2) the performance of service has been rendered to a customer or delivery has occurred; (3) the amount of fee to be paid by a customer is fixed and determinable; and (4) the collectability of the fee is reasonably assured. There was no impact on our financial statements as a result of adopting Topic 606.

In July 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2017-11, Earnings Per Share (Topic 260), Distinguishing Liabilities from Equity (Topic 480), Derivatives and Hedging (Topic 815). The amendments in Part I of this update change the classification analysis of certain equity-linked financial instruments (or embedded features) with down round features.

When determining whether certain financial instruments should be classified as liabilities or equity instruments, a down round feature no longer precludes equity classification when assessing whether the instrument is indexed to an entity's own stock. The amendments also clarify existing disclosure requirements for equity-classified instruments. As a result, a freestanding equity-linked financial instrument (or embedded conversion option) no longer would be accounted for as a derivative liability at fair value as a result of the existence of a down round feature. For freestanding equity classified financial instruments, the amendments require entities that present earnings per share (EPS) in accordance with Topic 260 to recognize the effect of the down round feature when it is triggered. That effect is treated as a dividend and as a reduction of income available to common shareholders in basic EPS. Convertible instruments with embedded conversion options that have down round features are now subject to the specialized guidance for contingent beneficial conversion features (in Subtopic 470-20, Debt—Debt with Conversion and Other Options), including related EPS guidance (in Topic 260). The amendments in Part II of this update recharacterize the indefinite deferral of certain provisions of Topic 480 that now are presented as pending content in the Codification, to a scope exception.

Those amendments do not have an accounting effect. For public business entities, the amendments in Part I of this update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted for all entities, including adoption in an interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period.

On June 1, 2018, the we adopted ASU 2017-11 and accordingly reclassified the fair value of the reset provisions embedded in convertible notes payable and certain warrants with embedded anti-dilutive provisions from liability to equity in the aggregate amount of $1,265,751.

Management does not believe that any other recently issued, but not yet effective, accounting standards, if currently adopted, would have a material effect on the accompanying unaudited condensed consolidated financial statements.

Item 3. Quantitative and Qualitative Disclosure about Market Risk.

This item is not applicable as we are currently considered a smaller reporting company.

Item 4. Controls and Procedures.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit pursuant to the requirements of the Securities Exchange Act of 1934 is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, among other things, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file under the Securities Exchange Act is accumulated and communicated to our management, including our principal executive and financial officers, as appropriate, to allow timely decisions regarding required disclosure.

Evaluation of Disclosure Controls and Procedures

Jeffrey Binder, our Chief Executive Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this report. Based on the evaluation, Mr. Binder concluded that our disclosure controls and procedures are not effective in timely alerting him to material information relating to us that is required to be included in our periodic SEC filings and ensuring that information required to be disclosed by us in the reports we file or submit under the Act is accumulated and communicated to our management, including our chief financial officer, or person performing similar functions, as appropriate to allow timely decisions regarding required disclosure, for the following reasons:

- We do not have an independent board of directors or adequate segregation of duties;

- We have not established a formal written policy for the approval, identification and authorization of related party transactions

- We do not have an independent body to oversee our internal controls over financial reporting and lack segregation of duties due to our limited resources.

We plan to rectify these weaknesses by implementing an independent board of directors and hiring additional accounting personnel once we have additional resources to do so.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal controls over financial reporting that occurred during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

We know of no material pending legal proceedings to which the Company is a party or of which any of its property is the subject. In addition, we do not know of any such proceedings contemplated by any governmental authorities.

Item 1A. Risk Factors.

This item is not applicable as we are currently considered a smaller reporting company.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

All sales of unregistered securities during the reporting period were previously reported on Form 8-K.

Item 3. Defaults upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

None.

Item 5. Other Information.

None.

CLS HOLDINGS USA, INC.

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE FINANCIAL YEARS ENDED MAY 31, 2018 AND MAY 31, 2017

(FROM CLS HOLDINGS USA, INC. FORM 10-K)

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The management's discussion and analysis of financial condition of the Company as at and for the years ended May 31, 2018 and May 31, 2017, should be read in conjunction the Consolidated Financial Statements of the Company included in this Report. The MD&A is presented as of the date of this Report and is current to that date unless otherwise stated. The financial information presented in the MD&A is derived from the Consolidated Financial Statements of the Company. The MD&A contains forward-looking statements that involve risks, uncertainties and assumptions, including statements regarding anticipated developments in future financial periods and our plans and objectives. There can be no assurance that such information will prove to be accurate, and readers are cautioned not to place undue reliance on such forward-looking statements. See "Forward-Looking Statements" and "Risk Factors" in this Reports.

Unless otherwise stated, all dollar amounts in the MD&A are in United States dollars.

History and Outlook

We were incorporated on March 31, 2011 as Adelt Design, Inc. to manufacture and market carpet binding art. Production and marketing of carpet binding art never commenced. On November 20, 2014, we adopted amended and restated articles of incorporation, thereby changing our name to CLS Holdings USA, Inc. Effective December 10, 2014, we effected a reverse stock split of our issued and outstanding common stock at a ratio of 1-for-0.625 (the "Reverse Split"), wherein 0.625 shares of our common stock were issued in exchange for each share of common stock issued and outstanding.

On April 29, 2015, the Company, CLS Labs and the Merger Sub consummated the Merger, whereby the Merger Sub merged with and into CLS Labs, with CLS Labs remaining as the surviving entity. As a result of the Merger, we acquired the business of CLS Labs and abandoned our previous business. As such, only the financial statements of CLS Labs are included herein.

CLS Labs was originally incorporated in the state of Nevada on May 1, 2014 under the name RJF Labs, Inc. before changing its name to CLS Labs, Inc. on October 24, 2014. It was formed to commercialize a proprietary method of extracting cannabinoids from cannabis plants and converting the resulting cannabinoid extracts into concentrates such as oils, waxes, edibles and shatter. These concentrates may be ingested in a number of ways, including through vaporization via electronic cigarettes ("e-cigarettes"), and used for a variety of pharmaceutical and other purposes. Testing in conjunction with two Colorado growers of this extraction method and conversion process has revealed that it produces a cleaner, higher quality product and a significantly higher yield than the cannabinoid extraction processes currently existing in the marketplace.

On April 17, 2015, CLS Labs took its first step toward commercializing its proprietary methods and processes by entering into the Colorado Arrangement through its wholly owned subsidiary, CLS Labs Colorado, with certain Colorado entities, including PRH. During 2017, we suspended our plans to proceed with the Colorado Arrangement due to regulatory delays and have not yet determined when we will pursue it again.

We have been issued a U.S. patent with respect to our proprietary method of extracting cannabinoids from cannabis plants and converting the resulting cannabinoid extracts into concentrates such as oils, waxes, edibles and shatter. These concentrates may be ingested in a number of ways, including through vaporization via electronic cigarettes, and used for a variety of pharmaceutical and other purposes. Internal testing of this extraction method and conversion process has revealed that it produces a cleaner, higher quality product and a significantly higher yield than the cannabinoid extraction processes currently existing in the marketplace. We have not commercialized our proprietary process. We plan to generate revenues through licensing, fee-for-service and joint venture arrangements related to our proprietary method of extracting cannabinoids from cannabis plants and converting the resulting cannabinoid extracts into saleable concentrates.

We intend to monetize our extraction and conversion method and generate revenues through (i) the licensing of our patented processes to others, (ii) the processing of cannabis for others, and (iii) the purchase of cannabis and the processing and sale of cannabis-related products. We plan to accomplish this through the acquisition of companies, the creation of joint ventures, through licensing agreements, and through fee-for-service arrangements with growers and dispensaries of cannabis products. We believe that we can establish a position as one of the premier cannabinoid extraction and processing companies in the industry. Assuming we do so, we then intend to explore the creation of our own brand of concentrates for consumer use, which we would sell wholesale to cannabis dispensaries. We believe that we can create a "gold standard" national brand by standardizing the testing, compliance and labeling of our products in an industry currently comprised of small, local businesses with erratic and unreliable product quality, testing practices and labeling. We also plan to offer consulting services through Cannabis Life Sciences Consulting, LLC, which will generate revenue by providing consulting services to cannabis-related businesses, including growers, dispensaries and laboratories, and driving business to our processing facilities.

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On December 4, 2017, we entered into a Membership Interest Purchase Agreement (the "Acquisition Agreement") with Alternative Solutions to acquire the outstanding equity interests in three of its subsidiaries (collectively, the "Oasis LLCs"), Serenity Wellness Center LLC d/b/a/ Oasis Medical Cannabis, Serenity Wellness Growers LLC, and Serenity Wellness Products LLS. Pursuant to the Acquisition Agreement, as amended, we paid a non-refundable deposit of $250,000 upon signing, which was followed by an additional payment of $1,800,000 on February 5, 2018, for an initial 10% of Alternative Solutions and each of the subsidiaries. At the closing of our purchase of the remaining 90% of the ownership interests in Alternative Solutions and the Oasis LLCs, which occurred on June 27, 2018, we paid the following consideration:$6,200,000 in cash, a $4.0 million promissory note due in December 2019, and $6,000,000 in shares of our common stock. The Oasis LLCs collectively own and operate a vertically integrated cannabis business, including one dispensary, in Las Vegas, Nevada. Our ownership of the Oasis LLCs is subject to the approval of state and local regulators. We have already received such approvals for our initial acquisition of the 10% interest in Alternative Solutions and the Oasis LLCs and expect to receive the approvals for the remaining ownership interests in due course. The change of ownership in the Oasis LLCs to us will be recorded upon receipt of such regulatory approvals.

On January 4, 2018, the Attorney General of the United States issued new written guidance concerning the enforcement of federal laws relating to marijuana. The Attorney General's memorandum stated that previous DOJ guidance specific to marijuana enforcement, including the memorandum issued by former Deputy Attorney General James Cole on August 29, 2013 (as amended on February 14, 2014, the "Cole Memo") is unnecessary and is rescinded, effective immediately. The Cole Memo told federal prosecutors that in states that had legalized marijuana, they should use their prosecutorial discretion to focus not on businesses that comply with state regulations, but on illicit enterprises that create harms like selling drugs to children, operating with criminal gangs, and selling across state lines. In addition, since 2014, the federal budget has prohibited the DOJ from using federal funds to prosecute medical cannabis businesses pursuant to a budget rider, which must be renewed annually and is presently set to expire on January 19, 2018. The Attorney General has now advised that it will be left to the discretion of the local US attorneys in the various districts to decide how and when to enforce the federal marijuana laws. As a result of the Attorney General's recent guidance, it is unclear whether and how US attorneys in states with medical and/or recreational marijuana laws will enforce federal laws relating to the prohibition of the possession, ownership or sale of marijuana, among other things. It is also unclear whether any states will challenge the Attorney General's new pronouncement in the applicable courts. However, as a result of the Attorney General's new guidance, some banks, clearing brokers and other businesses may cease or limit how they do business with companies in the marijuana business to avoid a possible violation of federal law. It is also possible that some US attorneys may begin enforcing federal laws to prevent marijuana businesses that are otherwise validly operating under state laws, from conducting business. Thus, regardless of whether the Attorney General's new pronouncement is enforced or found to be lawful, it could have a material adverse impact on the marijuana industry, including our business.

We incurred a net loss of $9,577,484 for the year ended May 31, 2018, resulting in an accumulated deficit as of May 31, 2018 of $18,569,094. These conditions raise substantial doubt about our ability to continue as a going concern.

Results of Operations for the years ended May 31, 2018 and May 31, 2017.

Revenues

The Company had no revenues for the years ended May 31, 2018 and 2017.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased $102,604, or approximately 14%, to $821,374 during the year ended May 31, 2018, compared to $718,770 for the year ended May 31, 2017. General and administrative expenses consisted primarily of general office expenses, travel costs, rent expense, and payroll expenses. The increase in selling general and administrative expenses for the year ended May 31, 2018 was primarily due to an increase in non-cash compensation costs, related to restricted stock granted to our former Chief Financial Officer**.** We expect general and administrative expenses to increase in future periods as we implement our business plan and commence operations.

Startup Costs

Startup costs were $0 for the year ended May 31, 2018, compared to $141,739 for the year ended May 31, 2017. Startup costs consisted of costs incurred in preparing to commence operation of our processing facility in Colorado. We suspended our planned Colorado operation in 2017 due to regulatory delays.

Professional Fees

Professional fees increased $1,544,220, or approximately 206%, to $2,294,666 during the year ended May 31, 2018, compared to $750,446 for the year ended May 31, 2017. This increase was due primarily to increases in non-cash offering fees, consulting fees, investor relations fees, and legal fees associated with our capital raises and related SEC filings during the year ended May 31, 2018. .

Interest Expense

Our interest expense was $4,709,940 for the year ended May 31, 2018, an increase of 2,138,769, or 83%, compared to $2,571,171 for the year ended May 31, 2017. For the year ended May 31, 2018, interest expense consisted of $2,534,103 of amortization of discounts on convertible notes payable to third parties, $1,919,042 of interest on third party debt, $96,720 of interest on related party debt, $33,000 of original issue discount amortization associated with third party debt, and $1,076 of imputed interest associated with $17,930 due to related parties. The increase in interest expense for the year ended May 31, 2018 compared to the prior fiscal year was primarily due to the increase in the derivative financial liability recorded in connection with the convertible notes and warrants that we issued during the year ended May 31, 2018. These new convertible notes, in the aggregate original principal amount of $1,688,000, together with, in some cases, our issuance of warrants, accounted for $1,188, 996 of this increase in interest expense. In addition, interest expense increased due to an increase in the amortization of discounts on convertible notes payable that is attributable to the beneficial conversion feature of these notes by $259,585 during the year ended May 31, 2018 compared to the prior fiscal year. Interest expense also increased by $126,000 due to deferred financing expenses associated with the issuance of convertible debt during the year ended May 31, 2018.

Gain on Settlement of Debt

During the year ended May 31, 2018, we recognized a gain on the settlement of accounts payable in the amount of $3,480 because we repaid an account using our common stock. There was no comparable transaction during the prior year.

Loss on Modification of Debt

Related Party Debt. During the year ended May 31, 2017, we recognized a loss on the modification of related party debt in the amount of $951,239. There was no such gain or loss during the year ended May 31, 2018. Effective May 31, 2017, pursuant to the Omnibus Loan Agreement, the holders of an aggregate of $2,537,750 of principal and $166,490 of accrued interest converted these amounts at the rate of $0.25 per share into an aggregate of 7,609,910 shares of our common stock. Loss on modification of debt was calculated as the difference between the market price of our common stock at the conversion date of $0.125 and the conversion price of $0.25, or $951,239.

Third Party Debt. During the year ended May 31, 2018, we recognized a loss on modification of debt in the amount of $29,145 related to the amendment of the 8% Note. This represented a decrease in the amount of $14,189 compared to the loss on modification of debt in the amount of $43,334 reported during the year ended May 31, 2017. During the year ended May 31, 2017, we modified both the 10% Notes and the 8% Note, which included increasing the principal balances of all such notes by 10%. These amendments resulted in a loss on the modifications of such notes in the aggregate amount of $43,334 during the year ended May 31, 2017..

Loss on Note Exchange

During the year ended May 31, 2018, we recognized a loss on the exchange of debt in the amount of $404,532. This loss related to the exchange of the April 2015 Note for our common stock. There was no comparable transaction during the prior year.

Loss on Extinguishment of Debt

During the year ended May 31, 2018, we recognized a loss on the extinguishment of debt in the amount of $989,032. This loss is related to the exchange of the 8% Note for our common stock. There was no comparable transaction during the prior year.

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Prepayment Penalty

During the year ended May 31, 2018, we incurred a prepayment penalty in the amount of $137,000 related to the redemption of the FireFire note payable. There was no comparable transaction during the prior year.

Change in Fair Value of Derivative Liability

During the years ended May 31, 2018 and 2017, we had outstanding convertible promissory notes that contained conversion price reset features, which require us to value and record a derivative liability related to this provision on a quarterly basis. We revalued the derivative liability at May 31, 2018 at $1,265,751, which resulted in a loss of $195,725. We also revalued the derivative liability at May 31, 2017, at $95,276, which resulted in a gain of $310,975. In both cases, we included the applicable loss or gain in the results of operations for the applicable year. Management utilizes a lattice model to estimate the fair value of derivative liabilities.

Net Loss

For the reasons stated above, our net loss for the year ended May 31, 2018 was $9,577,484 compared to $4,865,724 for the year ended May 31, 2017, an increase of 4,711,760, or 97%. The net loss per diluted share for the year ended May 31, 2018 was $0.24, compared to a net loss per diluted share of $0.23 for the year ended May 31, 2017. These amounts were computed based on the weighted average of 39,224,613 and 20,778,785 shares outstanding during the fiscal years ended May 31, 2018 and 2017, respectively.

Liquidity and Capital Resources

The following table summarizes our current total assets, liabilities and working capital at May 31, 2018 and 2017:

	May 31, 2018	May 31, 2017
Current Assets	$ 54,374	$ 79,720
Current Liabilities	$ 2,689,148	$ 1,826,478
Working Capital (Deficit)	$ (2,634,774)	$ (1,746,758)

At May 31, 2018 and May 31, 2017, we had a working capital deficit of $2,634,774 and $1,746,758, respectively. This working capital deficit occurred primarily because we had not yet commenced earning revenues as of May 31, 2018. On June 27, 2018, when we closed on the acquisition of the Oasis Cannabis companies, we also commenced earning revenues, Because such revenues do not currently exceed the expenses of the Oasis Cannabis, we are likely to maintain a working capital deficit for the foreseeable future. During the year ended May 31, 2018, we obtained loans from our officers and directors and issued convertible loans to cover operating expenses. We also issued convertible debt and sold equity to raise the funds required to acquire Oasis Cannabis. We are presently seeking to expand the Oasis Cannabis and related City Trees businesses and Nevada and are considering other potential acquisitions. This working capital deficit will likely continue to increase until we complete at least the first phase of our expansion plan at Oasis Cannabis. We have operated at a loss since inception.

Cash flows used in operations were $1,425,298 during the year ended May 31, 2018, an increase of $242,993 or 21%, compared to $1,182,305 during the year ended May 31, 2017. Although our net loss for the year ended May 31, 2018 increased by $4,711,760, or 97%, from the year ended May 31, 2017, most of this increase was due to non-cash expenses, such as the amortization of debt discount of $2,534,103, loss on extinguishment of debt of $989,032, and share based compensation of $794,607. Cash used in operations increased by only $242,993, or approximately 21% for the year.

Cash used in investing activities were $2,050,000 for the year ended May 31, 2018, an increase of $2,014,987, or 5,755%, compared to $35,013 during the year ended May 31, 2017. During the year ended May 31, 2018, we made cash payments in the amount of $2,050,000 for our investment in Alternative Solutions.

Cash flows provided by financing activities were $3,449,952 during the year ended May 31, 2018, an increase of $2,242,568 or 186% compared to $1,207,384 provided during the year ended May 31, 2016. During the year ended May 31, 2018, we borrowed approximately $1,655,000 by issuing convertible notes payable to FirstFire, Darling Capital, Efrat Investments, and YA II PN, and an additional $761,829 by issuing convertible notes payable to related parties. We also raised $410,000 from the issuance of notes payable, and $1,460,917 from the sale of equity in the WestPark Offering. In addition, we made principal payments in the amount of $500,000, $237,794, and $100,000 under convertible notes payable, convertible notes payable to related parties, and notes payable, respectively. During the year ended May 31, 2017, we borrowed approximately $1,597,550 from our officers and directors, and made principal payments in the amounts of $329,166 and $61,000 on convertible notes payable and convertible notes payable to related parties, respectively.

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Third Party Debt

The table below summarizes the status of our third party debt and reflects whether such debt remains outstanding, has been repaid, or has been converted into or exchanged for our common stock:

Name of Note	Original Principal Amount		Outstanding or Repaid	Payment Details
April 2015 Note	$	200,000	Repaid	Repaid in part and exchanged in part
Old Main 8% Note	$	200,000	Repaid	Exchanged for 4,500,000 shares
FirstFire Note	$	363,000	Repaid	Repaid
Darling Capital Note	$	550,000	Repaid	Converted into 1,808,000 shares
Efrat Investments Note	$	55,000	Repaid	Converted into 183,040 shares
YA II PN Note	$	1,250,000	Outstanding	Repayment commences December 2018
Oasis Note	$	4,000,000	Outstanding	Due December 2019

April 2015 Note

On April 29, 2015, we issued a convertible promissory note (the "April 2015 Note") to an unaffiliated individual in the amount of $200,000. Interest accrued on the April 2015 Note at a rate of 15% per annum. On the first anniversary of the April 2015 Note, all then-accrued interest was due thereunder. Thereafter, principal together with accrued interest was due in eight (8) equal quarterly payments, in arrears, commencing on July 1, 2016. All outstanding principal and any accumulated unpaid interest thereon was due and payable on the third anniversary of note. At the holder's election, at any time prior to payment or prepayment of the April 2015 Note in full, all principal and accrued interest under the April 2015 Note could be converted in whole, but not in part, into our securities. For each dollar converted, the holder would receive two shares of common stock and a three-year warrant to purchase 1.33 shares of common stock at $0.75 per share. During the year ended May 31, 2017, we repaid principal in the amount of $100,000 and interest in the amount of $53,837 on this note.

On September 20, 2017, we entered into an exchange agreement, whereby we agreed to exchange the April 2015 Note for 1,500,000 shares of our common stock. The holder of the April 2015 Note had previously sold it for $105,219, which represented the balance due by us, to StarForce Media, Inc., an entity that is not affiliated with us. We recognized a loss on this exchange in the amount of $404,082, which was charged to operations during the twelve months ended May 31, 2018. We also expensed the remaining discount in the amount of $18,155 to interest expense during the twelve months ended May 31, 2018.

Old Main 8% Note and Equity Line

On March 18, 2016, we issued Old Main an 8% Convertible Promissory Note (the “8% Note”) in the principal amount of $200,000 for Old Main’s commitment to enter into an equity line transaction with us and prepare all of the related transaction documents. The 8% Note bore interest at the rate of 8% per annum. On October 6, 2016, we amended the 8% Note, among other documents (the “First Amendment”) to defer the commencement of amortization payments on the 8% Note so that they commenced at the earlier of February 3, 2017 or on the date the registration statement with respect to the underlying shares had been declared effective by the SEC. On such date, we were required to begin to redeem 1/6th of the face amount of the 8% Note and any accrued but unpaid interest on a monthly basis. Such amortization payment could be made, at our option, in cash or, subject to certain conditions, in our common stock pursuant to a conversion rate equal to the lower of (a) $1.07 (the “8% Note Fixed Conversion Price”) or (b) 75% of the lowest VWAP in the twenty (20) consecutive trading days ending on the trading day that is immediately prior to the applicable conversion date.

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On November 28, 2016, we entered into a Second Amendment to the 8% Note issued on March 18 (the "Second Amendment") to amend the 8% Note, among other documents, as amended by the First Amendment, in certain respects. Pursuant to the Second Amendment, among other things, the 8% Note was converted from an installment note to a "balloon" note, with all principal and interest on the 8% Note due on March 18, 2017; the Fixed Conversion Price associated with the 8% Note was changed to a variable conversion price equal to the lesser of the prior Fixed Conversion Price or 75% of the lowest VWAP in the fifteen trading days ending on the trading day immediately prior to the conversion date; our ability to repay the 8% Note with our common stock was deleted except pursuant to a voluntary conversion by Old Main; and Old Main was prohibited from selling, per trading day, an amount of our common stock in excess of the greater of $5,000 or 25% of the average number of shares of common stock sold per day for the five trading days preceding the day of sale multiplied by the average daily VWAP during the immediately preceding 5-trading day period.

On March 27, 2017, we entered into the third amendment to the 8% Note, which, among other things, increased the outstanding amount due under the 8% Note as of March 18, 2017 by 5%. In exchange for doing so, Old Main agreed to extend the maturity of the 8% Note until July 1, 2017 and to suspend conversions under the 8% Note until July 1, 2017.

On July 6, 2017, we entered into the fourth amendment to the 8% Note (the "Fourth Amendment") to further amend the terms of the 8% Note. Pursuant to the Fourth Amendment, the maturity date of the 8% Note was extended to July 15, 2017 and the outstanding balance of the 8% Note as of June 30, 2017 was increased by multiplying it by 1.075. The Fourth Amendment was effective on June 30, 2017.

On August 23, 2017, we entered into the fifth amendment to the 8% Note (the "Fifth Amendment") to further amend the terms of the 8% Note. Pursuant to the Fifth Amendment, the maturity date of the 8% Note was extended to September 15, 2017 and the outstanding balance remained unchanged. The Fifth Amendment was effective on July 15, 2017.

On September 25, 2017, but effective as of September 15, 2017, we entered into an exchange agreement, whereby we agreed to exchange the 8% Note for 4,500,000 shares of our common stock. Pursuant to an oral agreement with the original holder of the 8% Note, principal due under the 8% note was increased by $96,862 to a total of $322,612 prior to the date on which the exchange of the 8% Note for common stock occurred.

On April 18, 2016, we also entered into an equity line agreement with Old Main whereby we may issue and sell to Old Main, at our option from time to time, up to $4,000,000 of our common stock at a purchase price equal to 80% of the lowest VWAP of the common stock during a five day "Valuation Period."

On October 6, 2016, we entered into an amendment to the equity line Agreement to amend the new commitment period, which is 24 months from the date of this amendment. Second, the equity line agreement was amended to prohibit us from delivering a subsequent put notice from the beginning of any "Valuation Period" until the fourth trading day immediately following the closing associated with the prior put notice. Third, the beneficial ownership limitation was amended to increase the beneficial ownership limitation to 9.99% and to remove the ability of Old Main to increase or decrease the beneficial ownership limitation. We have not "put" any common stock to Old Main under the equity line Agreement.

FirstFire Note

On November 15, 2017, we entered into a securities purchase agreement with FirstFire Global Opportunities Fund, LLC ("FirstFire"), whereby FirstFire agreed to purchase a 5% senior convertible promissory note in the aggregate principal amount of $363,000 (the "FirstFire Note") from us due, subject to the terms therein, seven (7) months from the date of issuance, for a purchase price of $330,000.

The FirstFire Note bore interest at the rate of 5% per annum. Any past due accrued and unpaid interest to be paid under the FirstFire Note was to bear interest at the lesser of 15% per annum or the maximum rate permitted by applicable law. At any time prior to the 180th day following the date of issuance, we could prepay all or any portion of the principal amount of the FirstFire Note and any accrued and unpaid interest by paying the following amounts: (i) within the initial 90 days after the date of issuance: 115% multiplied by the principal amount then due plus accrued interest; and (ii) from the 91st day through the 180th day after the date of issuance: 125% multiplied by the principal amount then due plus accrued interest.

The FirstFire Note was convertible at any time into shares of our common stock, at the option of the holder, at an initial conversion rate equal $0.40 per share of common stock (the "Fixed Conversion Price"). Any time on or after the 180th day after the issuance of the FirstFire Note, the conversion price would equal the lower of (a) the Fixed Conversion Price or (b) 75% of the lowest traded price of our common stock in the 20 consecutive trading days immediately prior to the day that we receive the applicable conversion notice.

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On the closing date, we also issued FirstFire a three-year common stock purchase warrant to purchase 350,000 shares of our common stock at an initial exercise price of $0.75 per share and agreed to issue FirstFire promptly following the closing date 250,000 shares of our restricted common stock as a commitment fee to enter into the purchase agreement and prepare all of the related transaction documents.

During the three months ended February 28, 2018, an event occurred that triggered the reduction of the FirstFire Fixed Conversion Price from $0.40 per share to $0.3125 per share.

On May 9, 2018, we entered into an amendment to the FirstFire Note, whereby we agreed to make a $50,000 payment on or before May 14, 2018 and a $450,000 payment on or before May 31, 2018 to repay the FirstFire Note in full. We also agreed to issue an additional warrant to purchase 25,000 shares of our common stock. In exchange, the note holder agreed that it would not convert the FirstFire Note until after May 31, 2018. During the twelve months ended May 31, 2018, we made payments of $500,000 on this note, which amounts repaid the FirstFire Note in full.

Darling Capital Note

On February 5, 2018, we entered into a securities purchase agreement with Darling Capital LLC, ("Darling"), whereby Darling agreed to purchase a 8% convertible promissory note in the aggregate principal amount of $550,000 (the "Darling Note") from us due, subject to the terms therein, eighteen (18) months from the date of issuance, for a purchase price of $500,000.

Darling could, at its option, convert all or a portion of the Darling Note and accrued but unpaid interest into shares of common stock at a conversion price of $0.3125 per share. On the closing date, we also issued Darling a three-year common stock purchase warrant to purchase 400,000 shares of our common stock at an initial exercise price of $0.75 per share.

On June 12, 2018, we received a conversion notice from Darling notifying us that it had converted $550,000 in principal and $15,000 of accrued interest into 1,808,000 shares of our common stock.

Efrat Investments Note

On February 16, 2018, we entered into a securities purchase agreement with Efrat Investments LLC, ("Efrat"), whereby Efrat agreed to purchase a 8% convertible promissory note in the aggregate principal amount of $55,000 (the "Efrat Note") from us due, subject to the terms therein, eighteen (18) months from the date of issuance, for a purchase price of $50,000.

Efrat could, at its option, convert all or a portion of the Efrat Note and accrued but unpaid interest into shares of common stock at a conversion price of $0.3125 per share. On the closing date, we also issued Efrat a three-year common stock purchase warrant to purchase 40,000 shares of our common stock at an initial exercise price of $0.75 per share.

On August 9, 2018, we received a conversion notice from Efrat notifying us that it had converted $55,000 in principal and $2,200 of accrued interest into 183,040 shares of our common stock.

The YA II PN, Ltd. Notes

On May 11, 2018, we entered into a securities purchase agreement with YA II PN, Ltd. ("YA II"), pursuant to which we agreed to sell to YA II, in two closings, (i) convertible debentures in the aggregate principal amount of $1,250,000, plus accrued interest, which may be converted into shares of our common stock, at the discretion of either YA II or us in accordance with the terms of the debentures, and (ii) five-year warrants to purchase an aggregate of 3,125,000 shares of our common stock at $0.60 per share of common stock. At the first closing, which occurred on May 14, 2018, we issued a $750,000 debenture to YA II and warrants to purchase 1,875,000 shares of our common stock. At the second closing, which occurred on July 20, 2018, we issued a $500,000 debenture to YA II and warrants to purchase 1,250,000 additional shares of our common stock.

The debentures bear interest at the rate of 8% per annum. If an event of default occurs and for so long as such event of default remains uncured, the interest rate on the debentures shall immediately become 15% per annum and shall remain at such increased interest rate until the applicable event of default is cured.

Commencing on December 1, 2018 and on the first day of each month thereafter through July 1, 2019 (each an "Installment Date"), we shall pay to YA II one-eighth of the principal amount of the debentures, plus accrued and outstanding interest (the "Installment Amount"), plus 20% of the of the Installment Amount for Installment Amounts due within 180 days following the date of execution of the purchase agreement, and 25% of the Installment Amount for Installment Amounts due thereafter in cash or by converting such Installment Amount into shares of our common stock. if we have met the applicable conditions for such a conversion and as long as the conversion does not exceed certain maximum amounts.

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Pursuant to the terms of the debentures, YA II may elect to convert any portion of the principal and accrued interest under the debentures into our common stock at a fixed conversion price of $0.40 per share. The fixed conversion price may change if certain dilutive events or issuances occur. In addition, we may, at our sole discretion, make an Installment Payment using our common stock if certain conditions have been met. In such case, the applicable conversion price would be equal to 75% of the VWAP of our common stock during the fifteen consecutive trading days immediately preceding such conversion.

Oasis Note

On June 27, 2018, the Company closed on the purchase of the remaining 90% of the membership interests of Alternative Solutions and the Oasis LLCs. The closing occurred pursuant to the Acquisition Agreement dated December 4, 2017, as amended. On such date, the Company made the payments to indirectly acquire the remaining 90% of the Oasis LLCs, which were equal to cash in the amount of $6,200,000, a $4.0 million promissory note due in December 2019 (the "Oasis Note"), and 22,058,823 shares of its common stock. The Oasis Note bears interest at the rate of 6% per annum. The Oasis Note may be prepaid at any time without penalty. The Oasis Note is secured by all of the membership interests in Alternative Solutions and the Oasis LLCs and by the assets of the Oasis LLCs. The Company also applied for regulatory approval to own the additional 90% in membership interests in the Oasis LLCs, which it expects to receive in due course. The change of ownership in the Oasis LLCs to the Company will be recorded upon receipt of such regulatory approvals.

Related Party Debt

David Lamadrid Note

On February 26, 2018, we entered into a securities purchase agreement with David Lamadrid, ("Lamadrid"), our former President and Chief Financial Officer, whereby Mr. Lamadrid agreed to purchase a 8% convertible promissory note in the aggregate principal amount of $31,250 (the "Lamadrid Note") from us due, subject to the terms therein, eighteen (18) months from the date of issuance.

Mr. Lamadrid could, at his option, convert all or a portion of the Lamadrid Note and accrued but unpaid interest into shares of common stock at a conversion price of $0.3125 per share. On the closing date, we also issued Mr. Lamadrid a three-year common stock purchase warrant to purchase 25,000 shares of our common stock at an initial exercise price of $0.75 per share.

On August 21, 2018, we received a conversion notice from Mr. Lamadrid notifying us that he had converted $31,250 in principal and $1,247 of accrued interest into 103,989 shares of our common stock.

Koretsky and Affiliate Notes

Between August 11, 2015 and May 31, 2017, we borrowed an aggregate of $1,657,000 from Frank Koretsky, a director of the Company, and $150,000 from CLS CO 2016, LLC and $465,000 from Newcan Investment Partners, LLC, two entities that are affiliated with Mr. Koretsky. These loans were unsecured, accrued interest between 6% and 15% per year, were due either on demand or within three years after the date of the applicable note, and, in some cases, were convertible into shares of our common stock and warrants at rates between $0.25 and 1.07 per share. Effective on May 31, 2017, we entered into the Omnibus Loan Amendment Agreement, whereby the portion of these loans that was advanced prior to December 31, 2017 was converted into our common stock, together with accrued interest on these loans. As a result of these conversions, Mr. Koretsky, CLS CO 2016 and Newcan converted an aggregate of $1,485,000, $150,000, and $460,000 in principal, and $130,069, 49,247 and $7,747 in accrued interest, into an aggregate of 6,460,276, 636,988 and 1,870,988 shares of common stock at $.25 per share. Pursuant to the Omnibus Loan Amendment Agreement, the conversion rate on all of the loans made by Mr. Koretsky, CO CLS 2016, and Newcan was reduced, if applicable, to $.25 per share and Mr. Koretsky and his affiliates gave up the right to receive warrants upon conversion. Thus, each of Mr. Koretsky, CLS CO 2016 and Newcan received 4,560,849, 488,159 and 1,433,841 shares of common stock in excess of what they would have received had they converted their loans into common stock prior to the effective date of the Omnibus Loan Amendment Agreement.

Between June 1, 2017 and May 31, 2018, we borrowed an aggregate of $145,000 from Newcan Investment Partners, LLC, an entity that is affiliated with Mr. Koretsky. These loans were unsecured, accrued interest at 10% per year, were due either on demand or within three years after the date of the applicable note, and were convertible into shares of our common stock and warrants at $0.25 per share. On January 10, 2018, effective December 1, 2017, we entered into the Second Omnibus Loan Agreement with Newcan and Mr. Binder. The Second Omnibus Loan Agreement provides that the conversion price of all outstanding convertible promissory notes issued to Newcan as of the date of the agreement would be increased from $0.25 to $0.3125 per share of common stock. The remaining terms of such notes remain unchanged. Following the Second Omnibus Loan Agreement, on March 12, 2018, Newcan converted all of its outstanding convertible loans, which totaled $956,658 in principal and $98,098 in accrued interest, into a total of 3,375,220 shares of our common stock.

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On August 6, 2018, the Company issued a convertible promissory note to Newcan, an entity owned by Frank Koretsky, a director of the Company, in the amount of $75,000.00 (the "Newcan Convertible Note 8"), to finalize the terms of repayment with respect to a certain loan made to the Company by Newcan on May 4, 2018. The Newcan Convertible Note 8 is unsecured and bears interest at the rate of 10% per annum. No payments are required until October 1, 2019, at which time all accrued interest becomes due and payable. Principal will be paid in eight equal quarterly installments, together with interest accrued thereon, beginning on January 1, 2020. The Notes may be prepaid by the Company with no penalty at any time upon thirty days written notice. The holder of the Newcan Convertible Note 9 may, at any time prior to payment or prepayment in full, convert all principal and accrued interest thereunder, in whole or in part, into securities of the Company. For each $0.40 converted, the holder will receive one share of the Company's Common Stock.

Binder Notes

Between June 1, 2015 and May 31, 2017, we borrowed an aggregate of $251,800 from Jeffrey Binder, a director and officer of the Company. These loans were unsecured, accrued interest between 6% and 10% per year, were due either on demand or within three years after the date of the applicable note, and, in some cases, were convertible into shares of our common stock and warrants at rates between $.25 and 1.07 per share. Effective on May 31, 2017, we entered into the Omnibus Loan Amendment Agreement, whereby the portion of these loans that was advanced prior to May 31, 2017 was converted into our common stock, together with accrued interest on these loans. As a result of these conversions, Mr. Binder converted an aggregate of $442,750 in principal and $19,427 in accrued interest, into an aggregate of 1,848,708 shares of common stock at $.25 per share. Pursuant to the Omnibus Loan Amendment Agreement, the conversion rate on all of the loans made by Mr. Binder was reduced, if applicable, to $.25 per share and Mr. Binder gave up the right to receive warrants upon conversion. Thus, Mr. Binder received 1,127,061 shares of common stock in excess of what he would have received had he converted his loans into common stock prior to the effective date of the Omnibus Loan Amendment Agreement.

Between June 1, 2017 and March 31, 2018, we borrowed an aggregate of $204,881 from Mr. Binder. These loans were unsecured, accrued interest at 10% per year, were due either on demand or within three years after the date of the applicable note, and were convertible into shares of our common stock and warrants at $0.25 per share. On January 10, 2018, effective December 1, 2017, we entered into the Second Omnibus Loan Agreement with Newcan and Mr. Binder. The Second Omnibus Loan Agreement provides that the conversion price of all outstanding convertible promissory notes issued to Mr. Binder as of the date of the agreement would be increased from $0.25 to $0.3125 per share of common stock. The remaining terms of such notes remain unchanged. Following the Second Omnibus Loan Agreement, on March 12, 2018, Mr. Binder converted all of his outstanding convertible loans, which totaled $464,698 in principal and $43,058 in accrued interest, into a total of 1,624,819 shares of our common stock.

On April 6, 2018, we issued Binder Convertible Note 9, in the amount of $37,500.00, to Mr. Binder with respect to certain compensation payable to Mr. Binder as of February 28, 2018. Binder Convertible Note 8 is unsecured and bears interest at the rate of 10% per annum. No payments are required until April 1, 2019, at which time all accrued interest becomes due and payable. Principal will be paid in eight equal quarterly installments, together with interest accrued thereon, beginning on July 1, 2019. The note may be prepaid by us with no penalty at any time upon thirty days written notice. Mr. Binder may, at any time prior to payment or prepayment in full, convert all principal and accrued interest thereunder, in whole or in part, into our securities. For each $0.3125 converted, Mr. Binder will receive one share of the Company's common stock.

Omnibus Loan Amendment Agreements

On May 31, 2017, we entered into an Omnibus Loan Amendment Agreement (the "Omnibus Loan Amendment") with Jeffrey I. Binder, Frank Koretsky, Newcan Investment Partners LLC and CLS CO 2016, LLC (collectively, the "Insiders"). Pursuant to the Omnibus Loan Amendment, we agreed with the Insiders to amend certain terms of loans the Insiders made to us for working capital purposes, which loans were initially demand loans, and, except for certain loans made in 2017, were later memorialized as convertible loans (the "Insider Loans"), in exchange for the agreement of the Insiders to convert all Insider Loans where funds were advanced prior to January 1, 2017, which total $2,537,750, plus $166,490 of accrued interest thereon, into an aggregate of 10,816,960 shares of our common stock, and forego the issuance of warrants to purchase our common stock upon conversion. This resulted in the issuance of an additional 7,609,910 shares compared to the original number of shares issuable upon conversion of the Insider Loans prior to the Omnibus Loan Agreement. We valued the shares at $0.125, which was the market price of our stock at the conversion date, and charged the amount of $951,239 to loss on modification of debt during the twelve months ended May 31, 2017.

We entered into the Omnibus Loan Amendment in order to ease the debt burden on us and prevent us from defaulting on the Insider Loans. Pursuant to the Omnibus Loan Amendment, the following amendments were made to the Insider Loans: (a) we reduced the conversion price on the Insider Loans from between $0.75 and $1.07 per share of common stock to $0.25 per share of common stock, in those cases where the conversion price was greater than $0.25, which reduced conversion price exceeds the closing price of the common stock during the last three months; (b) we deleted the requirement to issue warrants to purchase our common stock upon conversion of the Insider Loans; (c) we amended one Insider Loan to permit conversion of only the portion of the Insider Loan related to services that were provided to us prior to January 1, 2017; and (d) we amended the terms of the Insider Loans where funds were advanced on or after January 1, 2017, which Insider Loans were not converted into our common stock, to provide for, where not already the case, a 10% interest rate per annum, a $0.25 conversion price per share of common stock, and the deletion of the requirement that we issue warrants to purchase our common stock upon conversion of such Insider Loans.

On January 10, 2018, effective December 1, 2017, we entered into the Second Omnibus Loan Agreement with Jeffrey I. Binder, an officer and director of the Company, and Newcan, an entity owned by Frank Koretsky, a director of the Company. The Second Omnibus Loan Agreement provides that the conversion price of all outstanding convertible promissory notes issued to either Mr. Binder or Newcan as of the date of such agreement would be increased from $0.25 to $0.3125 per share of common stock. The remaining terms of such notes remain unchanged.

Sales of Equity

WestPark Offering

During February and March 2018, we held four closings of the WestPark Offering, whereby we sold units for $1.25 per unit. Each unit consisted of four shares of common stock and one warrant to purchase one share of our common stock for $0.75 per share. We sold a total of 1,368,250 units in the WestPark Offering for aggregate gross proceeds of $1,710,313, and aggregate net proceeds of $1,460,918 after deduction of placement agent commissions, a non-accountable expense allowance and expenses associated with the offering. We also issued WestPark Capital, Inc., as placement agent, a five-year warrant to purchase 205,238 units at a price of $1.25 per unit. The unit warrant were valued at $503,655, which amount was charged to operations during the twelve months ended May 31, 2018. We used the proceeds of the WestPark Offering towards deposits due in connection with our acquisition of Oasis Cannabis and for general corporate purposes.

The Canaccord Special Warrant Offering

On June 20, 2018, we executed an agency agreement with Canaccord Genuity Corp. and closed on a private offering of our special warrants for aggregate gross proceeds of CD$13,037,859 (USD$9,988,173). In connection therewith, we also entered into a special warrant indenture and a warrant indenture with Odyssey Trust Company, as special warrant agent and warrant agent.

Pursuant to the offering, we issued 28,973,019 special warrants at a price of CD$0.45 (USA$0.34) per special warrant. Each special warrant is automatically exercisable, for no additional consideration, into our units on the earlier of: (i) the date that is five business days following the date on which we obtain a receipt from the applicable securities regulatory authorities in each of the jurisdictions in Canada in which the special warrants were sold for a final prospectus qualifying the distribution of the units, which is intended to be no later than August 31, 2018, and (ii) the date that is four months and one day after the completion of our acquisition of all of the membership interests in Alternative Solutions, known as Oasis Cannabis, which occurred on June 27, 2018.

Upon exercise of the special warrants, each unit shall consist of one share of our common stock and one warrant to purchase one share of common stock. Each warrant will be exercisable at a price of CD$0.65 for three years after our common stock is listed on a recognized Canadian stock exchange, subject to adjustment in certain events. Because we did not receive a receipt from the applicable Canadian securities authorities for the qualifying prospectus by August 19, 2018, the unexercised special warrant will generally entitle the holder to receive 1.1 of our units instead of one unit.

In connection with the offering, we paid a cash commission equal to CD$1,043,028 (USD$799,053), a corporate finance fee equal to 1,448,651 special warrants, and 2,317,842 compensation warrants. Each compensation warrant entitles the holder thereof to acquire one unit at a price of CD$0.45 per unit for a period of 36 months from the date that our common stock is listed on a recognized Canadian stock exchange, subject to adjustment in certain events.

We used the proceeds for the Canaccord offering to close the purchase of Oasis Cannabis and for general corporate purposes.

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The Navy Capital Investors

Effective July 31, 2018, we entered into a subscription agreement with Navy Capital Green International, Ltd., a British Virgin Islands limited company ("Navy Capital"), pursuant to which we agreed to sell to Navy Capital, for a purchase price of $3,000,000, 7,500,000 Units ($0.40 per unit), representing (i) 7,500,000 shares of our common stock, and (ii) three-year warrants to purchase an aggregate of 7,500,000 shares of our common stock (the "Warrant Shares") at an exercise price of $0.60 per share of common stock. The closing occurred on August 6, 2018. In the subscription agreement, we also agreed to file, on or before November 1, 2018, a registration statement with the SEC registering the shares of common stock and Warrant Shares issued to Navy Capital. If we fail to file the registration statement on or before that date, we must issue to Navy Capital an additional number of units equal to ten percent (10%) of the units originally subscribed for by Navy Capital (which will include additional warrants at the original exercise price). The warrant is exercisable from time to time, in whole or in part for three years. The warrant has anti-dilution provisions that provide for an adjustment to the exercise price in the event of a future sale of common stock at a lower price, subject to certain exceptions as set forth in the warrant. The warrant also provides that it is callable at any time after the bid price of our common stock exceeds 120% of the exercise price of the warrant for a period of 20 consecutive business days.

Between August 8, 2018 and August 10, 2018, we entered into five subscription agreements, pursuant to which we sold, for an aggregate purchase price of $2,750,000, 6,875,000 Units ($0.40 per unit), representing (i) 6,875,000 shares of our common stock, and (ii) three-year warrants to purchase an aggregate of 6,875,000 shares of our common stock at an exercise price of $0.60 per share of common stock. The balance of the terms set forth in the subscription agreements are the same as the terms in the Navy Capital subscription agreement summarized above.

We plan to use the proceeds of the Navy Capital offering to fund certain planned expansions at our City Trees and Oasis Cannabis businesses in Nevada and for general corporate purposes.

Liquidity and Capital Needs

Over the next twelve months we will likely require additional capital to cover our projected cash flow deficits, payments on the loan from YA II, the implementation of our business plan, including the expansion of our Nevada operation, and the development of other alternative revenue sources, including possible acquisitions.

During the next twelve months we expect to complete phase 1 and possibly phase 2 of our expansion plan, which includes the substantial expansion of both our grow and production facility in Nevada. At present, we estimate that we will require up to $3,000,000 to complete phase 1 and up to $2,000,000 to complete phase 2 of this expansion (including development of the outdoor space), including the purchase of the necessary equipment. We expect to fund the cost of this expansion from the proceeds of debt and/or equity capital raises. We have already completed a $5.75 million equity raise primarily for this purpose. We are not pursuing other sources of funds for this purpose at this time, and can provide no assurance that additional funds, if needed, would be available to us on acceptable terms. We may also pursue additional acquisitions in the next twelve months but we have not entered into any definitive agreements with respect to either additional acquisitions or the capital necessary to finance them.

Although our revenues are expected to grow as we expand our operations, our revenues are not expected to exceed our investment and operating costs in the next twelve months, and we do not have funds sufficient to fund our operations at their current level for the next twelve months. We expect to obtain the necessary funds as described above; however, our prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies in their early stage of operations. To address these risks, we must, among other things, seek growth opportunities through additional debt and/or equity investments and acquisitions in our industry, successfully execute our business strategy, including our planned expansion, and successfully navigate any changes that may arise in the cannabis regulatory environment. We cannot assure that we will be successful in addressing such risks, and the failure to do so could have a material adverse effect on our business prospects, financial condition and results of operations.

Although PRH made one payment to us during fiscal 2018, because we do not know when we will re-visit commencing operations in Colorado, there can be no assurance that PRH will ever generate sufficient cash to repay the $500,000 loan from CLS Labs Colorado or to meet PRH's obligations under the Licensing Agreement or Equipment Lease. Further, due to the delays we encountered with the construction of our Colorado processing facility, we have placed our proposed Colorado operations on hold and will pursue revenue producing opportunities in other states.

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Oasis Cannabis Transaction

On December 4, 2017, we entered into a Membership Interest Purchase Agreement, as amended (the "Acquisition Agreement"), with Alternative Solutions for us to acquire all of the outstanding equity interests in Alternative Solutions and the Oasis LLCs. Pursuant to the Acquisition Agreement, we paid a non-refundable deposit of $250,000 upon signing, which was followed by an additional payment of $1,800,000 approximately 45 days thereafter and were to receive, upon receipt of applicable regulatory approvals, an initial 10% of each of the Oasis LLCs. Regulatory approvals were received and the 10% membership interests were transferred to us.

On June 27, 2018, we closed on the purchase of the remaining 90% of the membership interests in Alternative Solutions and the Oasis LLCs from the owners thereof (excluding Alternative Solutions). The closing consideration was as follows: $6,200,000 in cash, a $4.0 million promissory note due in December 2019, known as the Oasis Note, and $6,000,000 in shares of our common stock.

The number of shares to be issued was computed as follows: $6,000,000 divided by the lower of $1.00 or the conversion price to receive one share of our common stock in our first equity offering of a certain minimum size that commenced in 2018, multiplied by 80%. This price was determined to be $0.272 per share. The Oasis Note is secured by a first priority security interest over our membership interests in Alternative Solutions and the Oasis LLCs, and by the assets of each of the Oasis LLCs and Alternative Solutions. We also delivered a confession of judgment to a representative of the former owners of Alternative Solutions and the Oasis LLCs (other than Alternative Solutions) that will generally become effective in the event of any event of default under the Oasis Note.

Oasis currently owes certain amounts to a consultant known as 4Front Advisors, LLC. If we make any payments to this company post-closing, generally speaking, we will be entitled to deduct the present value of such payments from the principal amount due under the Oasis Note.

In May 2020, the former owners Alternative Solutions and the Oasis LLCs (other than Alternative Solutions) will also be entitled to a $1,000,000 payment from us if the existing dispensary operated by an Oasis LLC has maintained an average revenue of $20,000 per day during the 2019 calendar year.

The transfer of 90% of the membership interests in Alternative Solutions and the Oasis LLCs to us is ineffective unless approved by the State of Nevada and any municipality in which the Oasis LLC's operations is licensed. Such approvals are pending and we expect to receive them in due course.

Consulting Agreements

We periodically use the services of outside investor relations consultants. During the year ended May 31, 2016, pursuant to a consulting agreement, we agreed to issue 10,000 shares of common stock per month, valued at $11,600 per month, to a consultant in exchange for investor relations consulting services. The consulting agreement was terminated during the first month of its term. The parties are in discussions regarding whether any shares of our common stock have been earned and it is uncertain whether any shares will be issued. As of May 31, 2018, we have included 20,000 shares of common stock, valued at $23,200 in stock payable on the accompanying balance sheets. The shares were valued based on the closing market price on the grant date.

On December 29, 2015, pursuant to a consulting agreement, we agreed to issue 25,000 shares of common stock per month, valued at $21,250, to a consultant in exchange for investor relations consulting services. The consulting agreement was terminated during the first month of its term. The parties are in discussions regarding whether any shares of our common stock have been earned and it is uncertain whether any shares will be issued. As of May 31, 2018, we had 50,000 shares of common stock, valued at $42,500 included in stock payable on the accompanying balance sheet. The shares were valued based on the closing market price on the grant date.

In June 2017, we entered into a letter agreement to amend our September 22, 2014 Investor Relations Consulting Agreement. Pursuant to the amendment, we agreed to issue the consultant 24,000 shares of our restricted common stock to satisfy $6,000 of past due invoices for services previously rendered by the consultant from January 2017 through June 2017.

On March 2, 2018, we issued 350,000 shares of common stock to a consultant pursuant to the terms of a consulting agreement for investor relations services. The shares were valued on the date of grant at $261,800.

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Going Concern

Our financial statements were prepared using accounting principles generally accepted in the United States of America applicable to a going concern, which contemplate the realization of assets and liquidation of liabilities in the normal course of business. We have incurred continuous losses from operations since inception, have an accumulated deficit of $18,569,094 and had a working capital deficit of $2,634,774 at May 31, 2018. In addition, we do not currently have the cash resources to meet our operating commitments during the next twelve months. Our ability to continue as a going concern must be considered in light of the problems, expenses, and complications frequently encountered by developmental stage companies.

Our ability to continue as a going concern is dependent on our ability to generate sufficient cash from operations to meet our cash needs, to borrow capital and to raise equity to acquire companies, support the expansion of our Nevada operations, and to finance ongoing operations. There can be no assurance, however, that we will be successful in our efforts to raise additional debt or equity capital and/or that our cash generated by our existing and future operations will be adequate to meet our needs. These factors, among others, indicate that we may be unable to continue as a going concern for a reasonable period of time.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results or operations, liquidity, capital expenditures or capital resources that are material to stockholders.

Critical Accounting Estimates

Management uses various estimates and assumptions in preparing our financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and our reported revenues and expenses. Accounting estimates that are the most important to the presentation of our results of operations and financial condition, and which require the greatest use of judgment by management, are designated as our critical accounting estimates. We have the following critical accounting estimates:

- Estimates and assumptions used in valuation of derivative liability: Management utilizes a lattice model to estimate the fair value of derivative liabilities. The model includes subjective assumptions that can materially affect the fair value estimates.

Recently Issued Accounting Standards

In August 2016, the Financial Accounting Standards Board (the "FASB") issued ASU 2016-15, *Statement of Cash Flows (Topic 230).* The update addresses eight specific cash flow issues and is intended to reduce diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. This update will be effective for reporting periods beginning after December 15, 2017, including interim periods within the reporting period. Early adoption is permitted. We are currently evaluating the potential impact of the update on our financial statements.

In January 2017, the FASB issued ASU No. 2017-04, *Simplifying the Test for Goodwill Impairment*, which simplifies the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test. In computing the implied fair value of goodwill under Step 2, current U.S. GAAP requires the performance of procedures to determine the fair value at the impairment testing date of assets and liabilities (including unrecognized assets and liabilities) following the procedure that would be required in determining the fair value of assets acquired and liabilities assumed in a business combination. Instead, the amendments under this ASU require the goodwill impairment test to be performed by comparing the fair value of a reporting unit with its carrying amount. An impairment charge should be recognized for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. The ASU becomes effective for us on January 1, 2020. The amendments in this ASU will be applied on a prospective basis. Early adoption is permitted for interim or annual goodwill impairment tests performed.

In May 2017, the FASB issued ASU No. 2017-09, *Stock Compensation - Scope of Modification Accounting*, which provides guidance on which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting. The ASU requires that an entity account for the effects of a modification unless the fair value (or calculated value or intrinsic value, if used), vesting conditions and classification (as equity or liability) of the modified award are all the same as for the original award immediately before the modification. The ASU becomes effective for us on January 1, 2018, and will be applied prospectively to an award modified on or after the adoption date. Early adoption is permitted, including adoption in any interim period. We are currently assessing the impact that this standard will have on any awards that are modified after this standard’s effective date.

There are various other updates recently issued, most of which represented technical corrections to the accounting literature or application to specific industries and are not expected to a have a material impact on our consolidated financial position, results of operations or cash flows.

There are various other updates recently issued, most of which represented technical corrections to the accounting literature or application to specific industries and are not expected to a have a material impact on our consolidated financial position, results of operations or cash flows.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

Critical Accounting Estimates

Management uses various estimates and assumptions in preparing our financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Accounting estimates that are the most important to the presentation of our results of operations and financial condition, and which require the greatest use of judgment by management, are designated as our critical accounting estimates. We have the following critical accounting estimates:

- Estimates and assumptions used in the valuation of derivative liabilities: Management utilizes a lattice model to estimate the fair value of derivative liabilities. The model includes subjective assumptions that can materially affect the fair value estimates.

Recently Issued Accounting Standards

Accounting standards promulgated by the Financial Accounting Standards Board ("FASB") are subject to change. Changes in such standards may have an impact on our future financial statements. The following are a summary of recent accounting developments.

In August 2016, the Financial Accounting Standards Board (the "FASB") issued ASU 2016-15, *Statement of Cash Flows (Topic 230)*. The update addresses eight specific cash flow issues and is intended to reduce diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. This update will be effective for reporting periods beginning after December 15, 2017, including interim periods within the reporting period. Early adoption is permitted. We are currently evaluating the potential impact of the update on our financial statements.

In January 2017, the FASB issued ASU No. 2017-04, *Simplifying the Test for Goodwill Impairment*, which simplifies the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test. In computing the implied fair value of goodwill under Step 2, current U.S. GAAP requires the performance of procedures to determine the fair value at the impairment testing date of assets and liabilities (including unrecognized assets and liabilities) following the procedure that would be required in determining the fair value of assets acquired and liabilities assumed in a business combination. Instead, the amendments under this ASU require the goodwill impairment test to be performed by comparing the fair value of a reporting unit with its carrying amount. An impairment charge should be recognized for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. The ASU becomes effective for us on January 1, 2020. The amendments in this ASU will be applied on a prospective basis. Early adoption is permitted for interim or annual goodwill impairment tests performed.

In May 2017, the FASB issued ASU No. 2017-09, *Stock Compensation - Scope of Modification Accounting*, which provides guidance on which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting. The ASU requires that an entity account for the effects of a modification unless the fair value (or calculated value or intrinsic value, if used), vesting conditions and classification (as equity or liability) of the modified award are all the same as for the original award immediately before the modification. The ASU becomes effective for us on January 1, 2018, and will be applied prospectively to an award modified on or after the adoption date. Early adoption is permitted, including adoption in any interim period. We are currently assessing the impact that this standard will have on any awards that are modified once this standard is adopted.

Management does not believe that any other recently issued, but not yet effective, accounting standards, if currently adopted, would have a material effect on the accompanying unaudited condensed consolidated financial statements.

CLS HOLDINGS USA, INC.

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE FINANCIAL YEARS ENDED MAY 31, 2017 AND MAY 31, 2016

(FROM CLS HOLDINGS USA, INC. FORM 10-K)

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Overview and Outlook

We were incorporated on March 31, 2011 as Adelt Design, Inc. to manufacture and market carpet binding art. Production and marketing of carpet binding art never commenced. On November 20, 2014, we adopted amended and restated articles of incorporation, thereby changing our name to CLS Holdings USA, Inc. Effective December 10, 2014, we effected a reverse stock split of our issued and outstanding common stock at a ratio of 1-for-0.625 (the "Reverse Split"), wherein 0.625 shares of our common stock were issued in exchange for each share of common stock issued and outstanding.

On April 29, 2015, the Company, CLS Labs and the Merger Sub consummated the Merger, whereby the Merger Sub merged with and into CLS Labs, with CLS Labs remaining as the surviving entity. As a result of the Merger, we acquired the business of CLS Labs and abandoned our previous business. As such, only the financial statements of CLS Labs are included in this annual report.

CLS Labs was originally incorporated in the state of Nevada on May 1, 2014 under the name RJF Labs, Inc. before changing its name to CLS Labs, Inc. on October 24, 2014. It was formed to commercialize a proprietary method of extracting cannabinoids from cannabis plants and converting the resulting cannabinoid extracts into concentrates such as oils, waxes, edibles and shatter. These concentrates may be ingested in a number of ways, including through vaporization via electronic cigarettes ("e-cigarettes"), and used for a variety of pharmaceutical and other purposes. Testing in conjunction with two Colorado growers of this extraction method and conversion process has revealed that it produces a cleaner, higher quality product and a significantly higher yield than the cannabinoid extraction processes currently existing in the marketplace.

On April 17, 2015, CLS Labs took its first step toward commercializing its proprietary methods and processes by entering into the Colorado Arrangement through its wholly owned subsidiary, CLS Labs Colorado, with certain Colorado entities, including PRH. Recently, we suspended our plans to proceed with the Colorado Arrangement due to regulatory delays and have not yet determined when we will pursue it again. Instead, we plan to pursue other revenue producing opportunities in other states through the acquisition of cannabis and other complementary companies, including the Pure Harvest transaction. CLS Labs had not otherwise commercialized its proprietary process prior to the Merger and has not earned any revenues.

We intend to generate revenue through (i) the licensing of our patent pending proprietary methods and processes to others, as in the Colorado Arrangement, (ii) the processing of cannabis for others, and (iii) the purchase of cannabis and the processing and sale of cannabis-related products. We plan to accomplish this through the acquisition of companies, the creation of joint ventures, through licensing agreements, and through fee-for-service arrangements with growers and dispensaries of cannabis products. We believe that we can establish a position as one of the premier cannabinoid extraction and processing companies in the industry. Assuming we do so, we then intend to explore the creation of our own brand of concentrates for consumer use, which we would sell wholesale to cannabis dispensaries. We believe that we can create a "gold standard" national brand by standardizing the testing, compliance and labeling of our products in an industry currently comprised of small, local businesses with erratic and unreliable product quality, testing practices and labeling. We also plan to offer consulting services through a consulting subsidiary, CLS Consulting, which will generate revenue by providing consulting services to cannabis-related businesses, including growers, dispensaries and laboratories, and driving business to our processing facilities.

We had a net loss of $4,865,724 for the year ended May 31, 2017, resulting in an accumulated deficit as of May 31, 2017 of $8,991,610. These conditions raise substantial doubt about our ability to continue as a going concern.

Results of Operations for the years ended May 31, 2017 and May 31, 2016.

Revenues

The Company had no revenues for the years ended May 31, 2017 and 2016.

Selling, general and administrative expenses

Selling, general and administrative expenses decreased $595,455, or approximately 45%, to $718,770 during the year ended May 31, 2017, compared to $1,314,225 for the year ended May 31, 2016. General and administrative expenses consisted primarily of general office expenses, travel costs, rent expense, financing fees, bank charges and payroll expenses. The decrease in selling general and administrative expenses for the year ended May 31, 2017 was primarily due to a decrease in non-cash compensation and to a decrease in commitment fees associated with our credit arrangements. We expect general and administrative expenses to increase in future periods as we implement our business plan and commence operations.

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Startup Costs

Startup costs were $141,739 for the year ended May 31, 2017, compared to $0 for the year ended May 31, 2016. Startup costs consisted of costs incurred in preparing to commence operation of our processing facility in Colorado.

Professional fees

Professional fees decreased $205,364, or approximately 21%, to $750,446 during the year ended May 31, 2017, compared to $955,810 for the year ended May 31, 2016. This decrease was due primarily to decreases in consulting and investor relations fees and legal fees associated with SEC capital raising filings during the year ended May 31, 2017 as we began to implement the Colorado Arrangement and pursued fewer capital raising opportunities. We expect professional fees to increase in future periods as our business grows.

Interest expense

Our interest expense was $2,571,171 for the year ended May 31, 2017, an increase of $2,169,150 or 540% compared to $402,021 for the year ended May 31, 2016. Interest expense consisted of $1,075 of imputed interest associated with $17,930 due to related parties, $204,363 of interest on related party debt, $91,215 of interest on third party debt, $1,160,887 of amortization of discounts on convertible notes payable to third parties, and $1,114,101 of amortization of discounts on convertible notes payable to related parties. The amortization of discounts on notes payable is attributable to the beneficial conversion feature of these notes. Interest expense increased primarily due to the restructuring of the terms of the 2016 Convertible Notes and the related party notes (pursuant to the Omnibus Loan Agreement), which resulted in writing-off the balance of the discount on the notes, and creating a new discount at the time of the restructuring.

Loss on modification of debt

During the year ended May 31, 2017, we recognized a loss on the modification of related party debt in the amount of $951,239. Effective May 31, 2017, pursuant to the Omnibus Loan Agreement, the holders of an aggregate of $2,537,750 of principal and $166,490 of accrued interest converted these amounts at the rate of $0.25 per share into an aggregate of 7,609,910 shares of our common stock. Loss on modification of debt was calculated as the difference between the market price of our common stock at the conversion date of $0.125 and the conversion price of $0.25, or $951,239.

Also during the year ended May 31, 2017, we recognized a loss on the modification of debt in the amount of $43,334. On November 28, 2016, we entered into an amendment to the 10% Notes. In exchange for amending the terms of the 10% Notes we increased the outstanding principal balance of such notes by 10%, resulting in a loss on the modification of the 10% Notes in the amount of $33,334. On March 27, 2017, we entered into an amendment to the 8% Note. In exchange for amending the terms of the 8% Note, we increased the outstanding principal balance of such note by 10%, resulting in a loss on the modification of the 8% Note in the amount of $10,000.

Change in fair value of derivative liability

During the years ended May 31, 2017 and 2016, we had outstanding convertible promissory notes that contained a conversion price reset feature that require us to value and record a derivative liability related to this provision on a quarterly basis. We revalued the derivative liability at May 31, 2017 at $95,276, which resulted in a gain of $310,975. We also revalued the derivative liability at May 31, 2016, at $418,537, which resulted in a gain of $61,757, which we included in results of operations for the year May 31, 2016. Management utilizes a lattice model to estimate the fair value of derivative liabilities.

Net loss

For the reasons above, our net loss for the year ended May 31, 2017 was $4,865,724 compared to $2,610,299 for the year ended May 31, 2016. The net loss per diluted share for the year ended May 31, 2017 was $0.23. This amount was computed based on the weighted average of 20,778,765 shares outstanding during the fiscal year. The net loss per diluted share for the year ended May 31, 2016 was $0.13. This amount was computed based on the weighted average of 20,146,260 shares outstanding during the fiscal year.

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Liquidity and Capital Resources

The following table summarizes our current total assets, liabilities and working capital at May 31, 2017 and 2016:

	May 31, 2017	May 31, 2016
Current Assets	$ 79,720	$ 94,986
Current Liabilities	$ 1,826,478	$ 1,339,444
Working Capital (Deficit)	$ (1,746,758)	$ (1,244,458)

At May 31, 2017 and May 31, 2016, we had a working capital deficit of $1,746,758 and $1,244,458, respectively. This working capital deficit occurred primarily because we have not yet commenced earning revenues. Due to the suspension of our plans to commence operations in Colorado, we cannot estimate when we will commence earning revenues. During the year ended May 31, 2017, we obtained loans from our officers and directors to cover operating expenses and expenses associated with the construction of our processing facility in Colorado. This working capital deficit will likely continue to increase until we begin earning revenues but should not be viewed as an indicator of our future performance once we commence earning revenues. We have operated at a loss since inception.

Cash flows used in operations were $1,182,305 during the year ended May 31, 2017, an increase of $30,878, or 2.7%, compared to $1,151,427 during the year ended May 31, 2016. Although our net loss for the year ended May 31, 2017 increased by $2,255,425, or 86%, from the year ended May 31, 2016, most of this increase was due to non-cash expenses, such as the amortization of debt discount of $2,274,988, and cash used in operations increased by only $30,878, or approximately 2.7% for the year.

Cash flows from used in investing activities were $35,013 for the year ended May 31, 2017, a decrease of $74,387, or 68.0%, compared to $109,400 during the year ended May 31, 2016. During the year ended May 31, 2017, we invested in construction in progress at our Colorado facility, which construction slowed as we waited for regulatory approvals. During the year ended May 31, 2016, we invested in equipment and had construction in progress at our Colorado facility.

Cash flows provided by financing activities were $1,207,384 during the year ended May 31, 2017, an increase of $67,164 or 5.9% compared to $1,140,250 during the year ended May 31, 2016. During the year ended May 31, 2017, we borrowed approximately $1,597,550 from our officers and directors. During the year ended May 31, 2016, we borrowed approximately $840,250 from our officers and directors and issued the 10% Notes to Old Main for cash.

April 2015 Note

On April 29, 2015, we issued a convertible promissory note (the "April 2015 Note") to an unaffiliated individual in the amount of $200,000. Interest accrues on the April 2015 Note at a rate of 15% per annum. On the first anniversary of the April 2015 Note, all then-accrued interest was due thereunder. Thereafter, principal together with accrued interest is due in eight (8) equal quarterly payments, in arrears, commencing on July 1, 2016. All outstanding principal and any accumulated unpaid interest thereon is due and payable on the third anniversary of note. At the holder's election, at any time prior to payment or prepayment of the April 2015 Note in full, all principal and accrued interest under the April 2015 Note may be converted in whole, but not in part, into our securities. For each dollar converted, the holder shall receive two shares of common stock and a three-year warrant to purchase 1.33 shares of common stock at $0.75 per share. During the year ended May 31, 2017, the Company repaid principal in the amount of $100,000 and interest in the amount of $53,837 on this note. The principal balance on this note was $100,000 at May 31, 2017.

Old Main Notes

On March 18, 2016, we entered into a Securities Purchase Agreement (the "Purchase Agreement") with Old Main, whereby Old Main agreed to purchase an aggregate of up to $500,000 in subscription amount corresponding to an aggregate of up to $555,555 in principal amount of 10% Original Issuance Discount Convertible Promissory Notes (the "10% Notes") due, subject to the terms therein, in installments as set forth below. The purchase was originally to occur, at our option, in up to five tranches, with the first tranche of $200,000 being purchased on March 18, 2016; the second tranche of $50,000 being purchased on the first Friday, which is a trading day after the date (the "Filing Date") that a registration statement (the "Registration Statement") registering shares of our common stock issuable upon conversion or repayment of the 10% Notes, was filed with the SEC; the third tranche of $50,000 being purchased on the first Friday, which is a trading day at least three (3) trading days after we received initial comments from the SEC on the Registration Statement, or the date that we were notified by the SEC that the Registration Statement would not be reviewed; and the fourth and fifth tranches of $100,000 each being purchased after the date that the Registration Statement was declared effective by the SEC (the "SEC Effective Date"). On October 6, 2016, we amended the Purchase Agreement and related documents (the "First Amendment") to reduce the aggregate principal amount under the 10% Notes from $555,555 to $333,333, all $300,000 in subscription amount of which had been funded and used by us for general working capital purposes. We also increased the interest rate of the 10% Notes from 10% to 15% effective August 1, 2016. Finally, pursuant to the First Amendment, we agreed with Old Main that we would not register the resale of the shares underlying the 2016 Convertible Notes, as defined below, pursuant to the Registration Statement but would utilize the Registration Statement solely to register the resale of shares of common stock sold by us to Old Main pursuant to the equity line agreement, as described below.

As a result of the First Amendment, effective September 1, 2016, we deferred the commencement of amortization payments on the 10% Notes by 30 days. As amended, at the earlier of October 18, 2016 or two (2) trading days after the SEC Effective Date, we were required to redeem 1/24th of the face amount of the 10% Notes and any accrued but unpaid interest on a bi-weekly basis. Such amortization payment may be made, at our option, in cash or, subject to certain conditions, in our common stock pursuant to a conversion rate equal to the lower of (a) $0.80 (the "Fixed Conversion Price") or (b) 75% of the lowest daily volume weighted average price of the common stock of (the "VWAP") in the 20 consecutive trading days immediately prior to the applicable conversion date. At any time after the issue date of the Notes, the holder could convert the 10% Notes into shares of our common stock at the holder's option. The conversion price was to be the Fixed Conversion Price. Subject to certain exclusions, if we sold or issued our common stock or certain common stock equivalents at an effective price per share that was lower than the Fixed Conversion Price, the conversion price would be reduced to equal to such lower price.

On November 28, 2016, we entered into a Second Amendment to the 10% Notes issued on March 18, April 22 and May 27, 2016 (the "Second Amendment") to amend the Agreements, as amended by the First Amendment, in certain respects. Pursuant to the Second Amendment, among other things, the 10% Notes were converted from installment notes to "balloon" notes, with all principal and interest on the 10% Notes due on September 18, 2017 and the outstanding principal balances of the 10% Notes were increased by 10%; the Fixed Conversion Prices associated with the 10% Notes were changed to variable conversion prices equal to the lesser of the prior Fixed Conversion Price or 75% of the lowest VWAP in the fifteen trading days ending on the trading day immediately prior to the conversion date; our ability to repay the 10% Notes with our common stock was deleted except pursuant to a voluntary conversion by Old Main; and Old Main was prohibited from selling, per trading day, an amount of our common stock in excess of the greater of $5,000 or 25% of the average number of shares of common stock sold per day for the five trading days preceding the day of sale multiplied by the average daily VWAP during the immediately preceding 5-trading day period. The Second Amendment resulted in a loss on modification of debt in the amount of $33,334.

On March 27, 2017, we entered into Amendment #3 to the Convertible Promissory Notes issued on March 18, April 22 and May 27, 2016 (the "Third Amendment") to further amend the 10% Notes, as amended by the First Amendment and Second Amendment, in certain respects. In the Third Amendment, we agreed, among other things, to prepay all amounts due under the 10% Notes on or before April 1, 2017, which amount was agreed to be $372,700 (the "Settlement Amount"). If we failed to pay the Settlement Amount on or before April 1, 2017, Old Main had the right to declare the Third Amendment null and void. On April 3, 2017, (the first business day after March 31, 2017) we paid the Settlement amount of $372,700 to Old Main.

During the twelve months ended May 31, 2017, Old Main converted an aggregate of $137,500 in principal of the 10% Notes, in eight transactions, into 1,685,981 shares of common stock.

On March 18, 2016, we also issued Old Main an 8% Convertible Promissory Note (the "8% Note") in the principal amount of $200,000 for Old Main's commitment to enter into an equity line transaction with us and prepare all of the related transaction documents. The 8% Note initially bore interest at the rate of 8% per annum. As a result of the First Amendment, we also deferred the commencement of amortization payments on the 8% Note so that they commenced at the earlier of February 3, 2017 or on the SEC Effective Date. On such date, we were to begin to redeem 1/6th of the face amount of the 8% Note and any accrued but unpaid interest on a monthly basis. Such amortization payment was to be made, at our option, in cash or, subject to certain conditions, in our common stock pursuant to a conversion rate equal to the lower of (a) $1.07 (the "8% Note Fixed Conversion Price") or (b) 75% of the lowest VWAP in the twenty (20) consecutive trading days ending on the trading day that is immediately prior to the applicable conversion date. Subject to certain exclusions, if we sold or issued our common stock or certain common stock equivalents at an effective price per share that is lower than the 8% Note Fixed Conversion Price, the conversion price would have been reduced to equal to such lower price.

On November 28, 2016, we entered into the Second Amendment to amend the agreements, as amended by the First Amendment, in certain respects. Pursuant to the Second Amendment, among other things, the 8% Note was converted from an installment note to a "balloon" note, with all principal and interest on the 8% Note due on March 18, 2017; the Fixed Conversion Price associated with the 8% Note was changed to a variable conversion price equal to the lesser of the prior Fixed Conversion Price or 75% of the lowest VWAP in the fifteen trading days ending on the trading day immediately prior to the conversion date; our ability to repay the 8% Note with our common stock was deleted except pursuant to a voluntary conversion by Old Main; and Old Main was prohibited from selling, per trading day, an amount of our common stock in excess of the greater of $5,000 or 25% of the average number of shares of common stock sold per day for the five trading days preceding the day of sale multiplied by the average daily VWAP during the immediately preceding 5-trading day period.

On March 27, 2017, we entered into the Third Amendment, which, among other things, increased the outstanding amount due under the 8% Note as of March 18, 2017 by 5%. In exchange for doing so, Old Main agreed to extend the maturity of the 8% Note until July 1, 2017 and to suspend conversions under the 8% Note until July 1, 2017. At May 31, 2017, the principal balance due under the 8% note was $210,000. The Third Amendment resulted in a loss on modification of debt in the amount of $10,000.

On July 6, 2017, we entered into the fourth amendment to the 8% Note (the "Fourth Amendment") to further amend the terms of the 8% Note, which is the only note that remains outstanding. Pursuant to the Fourth Amendment, the maturity date of the 8% Note was extended to July 15, 2017 and the outstanding balance of the 8% Note as of June 30, 2017 was increased by multiplying it by 1.075. The Fourth Amendment was effective on June 30, 2017.

On August 23, 2017, we entered into the fifth amendment to the 8% Note (the "Fifth Amendment") to further amend the terms of the 8% Note. Pursuant to the Fifth Amendment, the maturity date of the 8% Note was extended to September 15, 2017 and the outstanding balance remained unchanged. The Fifth Amendment was effective on July 15, 2017.

On April 18, 2016, we also entered into an equity line agreement with Old Main whereby we may issue and sell to Old Main, at our option from time to time, up to $4,000,000 of our common stock at a purchase price equal to 80% of the lowest VWAP of the common stock during a five day "Valuation Period."

On October 6, 2016, we entered into an amendment to the equity line agreement to amend the new commitment period, which is 24 months from the date of this amendment. Second, the equity line agreement was amended to prohibit us from delivering a subsequent put notice from the beginning of any "Valuation Period" until the fourth trading day immediately following the closing associated with the prior put notice. Third, the beneficial ownership limitation was amended to increase the beneficial ownership limitation to 9.99% and to remove the ability of Old Main to increase or decrease the beneficial ownership limitation.

Koretsky and Affiliate Notes

Between August 11, 2015 and May 31, 2017, we borrowed an aggregate of $1,657,000 from Frank Koretsky, a director of the Company, and $150,000 from CLS CO 2016, LLC and $465,000 from Newcan Investment Partners, LLC, two entities that are affiliated with Mr. Koretsky. These loans were unsecured, accrued interest between 6% and 15% per year, were due either on demand or within three years after the date of the applicable note, and, in some cases, were convertible into shares of our common stock and warrants at rates between $.25 and 1.07 per share. Effective on May 31, 2017, we entered into the Omnibus Loan Amendment Agreement, whereby the portion of these loans that was advanced prior to December 31, 2017 was converted into our common stock, together with accrued interest on these loans. As a result of these conversions, Mr. Koretsky, CLS CO 2016 and Newcan converted an aggregate of $1,485,000, $150,000, and $460,000 in principal, and $130,069, 49,247 and $7,747 in accrued interest, into an aggregate of 6,460,276, 636,988 and 1,870,988 shares of common stock at $.25 per share. Pursuant to the Omnibus Loan Amendment Agreement, the conversion rate on all of the loans made by Mr. Koretsky, CO CLS 2016, and Newcan was reduced, if applicable, to $.25 per share and Mr. Koretsky and his affiliates gave up the right to receive warrants upon conversion. Thus, each of Mr. Koretsky, CLS CO 2016 and Newcan received 4,560,849, 488,159 and 1,433,841 shares of common stock in excess of what they would have received had they converted their loans into common stock prior to the effective date of the Omnibus Loan Amendment Agreement.

Effective March 31, 2017, $120,000 of the Koretsky Funding Notes was exchanged for Newcan Convertible Note 1. This note is unsecured and bears interest at the rate of 10% per annum. No payments are required until April 1, 2018, at which time all accrued interest becomes due and payable. Principal will be payable in eight equal quarterly installments, together with accrued interest, beginning on July 1, 2018. At Mr. Koretsky's election, at any time prior to payment or prepayment of the loans in full, all principal and accrued interest under the loans may be converted, in whole or in part, into our common stock at the rate of one share for each $0.25 converted.

After excluding the loans from Mr. Koretsky, CLS CO 2016 and Newcan that were converted into our common stock effective as of May 31, 2017, there was a balance of $120,000 in loans that remained outstanding as of December 31, 2016. This amount consisted of the $120,000 principal balance of the Koretsky Funding Loans (which were exchanged for Newcan Convertible Note 1 on March 31, 2017). During 2017, Newcan advanced an additional $621,658 of unsecured, book entry loans prior to May 31, 2017. These loans bore interest at the rate of 10% per annum and were convertible into our common stock at the rate of one share for each $0.25 converted as a result of the effect of the Omnibus Loan Amendment Agreement, which added the conversion feature to these loans. On August 23, 2017, these loans were exchanged for a convertible note dated August 23, 2017 (the "Newcan Convertible Note 4"). The Newcan Convertible Note 4 is unsecured and bears interest at the rate of 10% per annum. No payments are required until October 1, 2018, at which time all accrued interest becomes due and payable. Principal will be payable in eight equal quarterly installments, together with accrued interest, beginning on January 2, 2019. At Mr. Koretsky's election, at any time prior to payment or prepayment of the Newcan Convertible Note 4 in full, all principal and accrued interest under the Newcan Convertible Note 4 may be converted, in whole or in part, into our common stock at the rate of one share for each $0.25 converted.

Subsequent to May 31, 2017, Newcan has loaned us an aggregate additional $70,000 pursuant to the Newcan Funding Notes. These book entry loans were unsecured, bore interest at the rate of 10% per annum and were convertible into our common stock at the rate of one share for each $0.25 converted. On August 23, 2017, these loans were exchanged for a convertible note dated August 23, 2017 (the "Newcan Convertible Note 5"). The Newcan Convertible Note 5 is unsecured and bears interest at the rate of 10% per annum. No payments are required until October 1, 2018, at which time all accrued interest becomes due and payable. Principal will be payable in eight equal quarterly installments, together with accrued interest, beginning on January 2, 2019. At Mr. Koretsky's election, at any time prior to payment or prepayment of the Newcan Convertible Note 5 in full, all principal and accrued interest under the Newcan Convertible Note 5 may be converted, in whole or in part, into our common stock at the rate of one share for each $0.25 converted.

Binder Notes

Between June 1, 2015 and May 31, 2017, we borrowed an aggregate of $251,800 from Jeffrey Binder, a director and officer of the Company. These loans were unsecured, accrued interest between 6% and 10% per year, were due either on demand or within three years after the date of the applicable note, and, in some cases, were convertible into shares of our common stock and warrants at rates between $.25 and 1.07 per share. Effective on May 31, 2017, we entered into the Omnibus Loan Amendment Agreement, whereby the portion of these loans that was advanced prior to May 31, 2017 was converted into our common stock, together with accrued interest on these loans. As a result of these conversions, Mr. Binder converted an aggregate of $442,750 in principal and $19,427 in accrued interest, into an aggregate of 1,848,708 shares of common stock at $.25 per share. Pursuant to the Omnibus Loan Amendment Agreement, the conversion rate on all of the loans made by Mr. Binder was reduced, if applicable, to $.25 per share and Mr. Binder gave up the right to receive warrants upon conversion. Thus, Mr. Binder received 1,127,061 shares of common stock in excess of what he would have received had he converted his loans into common stock prior to the effective date of the Omnibus Loan Amendment Agreement.

Effective March 31, 2017, $47,000 of the Binder Funding Notes and $25,000 of accrued salary due to Mr. Binder were exchanged for Binder Convertible Note 4. This note is unsecured and bears interest at the rate of 10% per annum. No payments are required until April 1, 2018, at which time all accrued interest becomes due and payable. Principal will be payable in eight equal quarterly installments, together with accrued interest, beginning on July 1, 2018. At Mr. Binder's election, at any time prior to payment or prepayment of the loans in full, all principal and accrued interest under the loans may be converted, in whole or in part, into our common stock at the rate of one share for each $0.25 converted.

All of Mr. Binder's loans that were outstanding as of December 31, 2016 were converted to common stock effective May 31, 2017, including all of his accrued deferred salary as of December 31, 2016. As of May 31, 2017, there was a balance of $149,550 in loans from Mr. Binder that remained outstanding. This amount consisted of the $72,000 principal balance of Binder Convertible Note 4, which related to advances made and salary accrued after January 1, 2017, and an additional $77,550 of unsecured, book entry loans. These loans bore interest at the rate of 10% per annum and were convertible into our common stock at the rate of one share for each $0.25 converted as a result of the effect of the Omnibus Loan Amendment Agreement, which added the conversion feature to these loans. On August 23, 2017, $77,500 of these loans plus accrued salary due to Mr. Binder in the amount of $37,500 were exchanged for a convertible note dated August 23, 2017 in the amount of $115,050 (the "Binder Convertible Note 5"). The Binder Convertible Note 5 is unsecured and bears interest at the rate of 10% per annum. No payments are required until October 1, 2018, at which time all accrued interest becomes due and payable. Principal will be payable in eight equal quarterly installments, together with accrued interest, beginning on January 2, 2019. At Mr. Binder's election, at any time prior to payment or prepayment of the Binder Convertible Note 5 in full, all principal and accrued interest under the Binder Convertible Note 5 may be converted, in whole or in part, into our common stock at the rate of one share for each $0.25 converted.

Subsequent to May 31, 2017, Mr. Binder has loaned us an aggregate additional $47,767 pursuant to the Binder Funding Notes. These book entry loans were unsecured, bore interest at the rate of 10% per annum and were convertible into our common stock at the rate of one share for each $0.25 converted. On August 23, 2017, these loans plus an additional $25,000 in accrued salary due to Mr. Binder were exchanged for a convertible note dated August 23, 2017 in the amount of $72,767 (the "Binder Convertible Note 6"). The Binder Convertible Note 6 is unsecured and bears interest at the rate of 10% per annum. No payments are required until October 1, 2018, at which time all accrued interest becomes due and payable. Principal will be payable in eight equal quarterly installments, together with accrued interest, beginning on January 2, 2019. At Mr. Binder's election, at any time prior to payment or prepayment of the Binder Convertible Note 6 in full, all principal and accrued interest under the Binder Convertible Note 6 may be converted, in whole or in part, into our common stock at the rate of one share for each $0.25 converted.

Omnibus Loan Amendment Agreement

On May 31, 2017, we entered into an Omnibus Loan Amendment Agreement (the "Omnibus Loan Amendment") with Jeffrey I. Binder, Frank Koretsky, Newcan Investment Partners LLC and CLS CO 2016, LLC (collectively, the "Insiders"). Pursuant to the Omnibus Loan Amendment, we agreed with the Insiders to amend certain terms of loans the Insiders made to us for working capital purposes, which loans were initially demand loans, and, except for recent loans made in 2017, were later memorialized as convertible loans (the "Insider Loans"), in exchange for the agreement of the Insiders to convert all Insider Loans where funds were advanced prior to January 1, 2017, which total $2,537,750, plus $166,490 of accrued interest thereon, into an aggregate of 10,816,960 shares of our common stock, and forego the issuance of warrants to purchase our common stock upon conversion. This resulted in the issuance of an additional 7,609,910 shares compared to the original number of shares issuable upon conversion of the Insider Loans prior to the Omnibus Loan Agreement. We valued the shares at $0.125, which was the market price of our stock at the conversion date, and charged the amount of $951,239 to loss on modification of debt during the twelve months ended May 31, 2017.

We entered into the Omnibus Loan Amendment in order to ease the debt burden on us and prevent us from defaulting on the Insider Loans. Pursuant to the Omnibus Loan Amendment, the following amendments were made to the Insider Loans: (a) we reduced the conversion price on the Insider Loans from between $0.75 and $1.07 per share of common stock to $0.25 per share of common stock, in those cases where the conversion price was greater than $0.25, which reduced conversion price exceeds the closing price of the common stock during the last three months; (b) we deleted the requirement to issue warrants to purchase our common stock upon conversion of the Insider Loans; (c) we amended one Insider Loan to permit conversion of only the portion of the Insider Loan related to services that were provided to us prior to January 1, 2017; and (d) we amended the terms of the Insider Loans where funds were advanced on or after January 1, 2017, which Insider Loans were not converted into our common stock, to provide for, where not already the case, a 10% interest rate per annum, a $0.25 conversion price per share of common stock, and the deletion of the requirement that we issue warrants to purchase our common stock upon conversion of such Insider Loans.

CLS CO Note

On August 3, 2016, we borrowed $150,000 from CLS CO 2016, an entity affiliated with Mr. Koretsky. This note was unsecured and bore interest at the rate of 15% per annum. All interest accruing during the first year was to be added to principal. Commencing on November 1, 2017, principal was to be payable in four equal quarterly installments, together with accrued interest. At the note holder's election, at any time prior to payment or prepayment of the loan in full, all principal and accrued interest under the loan was to be converted, in whole or in part, into our securities. Upon such an election, the holder was to receive one "Unit" for each $1.07 converted, with each Unit consisting of one (1) share of common stock and a five-year warrant to purchase (1) share of common stock at a price of $1.07 per share. Pursuant to the Omnibus Loan Agreement, on May 31, 2017, (i) the conversion rate of this convertible note was reduced to $0.25 per share, and (ii) the requirement to issue warrants upon conversion was deleted. Also on May 31, 2017, principal and accrued interest in the amounts of $150,000 and $9,247, respectively, on the note payable to CLS CO 2016 were converted into a total of 636,988 shares of our common stock.

Over the next twelve months we will require significant additional capital to cover our projected cash flow deficits due to the repayment of the April 2015 Note, payments on the 8% Note, payments on the loans from Jeffrey Binder, Frank Koretsky, and Newcan Investment Partners, LLC, the implementation of our business plan, and the development of alternative revenue sources. Additionally, we anticipate that we will devote resources to research and development related to the refinement of our patent pending proprietary methods and processes and development of new products. We estimate research and development costs of between $50,000 and $100,000 during the next 12 months.

We currently have two employees, Jeffrey Binder, who serves as the Chairman, President and Chief Executive Officer of the Company, and Alan Bonsett, who serves as the Chief Operating Officer of the Company. In an effort to assist us conserve cash, Mr. Binder deferred all of his salary through May 31, 2016, which deferred salary totaled $250,000, and on July 20, 2016 he accepted a convertible promissory note from us in lieu of such salary. Mr. Binder also deferred all of his salary from June 1, 2016 through July 31, 2017 and on February 28, 2017, March 31, 2017 and August 23, 2017, Mr. Binder accepted promissory notes from us which include the amounts of $112,500, $37,500, and $25,000, in lieu of such salary. Mr. Binder has deferred all his salary form March 1, 2017 through the date hereof as well. During the year ended May 31, 2016, we issued to Mr. Bonsett a one-time signing bonus of 250,000 shares of restricted common stock of the Company, which became fully vested one year from the effective date of his employment agreement. We valued the shares at $327,500. During the years ended May 31, 2017 and 2016 we recognized $0 and $327,500 in share-based compensation, respectively.

We do not currently have the capital necessary to meet our liquidity needs, fund our capital requirements or implement our business plan. We intend to fund our cash flow and capital requirements during the next year from the proceeds of the equity line agreement, the sale of our debt and equity securities, by obtaining additional loans and with cash generated through operations from companies we may acquire in the future. There can be no assurance that we will be able to meet our needs, however, as we have not yet received any commitments for the purchase of our equity securities or for additional loans, and although we have entered into a non-binding letter of intent with Pure Harvest, we have not entered into any definitive agreements to acquire Pure Harvest or other companies. Because we do not know when we will re-visit commencing operations in Colorado, there can be no assurance that PRH will ever generate sufficient cash to repay the $500,000 loan from CLS Labs Colorado or meet PRH's obligations under the Licensing

Agreement or Equipment Lease. Further, due to delay we encountered with the construction of our Colorado processing facility, we have placed our proposed Colorado operations on hold and will pursue revenue opportunities in other states. We anticipate that we will incur operating losses during the next twelve months.

Consulting Agreements

We have also utilized the services of outside investor relations consultants. Pursuant to a consulting agreement, we agreed to pay a consultant a monthly fee of $6,000 at the beginning of each month and agreed to issue the consultant 120,000 shares of restricted common stock vesting at a rate of 10,000 shares per month. During the three months ended May 31, 2015, we paid $12,000 to the consultant and 10,000 (post Reverse Split) shares vested. We terminated the consulting agreement during the year ended May 31, 2016 and issued the 60,000 shares of common stock that had vested, of which 50,000 shares with a value of $37,500 had been included in stock payable as of May 31, 2015.

On July 22, 2015, pursuant to a consulting agreement, we agreed to issue 5,000 shares of common stock, valued at $5,750, to a consulting firm in exchange for investor relations consulting services. On August 17, 2015, the consulting agreement was amended, whereby we agreed to issue 5,000 additional shares of common stock, valued at $6,650. On August 26, 2015, we extended the consulting agreement and agreed to issue the consultant an additional 10,000 shares of common stock, valued at $12,700. On October 9, 2015, we extended the consulting agreement and agreed to issue the consultant an additional 10,000 shares of common stock, valued at $11,700. On December 15, 2015, we extended the consulting agreement and agreed to issue the consultant an additional 10,000 shares of common stock, valued at $8,000. All shares were valued based on the closing market price on the grant date. During the year ended May 31, 2016, we issued 40,000 shares to this consultant, valued at $32,750.

During the year ended May 31, 2016, pursuant to a consulting agreement, we agreed to issue 10,000 shares of common stock per month, valued at $11,600 per month, to a consultant in exchange for investor relations consulting services. The consulting agreement was terminated during the first month of its term. The parties are in discussions regarding whether any shares of our common stock have been earned and it is uncertain whether any shares will be issued. As of May 31, 2016 and May 31, 2017, we have included 20,000 shares of common stock, valued at $23,200 in stock payable on the accompanying balance sheets. The shares were valued based on the closing market price on the grant date.

On December 29, 2015, pursuant to a consulting agreement, we agreed to issue 25,000 shares of common stock per month, valued at $21,250, to a consultant in exchange for investor relations consulting services. The consulting agreement was terminated during the first month of its term. The parties are in discussions regarding whether any shares of our common stock have been earned and it is uncertain whether any shares will be issued. As of May 31, 2016, and May 31, 2017, we had 50,000 shares of common stock, valued at $42,500 included in stock payable on the accompanying balance sheet. The shares were valued based on the closing market price on the grant date.

In May 2017, pursuant to a consulting agreement, we agreed to issue 25,000 shares of common stock, valued at $3,250, to a consultant in exchange for strategic advisory services. These shares have not yet been issued, and the amount of $3,250 is included in stock payable on the accompanying balance sheet.

In June 2017, we entered into a letter agreement to amend our September 22, 2014 Investor Relations Consulting Agreement. Pursuant to the amendment, we agreed to issue the consultant 24,000 shares of our restricted common stock to satisfy $6,000 of past due invoices for services previously rendered by the consultant from January 2017 through June 2017.

Going concern

Our financial statements were prepared using accounting principles generally accepted in the United States of America applicable to a going concern, which contemplate the realization of assets and liquidation of liabilities in the normal course of business. We have incurred continuous losses from operations since inception, have an accumulated deficit of $8,991,610 and had a working capital deficit of $1,746,758 at May 31, 2017. In addition, we do not currently have the cash resources to meet our operating commitments during the next twelve months. Our ability to continue as a going concern must be considered in light of the problems, expenses, and complications frequently encountered by developmental stage companies.

Our ability to continue as a going concern is dependent on our ability to generate sufficient cash from operations to meet our cash needs, to borrow capital and to raise equity to acquire companies, support the opening of processing facilities and to finance ongoing operations. There can be no assurance, however, that we will be successful in our efforts to raise additional debt or equity capital and/or that our cash generated by our future operations will be adequate to meet our needs. These factors, among others, indicate that we may be unable to continue as a going concern for a reasonable period of time.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results or operations, liquidity, capital expenditures or capital resources that are material to stockholders.

Critical Accounting Estimates

Management uses various estimates and assumptions in preparing our financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Accounting estimates that are the most important to the presentation of our results of operations and financial condition, and which require the greatest use of judgment by management, are designated as our critical accounting estimates. We have the following critical accounting estimates:

- Estimates and assumptions used in valuation of derivative liability: Management utilizes a lattice model to estimate the fair value of derivative liabilities. The model includes subjective assumptions that can materially affect the fair value estimates.

Recently Issued Accounting Standards

In August 2016, the Financial Accounting Standards Board (the "FASB") issued ASU 2016-15, *Statement of Cash Flows (Topic 230).* The update addresses eight specific cash flow issues and is intended to reduce diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. This update will be effective for reporting periods beginning after December 15, 2017, including interim periods within the reporting period. Early adoption is permitted. We are currently evaluating the potential impact of the update on our financial statements.

In January 2017, the FASB issued ASU No. 2017-04, *Simplifying the Test for Goodwill Impairment*, which simplifies the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test. In computing the implied fair value of goodwill under Step 2, current U.S. GAAP requires the performance of procedures to determine the fair value at the impairment testing date of assets and liabilities (including unrecognized assets and liabilities) following the procedure that would be required in determining the fair value of assets acquired and liabilities assumed in a business combination. Instead, the amendments under this ASU require the goodwill impairment test to be performed by comparing the fair value of a reporting unit with its carrying amount. An impairment charge should be recognized for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. The ASU becomes effective for us on January 1, 2020. The amendments in this ASU will be applied on a prospective basis. Early adoption is permitted for interim or annual goodwill impairment tests performed.

In May 2017, the FASB issued ASU No. 2017-09, *Stock Compensation - Scope of Modification Accounting*, which provides guidance on which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting. The ASU requires that an entity account for the effects of a modification unless the fair value (or calculated value or intrinsic value, if used), vesting conditions and classification (as equity or liability) of the modified award are all the same as for the original award immediately before the modification. The ASU becomes effective for us on January 1, 2018, and will be applied prospectively to an award modified on or after the adoption date. Early adoption is permitted, including adoption in any interim period. We are currently assessing the impact that this standard will have on any awards that are modified once this standard is adopted.

There are various other updates recently issued, most of which represented technical corrections to the accounting literature or application to specific industries and are not expected to a have a material impact on our consolidated financial position, results of operations or cash flows.

There are various other updates recently issued, most of which represented technical corrections to the accounting literature or application to specific industries and are not expected to a have a material impact on our consolidated financial position, results of operations or cash flows.

Item 7A. Quantitative and Qualitative Disclosure about Market Risk.

This item is not applicable as we are currently considered a smaller reporting company.

SCHEDULE "C"

FINANCIAL STATEMENTS OF ALTERNATIVE SOLUTIONS

[See attached.]

ALTERNATIVE SOLUTIONS L.L.C.
(A Nevada Corporation)

CONSOLIDATED FINANCIAL STATEMENTS
For the Three and Six Months Ended June 30, 2018 and 2017
(Unaudited)

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ALTERNATIVE SOLUTIONS L.L.C.
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

	June 30, 2018 (Unaudited)	December 31, 2017
ASSETS		
Current assets:		
Cash	$ 14,612	$ 332,060
Accounts receivable	35,437	47,529
Inventory	405,953	307,881
Prepaid expenses	105,188	197,409
Total current assets	561,190	884,879
Other assets	158,500	198,500
Property and equipment, net	933,143	992,091
Total assets	$ 1,652,833	$ 2,075,470
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable	$ 342,293	$ 395,202
Accrued expenses	579,349	550,030
Deferred rent obligation	136,040	134,041
Convertible notes payable	-	200,000
Short term loans, related parties	-	57,557
Total current liabilities	1,057,682	1,336,830
Total liabilities	1,057,682	1,336,830
Partners capital:		
Class A partner, 2,644,653 Units	-	(1,309,293)
Class B partner, 101,851 Units	-	775,128
Class C partner, 301,415 Units	-	1,022,805
Partner's Capital, CLS	595,151	250,000
Total partners' capital	595,151	738,640
Total liabilities and partners' capital	$ 1,652,833	$ 2,075,470

See accompanying notes to financial statements.

ALTERNATIVE SOLUTIONS L.L.C.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	For the Three Months Ended June 30, 2018	For the Three Months Ended June 30, 2017	For the Six Months Ended June 30, 2018	For the Six Months Ended June 30, 2017
Revenue	$ 1,672,483	$ 428,060	$ 3,679,327	$ 765,374
Cost of goods sold	1,025,439	251,258	2,291,857	448,907
Gross Profit	647,044	176,802	1,387,470	316,467
Operating expenses:				
General and administrative	898,840	494,737	1,671,802	861,486
Professional fees	26,550	15,067	63,835	28,174
Guaranteed payments to members	28,333	18,600	58,333	40,500
Depreciation and amortization	43,804	38,691	87,046	71,491
Total operating expenses	997,527	567,095	1,881,016	1,001,651
Net operating loss	(350,483)	(390,293)	(493,546)	(685,184)
Other income (expense):				
Interest expense	(7,500)	(23,438)	(15,000)	(46,875)
Loss on early extinguishment of debt	(15,000)	-	(15,000)	-
Total other income (expense)	(22,500)	(23,438)	(30,000)	(46,875)
Net loss	$ (372,983)	$ (413,731)	$ (523,546)	$ (732,059)

See accompanying notes to financial statements.

ALTERNATIVE SOLUTIONS L.L.C.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the Six Months Ended June 30, 2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (523,546)	$ (732,059)
Adjustments to reconcile net loss		
to net cash used in operating activities:		
Depreciation and amortization	87,046	71,491
Loss on early extinguishment of debt	15,000	-
Decrease (increase) in assets:		
Accounts receivable	12,092	(78,442)
Notes receivable	40,000	-
Inventory	(98,072)	(192,319)
Prepaid expenses	92,221	(195,708)
Other assets	-	249,000
Increase (decrease) in liabilities:		
Accounts payable	(52,909)	78,317
Accrued expenses	36,819	(13,883)
Deferred rent obligations	1,999	24,432
Net cash used in operating activities	(389,350)	(789,171)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(28,098)	(249,920)
Net cash used in investing activities	(28,098)	(249,920)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash contributions from partners	1,800,000	167,775
Cash distributions from partners	(1,700,000)	-
Net cash provided by financing activities	100,000	167,775
NET CHANGE IN CASH	(317,448)	(871,316)
CASH AT BEGINNING OF PERIOD	332,060	919,879
CASH AT END OF PERIOD	$ 14,612	$ 48,563
SUPPLEMENTAL INFORMATION:		
Interest paid	$ 31,655	$ 46,875
Income taxes paid	$ -	$ -
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Repayment of convertible notes payable from proceeds of partnership sale	$ 222,500	$ -
Repayment of short term loans from proceeds of partnership sale	$ 57,557	$ -

See accompanying notes to financial statements.

Note 1 – Basis of Presentation

Basis of Presentation
The interim condensed consolidated financial statements of Alternative Solutions L.L.C. included herein, presented in accordance with United States generally accepted accounting principles and stated in US dollars, have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to not make the information presented misleading.

These statements reflect all adjustments, which in the opinion of management, are necessary for fair presentation of the information contained therein. Except as otherwise disclosed, all such adjustments are of a normal recurring nature. It is suggested that these interim condensed consolidated financial statements be read in conjunction with the financial statements of the Company for the year ended December 31, 2017 and notes thereto. The Company follows the same accounting policies in the preparation of interim reports.

Our consolidated financial statements are prepared using the accrual method of accounting as generally accepted in the United States of America (U.S. GAAP) and the rules of the SEC.

Principles of Consolidation
The accompanying consolidated financial statements include the accounts of the following entities, all of which are under common control and ownership:

Name of Entity [1]	State of Incorporation	Relationship	Abbreviated Reference
Alternative Solutions L.L.C. [2]	Nevada	Parent	Alternative Solutions
Serenity Wellness Center LLC	Nevada	Subsidiary	SWC
DBA/ Oasis Cannabis	Nevada	DBA	Oasis
Serenity Wellness Products LLC	Nevada	Subsidiary	SWP
DBA/ City Trees	Nevada	DBA	City Trees
Serenity Wellness Growers LLC	Nevada	Subsidiary	SWG
DBA/ City Trees	Nevada	Subsidiary	City Trees

[1]Each entity is in the form of a domestic limited liability company.
[2]Alternative Solutions L.L.C. is the parent company of each wholly-owned subsidiary.

The consolidated financial statements herein contain the operations of the wholly-owned subsidiaries listed above. All significant inter-company transactions have been eliminated in the preparation of these financial statements. The parent company, Alternative Solutions, and subsidiaries noted above, will be collectively referred to herein as the "Company", "Alternative Solutions" or "Oasis". The Company's headquarters are located in Las Vegas, Nevada and substantially all of its current customers are within the United States, more specifically, Las Vegas, Nevada.

These statements reflect all adjustments, consisting of normal recurring adjustments, which in the opinion of management are necessary for fair presentation of the information contained therein.

Fair Value of Financial Instruments
Under FASB ASC 820-10-05, the Financial Accounting Standards Board establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. This Statement reaffirms that fair value is the relevant measurement attribute. The adoption of this standard did not have a material effect on the Company's financial statements as reflected herein. The carrying amounts of cash, prepaid expenses and accrued expenses reported on the balance sheet are estimated by management to approximate fair value primarily due to the short term nature of the instruments.

Note 1 – Basis of Presentation (Continued)

Cash in Excess of FDIC Insured Limits
The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to $250,000, under current regulations. The Company had funds in excess of FDIC insured limits at various times during the year, but not any as of June 30, 2018. The Company has not experienced any losses in such accounts.

Inventory
Inventories are stated at the lower of cost or market. Cost is determined on a standard cost basis that approximates the first-in, first-out (FIFO) method. Market is determined based on net realizable value. Appropriate consideration is given to obsolescence, excessive levels, deterioration, and other factors in evaluating net realizable value. Our cannabis products consist of prepackaged purchased goods ready for resale, and cannabis flower grown in-house under our cultivation license, along with produced edibles and extracts developed under our production license.

Deferred Rent Obligation
The Company has entered into operating lease agreements for its dispensary/corporate office and grow facility which contain provisions for future rent increases. In accordance with generally accepted accounting principles, the Company records monthly rent expense equal to the total of the payments due over the lease term, divided by the number of months of the lease terms. The difference between rent expense recorded and the amount paid is credited or charged to "Deferred rent obligation," which is reflected as a separate line item in the accompanying Balance Sheets.

Revenue Recognition
Effective January 1, 2018, the Company adopted ASC 606 — Revenue from Contracts with Customers. Under ASC 606, the Company recognizes revenue from the commercial sales of products, licensing agreements and contracts to perform pilot studies by applying the following steps: (1) identify the contract with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to each performance obligation in the contract; and (5) recognize revenue when each performance obligation is satisfied. For the comparative periods, revenue has not been adjusted and continues to be reported under ASC 605 — Revenue Recognition. Under ASC 605, revenue is recognized when the following criteria are met: (1) persuasive evidence of an arrangement exists; (2) the performance of service has been rendered to a customer or delivery has occurred; (3) the amount of fee to be paid by a customer is fixed and determinable; and (4) the collectability of the fee is reasonably assured.

There was no impact on the Company's financial statements as a result of adopting Topic 606 for the six months ended June 30, 2018 and 2017, or the twelve months ended December 31, 2017.

Revenue is primarily generated through our subsidiary, Serenity Wellness LLC, DBA/ Oasis Cannabis. Oasis operates a 24-hour cannabis dispensary that recognizes revenue from the sale of cannabis products within the state of Nevada.

Revenue from the sale of our cannabis products is recognized by our subsidiary at the point of sale, at which time payment is received. Management estimates an allowance for sales returns.

The Company also recognizes revenue from Serenity Wellness Products LLC and Serenity Wellness Growers LLC, DBA/ City Trees. City Trees recognizes revenue from the sale of the following cannabis products and services to licensed dispensaries within the state of Nevada:

- Premium organic medical cannabis sold wholesale to licensed retailers
- Recreational marijuana cannabis products sold wholesale to distributors and retailers
- Extraction products such as oils and waxes derived from in-house cannabis production
- Processing and extraction services for licensed medical cannabis cultivators in Nevada
- High quality cannabis strains in the form of vegetative cuttings for sale to licensed medical cannabis cultivators in Nevada

Note 1 – Basis of Presentation (Continued)

Advertising and Promotion
All costs associated with advertising and promoting products are expensed as incurred with the exception of the amortization of the cost of two major video productions. A music video and reality/lifestyle video were both produced in 2017. The remaining amount that has not been expensed is listed on the schedule in Note 5. Total recognized advertising and promotion expenses were $288,725 and $99,951 for the six months ended June 30, 2018 and 2017, respectively, and $351,841 and $180,227 for the years ended December 31, 2017 and 2016, respectively.

Recent Accounting Pronouncements
In June 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-07, *Compensation-Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting*, which expands the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees. An entity should apply the requirements of Topic 718 to nonemployee awards except for specific guidance on inputs to an option pricing model and the attribution of cost (that is, the period of time over which share-based payment awards vest and the pattern of cost recognition over that period). The new guidance is effective for all entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2017, with early adoption permitted. The Company does not expect the adoption of this ASU to have a material impact on its consolidated financial statements.

In March 2018, the FASB issued ASU No. 2018-05, *Income Taxes (Topic 740) - Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118*. The amendment provides guidance on accounting for the impact of the Tax Cuts and Jobs Act (the "Tax Act") and allows entities to complete the accounting under ASC 740 within a one-year measurement period from the Tax Act enactment date. This standard is effective upon issuance. The Tax Act has several significant changes that impact all taxpayers, including a transition tax, which is a one-time tax charge on accumulated, undistributed foreign earnings. The calculation of accumulated foreign earnings requires an analysis of each foreign entity's financial results going back to 1986. The Company does not expect the adoption of this ASU to have a material impact on its consolidated financial statements.

In February 2018, the FASB issued ASU No. 2018-02, *Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*. The guidance permits entities to reclassify tax effects stranded in Accumulated Other Comprehensive Income as a result of tax reform to retained earnings. This new guidance is effective for annual and interim periods in fiscal years beginning after December 15, 2018. Early adoption is permitted in annual and interim periods and can be applied retrospectively or in the period of adoption. The Company is currently in the process of evaluating the impact of adoption on its consolidated financial statements.

Effective January 1, 2018, the Company adopted Accounting Standards Codification ("ASC") 606 — Revenue from Contracts with Customers. Under ASC 606, the Company recognizes revenue from the commercial sales of products, licensing agreements and contracts to perform pilot studies by applying the following steps: (1) identify the contract with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to each performance obligation in the contract; and (5) recognize revenue when each performance obligation is satisfied. For the comparative periods, revenue has not been adjusted and continues to be reported under ASC 605 — Revenue Recognition. Under ASC 605, revenue is recognized when the following criteria are met: (1) persuasive evidence of an arrangement exists; (2) the performance of service has been rendered to a customer or delivery has occurred; (3) the amount of fee to be paid by a customer is fixed and determinable; and (4) the collectability of the fee is reasonably assured. There was no impact on the Company's financial statements as a result of adopting Topic 606 for the six months ending June 30, 2018 and the year ended December 31, 2017.

Note 1 – Basis of Presentation (Continued)

Recent Accounting Pronouncements (Continued)
In May 2017, the FASB issued ASU 2017-09*, Compensation — Stock Compensation (Topic 718): Scope of Modification Accounting.* ASU 2017-09, which provides guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. Per ASU 2017-9, an entity should account for the effects of a modification unless all the following are met: (1) the fair value (or calculated value or intrinsic value, if such an alternative measurement method is used) of the modified award is the same as the fair value (or calculated value or intrinsic value, if such an alternative measurement method is used) of the original award immediately before the original award is modified. If the modification does not affect any of the inputs to the valuation technique that the entity uses to value the award, the entity is not required to estimate the value immediately before and after the modification, (2) the vesting conditions of the modified award are the same as the vesting conditions of the original award immediately before the original award is modified, and (3) the classification of the modified award as an equity instrument or a liability instrument is the same as the classification of the original award immediately before the original award is modified. The current disclosure requirements in Topic 718 apply regardless of whether an entity is required to apply modification accounting under the amendments in ASU 2017-9. ASU 2017-9 is effective for public business entities for annual and interim periods in fiscal years beginning after December 15, 2017. Early adoption is permitted, including adoption in any interim period, for (1) public business entities for reporting periods for which financial statements have not yet been issued and (2) all other entities for reporting periods for which financial statements have not yet been made available for issuance. The amendments in this ASU should be applied prospectively to an award modified on or after the adoption date. The adoption of *ASU 2017-9* is not expected to have a material impact on the Company's financial statements or related disclosures.

No other new accounting pronouncements, issued or effective during the six months ended June 30, 2018, have had or are expected to have a significant impact on the Company's financial statements.

Note 2 – Going Concern

As shown in the accompanying financial statements, the Company incurred net losses from operations resulting in an accumulated deficit of $5,288,877 that has been distributed to the partners' capital accounts, and used $389,350 of cash from operations during the six months ended June 30, 2018. These factors raise substantial doubt about the Company's ability to continue as a going concern. The Company is currently seeking additional sources of capital to fund short term operations. The Company, however, is dependent upon its ability to secure equity and/or debt financing and there are no assurances that the Company will be successful; therefore, without sufficient financing it would be unlikely for the Company to continue as a going concern.

The financial statements do not include any adjustments that might result from the outcome of any uncertainty as to the Company's ability to continue as a going concern. The financial statements also do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or amounts and classifications of liabilities that might be necessary should the Company be unable to continue as a going concern.

Note 3 – Change in Ownership

On June 27, 2018, CLS Holdings USA, Inc. ("CLS") closed on the purchase of all of the membership interests in Alternative Solutions and its three operating subsidiaries (collectively, the "Oasis LLCs") from the members of such entities (other than Alternative Solutions). The closing occurred pursuant to a Membership Interest Purchase Agreement (the "Acquisition Agreement") entered into between CLS and Alternative Solutions on December 4, 2017, as amended.

Pursuant to the Acquisition Agreement, CLS paid a non-refundable deposit of $250,000 upon signing, which was followed by an additional payment of $1,800,000 paid in February 2018, for an initial 10% of each of the Oasis LLCs. At that time, CLS applied for regulatory approval to own an interest in the Oasis LLCs, which approval was subsequently received. On June 27, 2018, CLS made the remaining payments to indirectly acquire the remaining 90% of the Oasis LLCs, which were equal to cash in the amount of $6,200,000, a $4.0 million promissory note due in December 2019 (the "Oasis Note"), and 22,058,823 shares of its common stock (the "Purchase Price Shares") (collectively, the "Closing Consideration"). CLS then applied for regulatory approval to own the additional 90% in membership interests in the Oasis LLCs, which we expect to receive in due course. The change of ownership in the Oasis LLCs to CLS will be recorded with the State upon receipt of such regulatory approvals. The closing was executed for accounting purposes as of June 30, 2018.

Note 4 – Fair Value of Financial Instruments

Under FASB ASC 820-10-5, fair value is defined as 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 (an exit price). The standard outlines a valuation framework and creates a fair value hierarchy in order to increase the consistency and comparability of fair value measurements and the related disclosures. Under GAAP, certain assets and liabilities must be measured at fair value, and FASB ASC 820-10-50 details the disclosures that are required for items measured at fair value.

The Company has certain financial instruments that must be measured under the new fair value standard. The Company's financial assets and liabilities are measured using inputs from the three levels of the fair value hierarchy. The three levels are as follows:

> Level 1 - Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.
>
> Level 2 - Inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (e.g., interest rates, yield curves, etc.), and inputs that are derived principally from or corroborated by observable market data by correlation or other means (market corroborated inputs).
>
> Level 3 - Unobservable inputs that reflect our assumptions about the assumptions that market participants would use in pricing the asset or liability.

The following schedule summarizes the valuation of financial instruments at fair value on a recurring basis in the balance sheets as of June 30, 2018 and December 31, 2017, respectively:

	Fair Value Measurements at June 30, 2018		
	Level 1	Level 2	Level 3
Assets			
Cash	$ 14,612	$ -	$ -
Total assets	14,612	-	-
Liabilities			
None	-	-	-
Total liabilities	-	-	-
	$ 14,612	$ -	$ -

	Fair Value Measurements at December 31, 2017		
	Level 1	Level 2	Level 3
Assets			
Cash	$ 332,060	$ -	$ -
Total assets	332,060	-	-
Liabilities			
Convertible note payable, related parties	-	200,000	-
Notes payable, related parties	-	57,557	-
Total liabilities	-	257,557	-
	$ 332,060	$ (257,557)	$ -

The fair values of our related party debts are deemed to approximate book value, and are considered Level 2 inputs as defined by ASC Topic 820-10-35.

There were no transfers of financial assets or liabilities between Level 1 and Level 2 inputs for the six months ended June 30, 2018 and the year ended December 31, 2017.

Note 5 – Accounts Receivable

Accounts receivable was $35,437 and $47,529 at June 30, 2018 and December 31, 2017, respectively. No allowance for doubtful accounts was necessary during the six months ended June 30, 2018 and the year ended December 31, 2017, respectively.

Note 6 – Inventory

Inventories, consisting of material, overhead, labor, and manufacturing overhead, are stated at the lower of cost (first-in, first-out) or market and consist of the following:

	June 30, 2018	December 31, 2017
Raw materials	$ 91,084	$ 41,375
Finished goods	314,869	266,506
	$ 405,953	$ 307,881

Raw materials consist of cannabis plants and the materials that are used in our production process prior to being tested and packaged for consumption. Finished goods consist of pre-packaged materials previously purchased from other licensed cultivators and our manufactured edibles and extracts.

Note 7 – Prepaid Expenses

Prepaid expenses included the following as of June 30, 2018 and December 31, 2017, respectively:

	June 30, 2018	December 31, 2017
Prepaid insurance	$ 8,604	$ 11,119
Prepaid advertising	46,092	113,017
Prepaid license fees	48,417	61,961
Prepaid general and administrative expenses	2,075	11,312
	$ 105,188	$ 197,409

Note 8 – Other Assets

Other assets included the following as of June 30, 2018 and December 31, 2017, respectively:

	June 30, 2018	December 31, 2017
Advance to ATM Provider	$ -	$ 40,000
Security deposits	158,500	158,500
	$ 158,500	$ 198,500

Note 9 – Property and Equipment

Property and equipment consist of the following at June 30, 2018 and December 31, 2017, respectively:

	June 30, 2018	December 31, 2017
Office equipment	$ 196,521	$ 191,424
Furniture and fixtures	19,491	18,991
Website development costs	2,324	2,324
Leasehold improvements	1,085,782	1,063,281
Total	1,304,118	1,276,020
Less accumulated depreciation	(370,975)	(283,929)
Property and equipment, net	$ 933,143	$ 992,091

Depreciation and amortization expense totaled $87,046 and $71,491 for the six months ended June 30, 2018 and 2017, respectively.

Note 10 – Accrued Expenses

Accrued expenses included the following as of June 30, 2018 and December 31, 2017, respectively:

	June 30, 2018	December 31, 2017
Accrued state and city taxes	$ 225,899	$ 173,456
Accrued payroll and payroll taxes	78,450	84,919
Accrued interest	-	16,655
Accrued consulting fees	275,000	275,000
	$ 579,349	$ 550,030

Accrued consulting fees consist of an estimated fee that we may be required to pay to settle a disputed contract. This settlement, when and if, it occurs may very well not be settled within the next twelve months, despite being currently recognized as a current liability.

Note 11 – Convertible Notes Payable

Convertible notes payable consist of the following at June 30, 2018 and December 31, 2017, respectively:

	June 30, 2018	December 31, 2017
On January 6, 2016, we entered into a Subscription Agreement with Jeffrey Sloane ("First Sloane Note") for $100,000, consisting of an unsecured promissory note convertible into Class B LLC Units at the option of the Subscriber only between January 1, 2019 and February 28, 2019, subject to the execution of the Company's operating agreement and pursuant to the State and local jurisdictions' authorization. The Note bears interest at 15%, due and payable on November 30, 2023, and the principal is convertible into Class B LLC Units of the Company at a price based upon a total Company valuation of twenty million dollars ($20,000,000). Interest is to be paid quarterly, in arrears. A total of $111,250 was repaid on June 27, 2018 out of the proceeds of the sale to CLS Holdings USA in satisfaction of $100,000 of principal and $3,750 of accrued interest, resulting in a $7,500 loss on early extinguishment of debt.	$ -	$ 100,000
On June 5, 2015, we entered into a Subscription Agreement with Sandra (Smith) Johnson ("First Johnson Note") for $100,000, consisting of an unsecured promissory note convertible into Class B LLC Units at the option of the Subscriber only between January 1, 2019 and February 28, 2019, subject to the execution of the Company's operating agreement and pursuant to the State and local jurisdictions' authorization. The Note bears interest at 15%, due and payable on November 30, 2023, and the principal is convertible into Class B LLC Units of the Company at a price based upon a total Company valuation of twenty million dollars ($20,000,000). Interest is to be paid quarterly, in arrears. A total of $111,250 was repaid on June 27, 2018 out of the proceeds of the sale to CLS Holdings USA in satisfaction of $100,000 of principal and $3,750 of accrued interest, resulting in a $7,500 loss on early extinguishment of debt.	-	100,000
Convertible notes payable	$ -	$ 200,000

The Company recorded interest expense pursuant to the stated interest rates on the convertible notes in the amount of $15,000 and $46,875 for the six months ended June 30, 2018 and 2017, respectively.

On June 27, 2018, the Company repaid a total of $222,500 of convertible notes, consisting of $200,000 of principal, $7,500 of interest and an additional $15,000 recognized as a loss on early extinguishment of the debt, out of the proceeds received by the partners from CLS Holdings USA, Inc. commensurate with the Membership Interest Purchase Agreement with CLS Holdings USA, Inc.

Note 12 – Short Term Loans, Related Parties

Notes payable, related parties consist of the following at June 30, 2018 and December 31, 2017, respectively:

	June 30, 2018	December 31, 2017
On various dates, the Company received non-interest bearing, unsecured loan advances, due on demand from Todd Swanson, one of the Company's partners. Aggregate proceeds of $573,270 and $950,000 were contributed to capital on August 31, 2016 and January 1, 2016, respectively. A total of $10,000 of outstanding principal was repaid on June 27, 2018 out of the proceeds of the sale to CLS Holdings USA, Inc.	$ -	$ 10,000
On various dates, the Company received non-interest bearing, unsecured loan advances, due on demand from Deb Freeman, one of the Company's partners. Aggregate proceeds of $31,098 and $60,836 were contributed to capital on August 31, 2016 and January 1, 2016, respectively. A total of $47,557 of outstanding principal was repaid on June 27, 2018 out of the proceeds of the sale to CLS Holdings USA, Inc.	-	47,557
Short term loans, related parties	$ -	$ 57,557

Note 13 – Changes in Partners' Capital

Alternative Solutions is a Limited Liability Company organized under the partnership laws of the State of Nevada on April 14, 2014. The original operating agreement authorized to issue up to 5,000 Common Units. A total of 1,000 Units were awarded to four original members, with one (1) additional unit awarded for each one thousand dollars ($1,000) of capital contributed thereafter. Debra Freeman served as the initial Managing Member, and Todd Swanson, Ben Sillitoe and Gary Schnitzer were subsequently added, by amendment, as Managing Members, with Todd Swanson designated as the Principal Manager. The operating agreement, as most recently amended on August 31, 2016, authorizes the issuance of up to 5,000,000 Common Units, which can be divided into multiple types, classes or series. The current capital structure carries three membership classes, as follows:

- Class A LLC Units: Carries voting rights equal to the percentage of LLC Interest held by such Member.
- Class B LLC Units: May be added by a Super Majority vote of Class A Members (Members holding 66 2/3% or more). Class B Members carry no voting rights and are not subject to dilution prior to March 1, 2019.
- Class C LLC Units: May be added by a Super Majority vote of Class A Members, and carry no voting rights.

Unallocated Advance

In February 2018, the Company received $1,800,000 pursuant to the Membership Interest Purchase Agreement with CLS Holdings USA, Inc., in consideration for ten percent (10%) of the ownership interests in Alternative Solutions and its subsidiaries. The ownership change was submitted to the State of Nevada for approval and subsequently approved by the State pursuant to the terms of the sale.

Distributions

On June 27, 2018, the Company's Managing Member was paid a distribution of $1,700,000 pursuant to the closing of the Membership Interest Purchase Agreement with CLS Holdings USA, Inc.

Transfer of Ownership

As disclosed in Note 3, above, on June 27, 2018, CLS closed on the remaining purchase of 100% of the membership interests in Alternative Solutions and its three operating subsidiaries from the members of such entities (other than Alternative Solutions). At which time, the entities became single member LLCs. The entities are also going to adopt the parent Company's fiscal year-end of May 31st.

Note 14 – Income Taxes

The Company is a partnership for tax purposes and all taxable gains and losses are passed through to the individual partners, therefore there is no tax asset or liability to be presented by the Company.

Note 15 – Subsequent Events

As of the date of this filing, there have been no subsequent events to report.

ALTERNATIVE SOLUTIONS L.L.C.
(A Nevada Corporation)

CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2017 and 2016

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Stockholders of Alternative Solutions, LLC.

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial condition of Alternative Solutions, LLC (the Company) as of December 31, 2017 and 2016, and the related consolidated statements of operations, changes in partner's capital, and cash flows for each of the years in the two-year period ended December 31, 2017, and the related notes (collectively referred to as the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

The accompanying consolidated financial statements have been prepared assuming that the Company will continues as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company suffered a net loss from operations and has a net capital deficiency, which raises substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters are described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ M&K CPAS, PLLC

We have served as the Company's auditor since 2017.

Houston, TX

May 25, 2018

ALTERNATIVE SOLUTIONS L.L.C.
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

	December 31, 2017	December 31, 2016
ASSETS		
Current assets:		
Cash	$ 332,060	$ 919,879
Accounts receivable	47,529	-
Inventory	307,881	73,785
Prepaid expenses	197,409	49,627
Total current assets	884,879	1,043,291
Other assets	198,500	407,500
Property and equipment, net	992,091	883,989
Total assets	$ 2,075,470	$ 2,334,780
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable	$ 395,202	$ 41,564
Accrued expenses	550,030	381,326
Deferred rent obligation	134,041	85,177
Convertible notes payable	200,000	625,000
Short term loans, related parties	57,557	57,557
Total current liabilities	1,336,830	1,190,624
Total liabilities	1,336,830	1,190,624
Partners capital:		
Class A partner, 2,644,653 Units	(1,309,293)	(263,756)
Class B partner, 101,851 Units	775,127	431,593
Class C partner, 301,415 Units	1,022,806	976,318
Unallocated contribution	250,000	-
Total partners' capital	738,640	1,144,156
Total liabilities and partners' capital	$ 2,075,470	$ 2,334,780

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

ALTERNATIVE SOLUTIONS L.L.C.
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Years Ended December 31, 2017	2016
Revenue	$ 4,546,210	$ 1,263,262
Cost of goods sold	2,878,110	1,085,115
Gross Profit	1,668,100	178,147
Operating expenses:		
General and administrative	2,666,602	1,419,948
Professional fees	134,336	93,285
Guaranteed payments to partners	110,000	89,250
Depreciation and amortization	155,474	125,770
Total operating expenses	3,066,412	1,728,253
Net operating loss	(1,398,312)	(1,550,106)
Other income (expense):		
Interest expense	(94,204)	(147,000)
Loss on early extinguishment of loan receivable, related party	-	(375,630)
Total other income (expense)	(94,204)	(522,630)
Net loss	$ (1,492,516)	$ (2,072,736)

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

ALTERNATIVE SOLUTIONS L.L.C.
CONSOLIDATED STATEMENT OF CHANGES IN PARTNERS' CAPITAL
For the years ended December 31, 2017 and 2016

	Unallocated Advance	Class A Partners	Class B Partners	Class C Partners	Total
Partners' capital at December 31, 2015	$ -	$ (76,615)	$ -	$ -	$ (76,615)
Capital contributions, 13,590 Class A LLC Units	-	63,303	-	-	63,303
Debt exchanged, 1,457 Class A LLC Units	-	1,615,204	-	-	1,615,204
Debt converted, 86,777 Class B LLC Units	-	-	500,000	-	500,000
Subscriptions, 206,484 Class C LLC Units	-	-	-	1,115,000	1,115,000
Net loss for the year ended December 31, 2016	-	(1,865,648)	(68,406)	(138,682)	(2,072,736)
Partners' capital at December 31, 2016	$ -	$ (263,756)	$ 431,594	$ 976,318	$ 1,144,156
Capital contributions, -0- Class A LLC Units	250,000	250,000	-	-	500,000
Debt converted, 64,931 Class B LLC Units	-	-	425,000	-	425,000
Subscriptions, 30,000 Class C LLC Units	-	-	-	162,000	162,000
Net loss for the year ended December 31, 2017	-	(1,295,537)	(81,466)	(115,513)	(1,492,516)
Partners' capital at December 31, 2017	$ 250,000	$ (1,309,293)	$ 775,128	$ 1,022,805	$ 738,640

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

ALTERNATIVE SOLUTIONS L.L.C.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended December 31, 2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (1,492,516)	$ (2,072,736)
Adjustments to reconcile net loss		
to net cash used in operating activities:		
Depreciation and amortization	155,474	125,770
Loss on early extinguishment of loan receivable, related party	-	375,630
Decrease (increase) in assets:		
Accounts receivable	(47,529)	-
Notes receivable	(40,000)	239,176
Inventory	(234,096)	25,947
Prepaid expenses	(147,782)	13,404
Other assets	249,000	(48,000)
Increase (decrease) in liabilities:		
Accounts payable	353,638	(37,873)
Accrued expenses	168,704	321,158
Deferred rent obligations	48,864	79,613
Net cash used in operating activities	(986,243)	(977,911)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(263,576)	(118,167)
Net cash used in investing activities	(263,576)	(118,167)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash contributions from partners	662,000	1,178,303
Proceeds from convertible notes payable, related party	-	100,000
Proceeds received from short term loans, related party	-	901,125
Repayments on short term loans, related party	-	(239,200)
Net cash provided by financing activities	662,000	1,940,228
NET CHANGE IN CASH	(587,819)	844,150
CASH AT BEGINNING OF PERIOD	919,879	75,729
CASH AT END OF PERIOD	$ 332,060	$ 919,879
SUPPLEMENTAL INFORMATION:		
Interest paid	$ 100,987	$ 156,473
Income taxes paid	$ -	$ -
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Convertible debt converted to capital	$ 425,000	$ 500,000
Related party debt exchanged for capital	$ -	$ 1,615,204

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

Note 1 – Basis of Presentation and Significant Accounting Policies

Business
Alternative Solutions L.L.C. ("Alternative Solutions") is a partnership that was formed under the laws of the State of Nevada on April 14, 2014. Alternative Solutions oversees various wholly-owned subsidiaries involved in the cannabis market in, and around, Las Vegas Nevada. Including, Serenity Wellness Center LLC ("SWC"), doing business as Oasis Cannabis ("Oasis"), an adult-use retail and medical cannabis dispensary, Community Oasis LLC, a licensed art gallery and multipurpose community facility adjacent to Oasis Cannabis, Serenity Wellness Products LLC ("SWP"), a cannabis production company, and Serenity Wellness Growers LLC ("SWG"), a cannabis cultivation company. All wholly-owned subsidiaries are in the form of Nevada domestic limited liability companies.

Basis of Presentation
Our consolidated financial statements are prepared using the accrual method of accounting as generally accepted in the United States of America (U.S. GAAP) and the rules of the Securities and Exchange Commission (SEC).

Principles of Consolidation
The accompanying consolidated financial statements include the accounts of the following entities, all of which are under common control and ownership:

Name of Entity (1)	State of Incorporation	Relationship	Abbreviated Reference
Alternative Solutions L.L.C. (2)	Nevada	Parent	Alternative Solutions
Serenity Wellness Center LLC	Nevada	Subsidiary	SWC
DBA/ Oasis Cannabis	Nevada	DBA	Oasis
Serenity Wellness Products LLC	Nevada	Subsidiary	SWP
DBA/ City Trees	Nevada	DBA	City Trees
Serenity Wellness Growers LLC	Nevada	Subsidiary	SWG
DBA/ City Trees	Nevada	Subsidiary	City Trees

(1)Each entity is in the form of a domestic limited liability company.
(2)Alternative Solutions L.L.C. is the parent company of each wholly-owned subsidiary.

The consolidated financial statements herein contain the operations of the wholly-owned subsidiaries listed above. All significant inter-company transactions have been eliminated in the preparation of these financial statements. The parent company, Alternative Solutions, and subsidiaries noted above, will be collectively referred to herein as the "Company", "Alternative Solutions" or "Oasis". The Company's headquarters are located in Las Vegas, Nevada and substantially all of its current customers are within the United States, more specifically, Las Vegas, Nevada.

These statements reflect all adjustments, consisting of normal recurring adjustments, which in the opinion of management are necessary for fair presentation of the information contained therein.

Segment Reporting
Under FASB ASC 280-10-50, the Company operates as a single segment and will evaluate additional segment disclosure requirements as it expands its operations.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 1 – Basis of Presentation and Significant Accounting Policies (Continued)

Cash and Cash Equivalents
The Company maintains cash balances in non-interest-bearing accounts, which do not currently exceed federally insured limits. For the purpose of the statements of cash flows, all highly liquid investments with an original maturity of three months or less are considered to be cash equivalents.

Allowance for Doubtful Accounts
We generate the majority of our revenues and corresponding accounts receivable from the sale cannabis, and cannabis related products. We evaluate the collectability of our accounts receivable considering a combination of factors. In circumstances where we are aware of a specific customer's inability to meet its financial obligations to us, we record a specific reserve for bad debts against amounts due in order to reduce the net recognized receivable to the amount we reasonably believe will be collected. For all other customers, we recognize reserves for bad debts based on past write-off experience and the length of time the receivables are past due. We had no debts expense during the years ended December 31, 2017 and 2016, respectively.

Inventory
Inventories are stated at the lower of cost or market. Cost is determined on a standard cost basis that approximates the first-in, first-out (FIFO) method. Market is determined based on net realizable value. Appropriate consideration is given to obsolescence, excessive levels, deterioration, and other factors in evaluating net realizable value. Our cannabis products consist of prepackaged purchased goods ready for resale, and cannabis flower grown in-house under our cultivation license, along with produced edibles and extracts developed under our production license.

Fair Value of Financial Instruments
Under FASB ASC 820-10-05, the Financial Accounting Standards Board establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. This Statement reaffirms that fair value is the relevant measurement attribute. The adoption of this standard did not have a material effect on the Company's financial statements as reflected herein. The carrying amounts of cash, prepaid expenses and accrued expenses reported on the balance sheet are estimated by management to approximate fair value primarily due to the short term nature of the instruments.

Basic and Diluted Loss Per Share
The basic net loss per common share is computed by dividing the net loss by the weighted average number of common shares outstanding. Diluted net loss per common share is computed by dividing the net loss adjusted on an "as if converted" basis, by the weighted average number of common shares outstanding plus potential dilutive securities. For the periods presented, potential dilutive securities had an anti-dilutive effect and were not included in the calculation of diluted net loss per common share.

Deferred Rent Obligation
The Company has entered into operating lease agreements for its dispensary/corporate office and grow facility which contain provisions for future rent increases. In accordance with generally accepted accounting principles, the Company records monthly rent expense equal to the total of the payments due over the lease term, divided by the number of months of the lease terms. The difference between rent expense recorded and the amount paid is credited or charged to "Deferred rent obligation," which is reflected as a separate line item in the accompanying Balance Sheets.

Revenue Recognition
Sales on fixed price contracts are recorded when services are earned, the earnings process is complete or substantially complete, and the revenue is measurable and collectability is reasonably assured. Provisions for discounts and rebates to customers, estimated returns and allowances, and other adjustments are provided for in the same period the related sales are recorded. The Company defers any revenue from sales in which payment has been received, but the earnings process has not occurred. Amounts billed in advance of the period in which service is rendered are recorded as a liability under "Deferred revenues".

Note 1 – Basis of Presentation and Significant Accounting Policies (Continued)

Advertising and Promotion
All costs associated with advertising and promoting products are expensed as incurred with the exception of the amortization of the cost of two major video productions. A music video and reality/lifestyle video were both produced in 2017. The remaining amount that hasn't been expensed is listed on the schedule in Note 5. Total recognized advertising and promotion expenses were $351,841 and $180,227 for the years ended December 31, 2017 and 2016, respectively.

Stock-Based Compensation
Under FASB ASC 718-10-30-2, all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. Pro forma disclosure is no longer an alternative. The Company had no stock based compensation expense for the years ended December 31, 2017 and 2016, respectively.

Recent Accounting Pronouncements
Effective January 1, 2018, the Company adopted Accounting Standards Codification ("ASC") 606 — Revenue from Contracts with Customers. Under ASC 606, the Company recognizes revenue from the commercial sales of products, licensing agreements and contracts to perform pilot studies by applying the following steps: (1) identify the contract with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to each performance obligation in the contract; and (5) recognize revenue when each performance obligation is satisfied. For the comparative periods, revenue has not been adjusted and continues to be reported under ASC 605 — Revenue Recognition. Under ASC 605, revenue is recognized when the following criteria are met: (1) persuasive evidence of an arrangement exists; (2) the performance of service has been rendered to a customer or delivery has occurred; (3) the amount of fee to be paid by a customer is fixed and determinable; and (4) the collectability of the fee is reasonably assured. There was no impact on the Company's financial statements as a result of adopting Topic 606 for the years ended December 31, 2018 and 2017.

In May 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2017-09*, Compensation — Stock Compensation (Topic 718): Scope of Modification Accounting.* ASU 2017-09, which provides guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. Per ASU 2017-9, an entity should account for the effects of a modification unless all the following are met: (1) the fair value (or calculated value or intrinsic value, if such an alternative measurement method is used) of the modified award is the same as the fair value (or calculated value or intrinsic value, if such an alternative measurement method is used) of the original award immediately before the original award is modified. If the modification does not affect any of the inputs to the valuation technique that the entity uses to value the award, the entity is not required to estimate the value immediately before and after the modification, (2) the vesting conditions of the modified award are the same as the vesting conditions of the original award immediately before the original award is modified, and (3) the classification of the modified award as an equity instrument or a liability instrument is the same as the classification of the original award immediately before the original award is modified. The current disclosure requirements in Topic 718 apply regardless of whether an entity is required to apply modification accounting under the amendments in ASU 2017-9. ASU 2017-9 is effective for public business entities for annual and interim periods in fiscal years beginning after December 15, 2017. Early adoption is permitted, including adoption in any interim period, for (1) public business entities for reporting periods for which financial statements have not yet been issued and (2) all other entities for reporting periods for which financial statements have not yet been made available for issuance. The amendments in this ASU should be applied prospectively to an award modified on or after the adoption date. The adoption of *ASU 2017-9* is not expected to have a material impact on the Company's financial statements or related disclosures.

No other new accounting pronouncements, issued or effective during the years ended December 31, 2017 and 2016, have had or are expected to have a significant impact on the Company's financial statements.

Note 2 – Going Concern

As shown in the accompanying financial statements, the Company has insufficient cash on hand, a working capital deficit of $451,951 and incurred net losses from operations resulting in an accumulated deficit of $4,765,331 that has been distributed to the partners' capital accounts, and used $986,243 of cash from operations during the year ended December 31, 2017. These factors raise substantial doubt about the Company's ability to continue as a going concern. The Company is currently seeking additional sources of capital to fund short term operations. The Company, however, is dependent upon its ability to secure equity and/or debt financing and there are no assurances that the Company will be successful; therefore, without sufficient financing it would be unlikely for the Company to continue as a going concern.

The financial statements do not include any adjustments that might result from the outcome of any uncertainty as to the Company's ability to continue as a going concern. The financial statements also do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or amounts and classifications of liabilities that might be necessary should the Company be unable to continue as a going concern.

Note 3 – Fair Value of Financial Instruments

Under FASB ASC 820-10-5, fair value is defined as 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 (an exit price). The standard outlines a valuation framework and creates a fair value hierarchy in order to increase the consistency and comparability of fair value measurements and the related disclosures. Under GAAP, certain assets and liabilities must be measured at fair value, and FASB ASC 820-10-50 details the disclosures that are required for items measured at fair value.

The Company has certain financial instruments that must be measured under the new fair value standard. The Company's financial assets and liabilities are measured using inputs from the three levels of the fair value hierarchy. The three levels are as follows:

Level 1 - Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

Level 2 - Inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (e.g., interest rates, yield curves, etc.), and inputs that are derived principally from or corroborated by observable market data by correlation or other means (market corroborated inputs).

Level 3 - Unobservable inputs that reflect our assumptions about the assumptions that market participants would use in pricing the asset or liability.

Note 3 – Fair Value of Financial Instruments (Continued)

The following schedule summarizes the valuation of financial instruments at fair value on a recurring basis in the balance sheets as of December 31, 2017 and 2016, respectively:

	Fair Value Measurements at December 31, 2017		
	Level 1	Level 2	Level 3
Assets			
Cash	$ 332,060	$ -	$ -
Total assets	332,060	-	-
Liabilities			
Convertible note payable, related parties	-	200,000	-
Notes payable, related parties	-	57,557	-
Total liabilities	-	257,557	-
	$ 332,060	$ (257,557)	$ -

	Fair Value Measurements at December 31, 2016		
	Level 1	Level 2	Level 3
Assets			
Cash	$ 919,879	$ -	$ -
Total assets	919,879	-	-
Liabilities			
Convertible note payable, related parties	-	625,000	-
Notes payable, related parties	-	57,557	-
Total liabilities	-	682,557	-
	$ 919,879	$ (682,557)	$ -

The fair values of our related party debts are deemed to approximate book value, and are considered Level 2 inputs as defined by ASC Topic 820-10-35.

There were no transfers of financial assets or liabilities between Level 1, Level 2 and Level 3 inputs for the years ended December 31, 2017 and 2016.

Note 4 – Accounts Receivable

Accounts receivable was $47,529 and $-0- at December 31, 2017 and 2016, respectively. No allowance for doubtful accounts was necessary during the years ended December 31, 2017 and 2016, respectively.

Note 5 – Inventory

Inventories, consisting of material, overhead, labor, and manufacturing overhead, are stated at the lower of cost (first-in, first-out) or market and consist of the following:

	December 31, 2017	December 31, 2016
Raw materials	$ 41,375	$ -
Finished goods	266,506	73,785
	$ 307,881	$ 73,785

Raw materials consist of cannabis plants and the materials that are used in our production process prior to being tested and packaged for consumption. Finished goods consist of pre-packaged materials previously purchased from other licensed cultivators and our manufactured edibles and extracts.

Note 6 – Prepaid Expenses

Prepaid expenses included the following as of December 31, 2017 and 2016, respectively:

	December 31, 2017	December 31, 2016
Prepaid insurance	$ 11,119	$ -
Prepaid advertising	113,017	-
Prepaid license fees	61,961	43,683
Prepaid general and administrative expenses	11,312	5,944
	$ 197,409	$ 49,627

Note 7 – Other Assets

Other assets included the following as of December 31, 2017 and 2016, respectively:

	December 31, 2017	December 31, 2016
Advance to ATM Provider	$ 40,000	$ -
State and City Bonds	-	250,000
Security deposits	158,500	157,500
	$ 198,500	$ 407,500

Note 8 – Property and Equipment

Property and equipment consist of the following at December 31, 2017 and 2016, respectively:

	December 31, 2017	December 31, 2016
Office equipment	$ 191,424	$ 136,696
Furniture and fixtures	18,991	16,385
Website development costs	2,324	2,324
Leasehold improvements	1,063,281	857,039
Total	1,276,020	1,012,444
Less accumulated depreciation	(283,929)	(128,455)
Property and equipment, net	$ 992,091	$ 883,989

Depreciation and amortization expense totaled $155,474 and $125,770 for the years ended December 31, 2017 and 2016, respectively.

Note 9 – Accrued Expenses

Accrued expenses included the following as of December 31, 2017 and 2016, respectively:

	December 31, 2017	December 31, 2016
Accrued state and city taxes	$ 173,456	$ 62,881
Accrued payroll and payroll taxes	84,919	20,007
Accrued interest	16,655	23,438
Accrued consulting fees	275,000	275,000
	$ 550,030	$ 381,326

Accrued consulting fees consist of an estimated fee that we may be required to pay to settle a disputed contract. This settlement, when and if, it occurs may very well not be settled within the next twelve months, despite being currently recognized as a current liability.

Note 10 – Convertible Notes Payable

Convertible notes payable consist of the following at December 31, 2017 and 2016, respectively:

	December 31, 2017	December 31, 2016
On January 6, 2016, we entered into a Subscription Agreement with Jeffrey Sloane ("First Sloane Note") for $100,000, consisting of an unsecured promissory note convertible into Class B LLC Units at the option of the Subscriber only between January 1, 2019 and February 28, 2019, subject to the execution of the Company's operating agreement and pursuant to the State and local jurisdictions' authorization. The Note bears interest at 15%, due and payable on November 30, 2023, and the principal is convertible into Class B LLC Units of the Company at a price based upon a total Company valuation of twenty million dollars ($20,000,000). Interest is to be paid quarterly, in arrears.	$ 100,000	$ 100,000
On December 18, 2015, we entered into a Subscription Agreement with Archie Perry ("Second Perry Note") for $100,000, consisting of an unsecured promissory note convertible into Class B LLC Units at the option of the Subscriber only between January 1, 2019 and February 28, 2019, subject to the execution of the Company's operating agreement and pursuant to the State and local jurisdictions' authorization. The Note bears interest at 15%, due and payable on November 30, 2023, and the principal is convertible into Class B LLC Units of the Company at a price based upon a total Company valuation of twenty million dollars ($20,000,000). Interest is to be paid quarterly, in arrears.	-	-
On November 30, 2015, we entered into a Subscription Agreement with Jeffrey Hellman ("Second Hellman Note") for $100,000, consisting of an unsecured promissory note convertible into Class B LLC Units at the option of the Subscriber only between January 1, 2019 and February 28, 2019, subject to the execution of the Company's operating agreement and pursuant to the State and local jurisdictions' authorization. The Note bears interest at 15%, due and payable on November 30, 2023, and the principal is convertible into Class B LLC Units of the Company at a price based upon a total Company valuation of twenty million dollars ($20,000,000). Interest is to be paid quarterly, in arrears.	-	100,000
On September 10, 2015, we entered into a Subscription Agreement with Archie Perry ("First Perry Note") for $300,000, consisting of an unsecured promissory note convertible into Class B LLC Units at the option of the Subscriber only between January 1, 2019 and February 28, 2019, subject to the execution of the Company's operating agreement and pursuant to the State and local jurisdictions' authorization. The Note bears interest at 15%, due and payable on November 30, 2023, and the principal is convertible into Class B LLC Units of the Company at a price based upon a total Company valuation of twenty million dollars ($20,000,000). Interest is to be paid quarterly, in arrears.	-	-

Note 10 – Convertible Notes Payable (Continued)

	December 31, 2017	December 31, 2016
On June 29, 2015, we entered into a Subscription Agreement with MYJ Holdings, LLC ("First MYJ Note") for $100,000, consisting of an unsecured promissory note convertible into Class B LLC Units at the option of the Subscriber only between January 1, 2019 and February 28, 2019, subject to the execution of the Company's operating agreement and pursuant to the State and local jurisdictions' authorization. The Note bears interest at 15%, due and payable on November 30, 2023, and the principal is convertible into Class B LLC Units of the Company at a price based upon a total Company valuation of twenty million dollars ($20,000,000). Interest is to be paid quarterly, in arrears.	-	-
On June 23, 2015, we entered into a Subscription Agreement with Jeffrey Hellman ("First Hellman Note") for $125,000, consisting of an unsecured promissory note convertible into Class B LLC Units at the option of the Subscriber only between January 1, 2019 and February 28, 2019, subject to the execution of the Company's operating agreement and pursuant to the State and local jurisdictions' authorization. The Note bears interest at 15%, due and payable on November 30, 2023, and the principal is convertible into Class B LLC Units of the Company at a price based upon a total Company valuation of twenty million dollars ($20,000,000). Interest is to be paid quarterly, in arrears.	-	125,000
On June 10, 2015, we entered into a Subscription Agreement with the Nevins Family Trust ("First Nevins Note") for $200,000, consisting of an unsecured promissory note convertible into Class B LLC Units at the option of the Subscriber only between January 1, 2019 and February 28, 2019, subject to the execution of the Company's operating agreement and pursuant to the State and local jurisdictions' authorization. The Note bears interest at 15%, due and payable on November 30, 2023, and the principal is convertible into Class B LLC Units of the Company at a price based upon a total Company valuation of twenty million dollars ($20,000,000). Interest is to be paid quarterly, in arrears.	-	200,000
On June 5, 2015, we entered into a Subscription Agreement with Sandra (Smith) Johnson ("First Johnson Note") for $100,000, consisting of an unsecured promissory note convertible into Class B LLC Units at the option of the Subscriber only between January 1, 2019 and February 28, 2019, subject to the execution of the Company's operating agreement and pursuant to the State and local jurisdictions' authorization. The Note bears interest at 15%, due and payable on November 30, 2023, and the principal is convertible into Class B LLC Units of the Company at a price based upon a total Company valuation of twenty million dollars ($20,000,000). Interest is to be paid quarterly, in arrears.	100,000	100,000
Convertible notes payable	$ 200,000	$ 625,000

The notes have been presented as current liabilities as they are expected to be converted or repaid within the next twelve months pursuant to the pending acquisition by CLS Holdings USA, Inc. The Company recorded interest expense pursuant to the stated interest rates on the convertible notes in the amount of $87,110 and $140,024 for the years ended December 31, 2017 and 2016, respectively.

Note 11 – Short Term Loans, Related Parties

Notes payable, related parties consist of the following at December 31, 2017 and 2016, respectively:

	December 31, 2017	December 31, 2016
On various dates, the Company received non-interest bearing, unsecured loan advances, due on demand from Todd Swanson, one of the Company's partners. Aggregate proceeds of $573,270 and $950,000 were contributed to capital on August 31, 2016 and January 1, 2016, respectively.	$ 10,000	$ 10,000
On various dates, the Company received non-interest bearing, unsecured loan advances, due on demand from Deb Freeman, one of the Company's partners. Aggregate proceeds of $31,098 and $60,836 were contributed to capital on August 31, 2016 and January 1, 2016, respectively.	47,557	47,557
Short term loans, related parties	$ 57,557	$ 57,557

Note 12 – Changes in Partners' Capital

Alternative Solutions is a Limited Liability Company organized under the partnership laws of the State of Nevada on April 14, 2014. The original operating agreement authorized to issue up to 5,000 Common Units. A total of 1,000 Units were awarded to four original members, with one (1) additional unit awarded for each one thousand dollars ($1,000) of capital contributed thereafter. Debra Freeman served as the initial Managing Member, and Todd Swanson, Ben Sillitoe and Gary Schnitzer were subsequently added, by amendment, as Managing Members, with Todd Swanson designated as the Principal Manager. The operating agreement, as most recently amended on August 31, 2016, authorizes the issuance of up to 5,000,000 Common Units, which can be divided into multiple types, classes or series. The current capital structure carries three membership classes, as follows:

- Class A LLC Units: Carries voting rights equal to the percentage of LLC Interest held by such Member.
- Class B LLC Units: May be added by a Super Majority vote of Class A Members (Members holding 66 2/3% or more). Class B Members carry no voting rights and are not subject to dilution prior to March 1, 2019.
- Class C LLC Units: May be added by a Super Majority vote of Class A Members, and carry no voting rights.

Unallocated Advance (2017)
On December 4, 2017, the Company received a non-refundable contribution of $250,000 pursuant to the Membership Interest Purchase Agreement with CLS Holdings USA, Inc. The ownership contribution will be allocated at the scheduled closing in 2018.

Class A LLC Units Contributed (2017)
During the year ended December 31, 2017, Class A Members contributed a total of $250,000 in cash. The Class A Members agreed not to add new Units to their ownership percentage so as to not dilute minority interests.

Class A LLC Units Contributed (2016)
During the year ended December 31, 2016, Class A Members contributed a total of $63,303 in cash, representing 13,590 Units.

Class A LLC Units Contributed via Debt Exchange (2016)
During the year ended December 31, 2016, two Class A Members exchanged an aggregate $1,615,204 of outstanding debt for a total of 1,457 Class A LLC Units.

Note 12 – Changes in Partners' Capital (Continued)

Class B LLC Units Contributed via Debt Conversion (2017)
On November 22, 2017, a Convertible Noteholder converted $200,000 of outstanding debt for 30,556 Class B LLC Units, based on a total Company valuation of $20,000,000, as approved by a super majority of voting members. The debt conversion resulted in a gain of $34,998 over the $165,002 fair value of the units converted. The related party gain was recognized back against equity and had no effect on the Company's Statements of Operations. The Class B LLC Units are not subject to dilution prior to March 1, 2019.

On November 22, 2017, another Convertible Noteholder converted $225,000 of outstanding debt for 34,375 Class B LLC Units, based on a total Company valuation of $20,000,000, as approved by a super majority of voting members. The debt conversion resulted in a gain of $39,375 over the $185,625 fair value of the units converted. The related party gain was recognized back against equity and had no effect on the Company's Statements of Operations. The Class B LLC Units are not subject to dilution prior to March 1, 2019.

Class B LLC Units Contributed via Debt Conversion (2016)
On August 15, 2016, a Convertible Noteholder converted $400,000 of outstanding debt for 69,422 Class B LLC Units, based on a total Company valuation of $15,000,000, as approved by a super majority of voting members. The debt conversion resulted in a gain of $25,121 over the $374,879 fair value of the units converted. The related party gain was recognized back against equity and had no effect on the Company's Statements of Operations. The Class B LLC Units are not subject to dilution prior to March 1, 2019.

On August 15, 2016, another Convertible Noteholder converted $100,000 of outstanding debt for 17,355 Class B LLC Units, based on a total Company valuation of $15,000,000, as approved by a super majority of voting members. The debt conversion resulted in a gain of $6,283 over the $93,717 fair value of the units converted. The related party gain was recognized back against equity and had no effect on the Company's Statements of Operations. The Class B LLC Units are not subject to dilution prior to March 1, 2019.

Class C LLC Units Contributed (2017)
On March 16, 2017, a new Class C Member contributed $162,000 in cash, representing 30,000 Units.

Class C LLC Units Contributed (2016)
During the year ended December 31, 2016, a total of seven new partners contributed an aggregate $1,115,000 of capital for an aggregate 206,484 Class C LLC Units.

Note 13 – Loss on Early Extinguishment of Loan Receivable, Related Party

On various dates between August 1, 2014 and August 25, 2016, the Company paid an aggregate total of $525,630 on the acquisition of property on behalf of SWC Real Estate, LLC, an entity under the control of Todd Swanson, the Company's managing member. On August 25, 2016, the Company and Mr. Swanson agreed to modify the loan to the estimated present value of the property, resulting in a loss of $375,630 recognized during the year ended December 31, 2016, as presented in other expense within the Statements of Operations. Commensurate with the modification of the loan receivable, Mr. Swanson repaid the balance of $150,000.

Note 14 – Income Taxes

The Company is a partnership for tax purposes and all taxable gains and losses are passed through to the individual partners, therefore there is no tax asset or liability to be presented by the Company.

Note 15 – Future Minimum Lease Payments

Effective January 1, 2015, we leased our office/dispensary space in Las Vegas, Nevada under a 5-year operating lease expiring December 31, 2019, and is renewable for an additional five years upon expiration. The lease provides for increases in future minimum annual rental payments based on defined annual increases beginning with monthly payments of $7,500 and culminating in a monthly payment of $8,441 in 2019. The total amount of rental payments due over the lease term is being charged to rent expense according to the straight-line method over the term of the lease. The difference between rent expense recorded and the amount paid was credited or charged to “Deferred rent obligation,” in the accompanying Balance Sheets. The deferred rent obligation attributable to this lease was $8,512 and $8,429 at December 31, 2017 and 2016, respectively.

Effective January 11, 2016, SWG leased a commercial building for its cannabis production and cultivation business in North Las Vegas. The 5-year operating lease expires on February 28, 2021, and is renewable for another 5 year term. The lease provides for increases in future minimum annual rental payments based on defined annual increases beginning with monthly payments of $22,000 and culminating in a monthly payment of $29,000 in 2021. The total amount of rental payments due over the lease term is being charged to rent expense according to the straight-line method over the term of the lease. The difference between rent expense recorded and the amount paid will be credited or charged to “Deferred rent obligation,” in the Balance Sheets. The deferred rent obligation attributable to this lease was $125,529 and $76,748 at December 31, 2017 and 2016, respectively.

Future minimum lease payments required under operating leases according to our fiscal year-end are as follows:

Year Ending December 31,	Amount
2018	$ 356,345
2019	401,296
2020	348,000
2021	58,000
Thereafter	-
	$ 1,163,641

Rent expense was $389,520 and $329,218 for the years ended December 31, 2017 and 2016, respectively.

Note 16 – Subsequent Events

During the first quarter of 2018, the Company received $1,800,000 pursuant to the Membership Interest Purchase Agreement with CLS Holdings USA, Inc., in consideration for ten percent (10%) of the ownership interests in Alternative Solutions and its subsidiaries. The ownership change has been submitted to the State of Nevada for approval and the parties are awaiting approval pursuant to the terms of the sale.

On May 23, 2018, the Class A Members voted to use $100,000 of the $1,800,000 deposit for working capital to support ongoing operations and to finance growth in wholesale inventory.

SCHEDULE "D"

MD&A OF ALTERNATIVE SOLUTIONS

[See attached.]

MD&A OF ALTERNATIVE SOLUTIONS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018

OVERVIEW AND OUTLOOK

Alternative Solutions L.L.C. ("Alternative Solutions") is a limited liability company that was formed under the laws of the State of Nevada on April 14, 2014. Alternative Solutions has three wholly-owned subsidiaries involved in the cannabis market in, and around, Las Vegas Nevada, including, Serenity Wellness Center LLC ("SWC"), doing business as Oasis Cannabis ("Oasis"), an adult-use retail and medical cannabis dispensary, Serenity Wellness Products LLC ("SWP"), a cannabis extraction, conversion and processing company, and Serenity Wellness Growers LLC ("SWG"), a cannabis cultivation company. Alternative Solutions also owns Community Oasis LLC, a multipurpose community facility, which is adjacent to Oasis. All wholly-owned subsidiaries are Nevada limited liability companies.

On January 4, 2018, the Attorney General of the United States issued new written guidance concerning the enforcement of federal laws relating to marijuana. The Attorney General's memorandum stated that previous DOJ guidance specific to marijuana enforcement, including the memorandum issued by former Deputy Attorney General James Cole on August 29, 2013 (as amended on February 14, 2014, the "Cole Memo") is unnecessary and is rescinded, effective immediately. The Cole Memo told federal prosecutors that in states that had legalized marijuana, they should use their prosecutorial discretion to focus not on businesses that comply with state regulations, but on illicit enterprises that create harms like selling drugs to children, operating with criminal gangs, and selling across state lines. In addition, since 2014, the federal budget has prohibited the DOJ from using federal funds to prosecute medical cannabis businesses pursuant to a budget rider, which must be renewed annually and is presently set to expire on January 19, 2018. The Attorney General has now advised that it will be left to the discretion of the local US attorneys in the various districts to decide how and when to enforce the federal marijuana laws. As a result of the Attorney General's recent guidance, it is unclear whether and how US attorneys in states with medical and/or recreational marijuana laws will enforce federal laws relating to the prohibition of the possession, ownership or sale of marijuana, among other things. It is also unclear whether any states will challenge the Attorney General's new pronouncement in the applicable courts. However, as a result of the Attorney General's new guidance, some banks, clearing brokers and other businesses may cease or limit how they do business with companies in the marijuana business to avoid a possible violation of federal law. It is also possible that some US attorneys may begin enforcing federal laws to prevent marijuana businesses that are otherwise validly operating under state laws, from conducting business. Thus, regardless of whether the Attorney General's new pronouncement is enforced or found to be lawful, it could have a material adverse impact on the marijuana industry, including our business.

During the first quarter of 2018, Alternative Solutions received $1,800,000 pursuant to a Membership Interest Purchase Agreement dated December 4, 2017, as emended (the "Acquisition Agreement") with CLS Holdings USA, Inc. ("CLS"), in consideration for ten percent (10%) of the ownership interests in Alternative Solutions and its subsidiaries. This payment was in addition to the first deposit CLS paid to Alternative Solutions in the amount of $250,000 during the fourth quarter of 2017. The ownership change was approved by the State of Nevada on June 21, 2018.

On June 27, 2018, CLS closed on the purchase of all of the membership interests in Alternative Solutions and its three operating subsidiaries (collectively, the "Oasis LLCs") from the members of such entities (other than Alternative Solutions). Pursuant to the Acquisition Agreement, at the closing, CLS paid the following consideration to the owners of the membership interests in Alternative Solutions and the Oasis LLCs: cash in the amount of $6,200,000, a $4.0 million promissory note due in December 2019, and 22,058,823 shares of its common stock. CLS then applied for regulatory approval to own the additional 90% in membership interests in the Oasis LLCs, which it expects to receive in due course. The change of ownership in the Oasis LLCs to CLS will be recorded upon receipt of such regulatory approvals.

Critical Accounting Policies

Basis of Presentation

Alternative Solutions' consolidated financial statements are prepared using the accrual method of accounting as generally accepted in the United States of America ("U.S. GAAP") and the rules of the Securities and Exchange Commission ("SEC").

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the following entities, all of which are under common control and ownership:

Name of Entity [1]	State of Incorporation	Relationship	Abbreviated Reference
Alternative Solutions L.L.C. [2]	Nevada	Parent	Alternative Solutions
Serenity Wellness Center LLC	Nevada	Subsidiary	SWC
Serenity Wellness Products LLC	Nevada	Subsidiary	SWP
Serenity Wellness Growers LLC	Nevada	Subsidiary	SWG

(1)Each entity is a Nevada limited liability company.
(2)Alternative Solutions L.L.C. is the parent company of each of SWC, SWP and SWG.

The consolidated financial statements include the operations of SWC, SWP and SWG. All significant inter-company transactions have been eliminated in the preparation of these financial statements. The parent company, Alternative Solutions, and subsidiaries noted above, are collectively referred to as "Alternative Solutions" or "Oasis". The headquarters of Alternative Solutions is located in Las Vegas, Nevada and substantially all of its current customers are within the United States, more specifically, Las Vegas, Nevada.

These statements reflect all adjustments, consisting of normal recurring adjustments, which in the opinion of management are necessary for fair presentation of the information contained therein.

Segment Reporting

Under FASB ASC 280-10-50, Alternative Solutions operates as a single segment and will evaluate additional segment disclosure requirements as it expands its operations.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Alternative Solutions maintains cash balances in non-interest-bearing accounts, which do not currently exceed federally insured limits. For the purpose of the statements of cash flows, all highly liquid investments with an original maturity of three months or less are considered to be cash equivalents.

Allowance for Doubtful Accounts

We generate the majority of our revenues and corresponding accounts receivable from the sale of cannabis and cannabis related products. We evaluate the collectability of our accounts receivable considering a combination of factors. In circumstances where we are aware of a specific customer's inability to meet its financial obligations to us, we record a specific reserve for bad debts against amounts due in order to reduce the net recognized receivable to the amount we reasonably believe will be collected. For all other customers, we recognize reserves for bad debts based on past write-off experience and the length of time the receivables are past due. We had no bad debt expense during the six months ended June 30, 2018 or the years ended December 31, 2017 and 2016, respectively.

Cash in Excess of FDIC Insured Limits

The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to $250,000, under current regulations. The Company had funds in excess of FDIC insured limits at various times during the year, but not any as of June 30, 2018. The Company has not experienced any losses in such accounts.

Inventory

Inventories are stated at the lower of cost or market. Cost is determined on a standard cost basis that approximates the first-in, first-out (FIFO) method. Market is determined based on net realizable value. Appropriate consideration is given to obsolescence, excessive levels, deterioration, and other factors in evaluating net realizable value. Our cannabis products consist of prepackaged purchased goods ready for resale, and cannabis flower grown in-house under our cultivation license, along with produced edibles and extracts developed under our production license.

Fair Value of Financial Instruments

Under FASB ASC 820-10-05, the Financial Accounting Standards Board establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. This Statement reaffirms that fair value is the relevant measurement attribute. The adoption of this standard did not have a material effect on Alternative Solutions' financial statements as reflected herein. The carrying amounts of cash, prepaid expenses and accrued expenses reported on the balance sheet are estimated by management to approximate fair value primarily due to the short term nature of the instruments.

Deferred Rent Obligation

Alternative Solutions has entered into operating lease agreements for its dispensary/corporate office and grow facility, which contain provisions for future rent increases. In accordance with generally accepted accounting principles, Alternative Solutions records monthly rent expense equal to the total of the payments due over the lease term, divided by the number of months of the lease terms. The difference between rent expense recorded and the amount paid is credited or charged to "Deferred rent obligation," which is reflected as a separate line item in the accompanying Balance Sheets.

Revenue Recognition

Sales on fixed price contracts are recorded when services are earned, the earnings process is complete or substantially complete, the revenue is measurable and collectability is reasonably assured. Provisions for discounts and rebates to customers, estimated returns and allowances, and other adjustments are provided for in the same period the related sales are recorded. Alternative Solutions defers any revenue from sales in which payment has been received, but the earnings process has not occurred. Amounts billed in advance of the period in which service is rendered are recorded as a liability under "Deferred revenues".

Advertising and Promotion

All costs associated with advertising and promoting products are expensed as incurred with the exception of the amortization of the cost of two major video productions. A music video and reality/lifestyle video were both produced in 2017. The remaining amount that has not been expensed is listed on the schedule in Note 5. Total recognized advertising and promotion expenses were $288,725 and $99,951 for the six months ended June 30, 2018 and 2017, respectively, and $351,841 and $180,227 for the years ended December 31, 2017 and 2016, respectively.

Recent Accounting Pronouncements

In June 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-07, *Compensation-Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting*, which expands the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees. An entity should apply the requirements of Topic 718 to nonemployee awards except for specific guidance on inputs to an option pricing model and the attribution of cost (that is, the period of time over which share-based payment awards vest and the pattern of cost recognition over that period). The new guidance is effective for all entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2017, with early adoption permitted. We do not expect the adoption of this ASU to have a material impact on its consolidated financial statements.

In March 2018, the FASB issued ASU No. 2018-05, *Income Taxes (Topic 740) - Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118*. The amendment provides guidance on accounting for the impact of the Tax Cuts and Jobs Act (the "Tax Act") and allows entities to complete the accounting under ASC 740 within a one-year measurement period from the Tax Act enactment date. This standard is effective upon issuance. The Tax Act has several significant changes that impact all taxpayers, including a transition tax, which is a one-time tax charge on accumulated, undistributed foreign earnings. The calculation of accumulated foreign earnings requires an analysis of each foreign entity's financial results going back to 1986. We do not expect the adoption of this ASU to have a material impact on its consolidated financial statements.

In February 2018, the FASB issued ASU No. 2018-02, *Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*. The guidance permits entities to reclassify tax effects stranded in Accumulated Other Comprehensive Income as a result of tax reform to retained earnings. This new guidance is effective for annual and interim periods in fiscal years beginning after December 15, 2018. Early adoption is permitted in annual and interim periods and can be applied retrospectively or in the period of adoption. We are currently in the process of evaluating the impact of adoption on its consolidated financial statements.

Effective January 1, 2018, Alternative Solutions adopted Accounting Standards Codification ("ASC") 606 — Revenue from Contracts with Customers. Under ASC 606, Alternative Solutions recognizes revenue from the commercial sales of products, licensing agreements and contracts to perform pilot studies by applying the following steps: (1) identify the contract with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to each performance obligation in the contract; and (5) recognize revenue when each performance obligation is satisfied. For the comparative periods, revenue has not been adjusted and continues to be reported under ASC 605 — Revenue Recognition. Under ASC 605, revenue is recognized when the following criteria are met: (1) persuasive evidence of an arrangement exists; (2) the performance of service has been rendered to a customer or delivery has occurred; (3) the amount of fee to be paid by a customer is fixed and determinable; and (4) the collectability of the fee is reasonably assured. There was no impact on Alternative Solutions' financial statements as a result of adopting Topic 606 for the six months ending June 30, 2018 and the year ended December 31, 2017.

In May 2017, the FASB issued ASU 2017-09*, Compensation — Stock Compensation (Topic 718): Scope of Modification Accounting.* ASU 2017-09, which provides guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. Per ASU 2017-9, an entity should account for the effects of a modification unless all the following are met: (1) the fair value (or calculated value or intrinsic value, if such an alternative measurement method is used) of the modified award is the same as the fair value (or calculated value or intrinsic value, if such an alternative measurement method is used) of the original award immediately before the original award is modified. If the modification does not affect any of the inputs to the valuation technique that the entity uses to value the award, the entity is not required to estimate the value immediately before and after the modification, (2) the vesting conditions of the modified award are the same as the vesting conditions of the original award immediately before the original award is modified, and (3) the classification of the modified award as an equity instrument or a liability instrument is the same as the classification of the original award immediately before the original award is modified. The current disclosure requirements in Topic 718 apply regardless of whether an entity is required to apply modification accounting under the amendments in ASU 2017-9. ASU 2017-9 is effective for public business entities for annual and interim periods in fiscal years beginning after December 15, 2017. Early adoption is permitted, including adoption in any interim period, for (1) public business entities for reporting periods for which financial statements have not yet been issued and (2) all other entities for reporting periods for which financial statements have not yet been made available for issuance. The amendments in this ASU should be applied prospectively to an award modified on or after the adoption date. The adoption of *ASU 2017-9* is not expected to have a material impact on Alternative Solutions' financial statements or related disclosures.

No other new accounting pronouncements, issued or effective during the six months ended June 30, 2018, have had or are expected to have a significant impact on Alternative Solutions' financial statements.

Results of Operations for the Three Months Ended June 30, 2018 and 2017

The following table summarizes selected items from the statement of operations for the three months ended June 30, 2018 and 2017.

	Three Months Ended June 30, 2018	2017	Increase / (Decrease)
Revenues	$ 1,672,483	$ 428,060	$ 1,244,423
Cost of goods sold	1,025,439	251,258	774,181
Gross profit	647,044	176,802	470,242
Operating expenses:			
General and administrative	898,840	494,737	404,103
Professional fees	26,550	15,067	11,483
Guaranteed payments to members	28,333	18,600	9,733
Depreciation and amortization	43,804	38,691	5,113
Total operating expenses:	997,527	567,095	430,432
Net operating loss	(350,483)	(390,293)	(39,810)
Total other expenses	(22,500)	(23,438)	(938)
Net loss	$ (372,983)	$ (413,731)	$ (40,748)

Revenues

Revenues were primarily generated by our cannabis dispensary and to a lesser extent, from our cannabis cultivation and production operations. Aggregate revenues for the three months ended June 30, 2018 were $1,672,483, compared to revenues of $428,060 during the three months ended June 30, 2017, an increase of $1,244,423, or 291%. The increase in revenue was primarily due to the continued growth of our dispensary operations in Nevada as the implementation of the Nevada law permitting the recreational use of marijuana went into effect on July 1, 2017.

Cost of Goods Sold

Cost of goods sold for the three months ended June 30, 2018 were $1,025,439, compared to $251,258 during the three months ended June 30, 2017, an increase of $774,181, or 308%. Cost of goods sold consists primarily of purchases, shipping and packaging materials used in our operations. The increased cost of sales during the second quarter of 2018 was primarily due to our increased purchases as we ramped up our operations to meet the increased demand as recreational use of marijuana was legalized in the State. Our gross margins during the three months ended June 30, 2018 decreased slightly to approximately 39%, compared to gross margins of approximately 41% during the three months ended June 30, 2017, as we increased purchasing at a rapid rate to meet the demand for recreational marijuana. We expect gross margins and gross profit to continue to fluctuate until such time as we complete the first phase of the expansion of our grow and processing facilities, at which time we expect them to increase as we reduce our purchases of raw materials from third parties and increasingly rely on internal sources of raw materials.

General and Administrative Expenses

General and administrative expenses for the three months ended June 30, 2018 were $898,840, compared to $494,737 during the three months ended June 30, 2017, an increase of $404,103, or 82%. General and administrative expenses consisted primarily of general office expenses, advertising, rent expense, insurance and payroll expenses. The substantial increase during three months ended June 30, 2018 was primarily due to increased payroll expenses as we ramped up operations to meet the demand for sales of recreational marijuana, which became permissible effective July 1, 2017. We increased our employees from approximately 25 to approximately 50 during the third quarter of 2017 to respond to the increase in customers that occurred once we commenced sales of recreational marijuana, and our customer base increased from approximately 70 to several hundred.

Professional Fees

Professional fees for the three months ended June 30, 2018 were $26,550, compared to $15,067 during the three months ended June 30, 2017, an increase of $11,483, or 76%. This increase was due primarily to increased legal and accounting fees as we prepared our financial statements for inclusion in public filings during the three months ended June 30, 2018, compared to the prior period.

Guaranteed Payments to Members

Guaranteed payments to members for the three months ended June 30, 2018 were $28,333, compared to $18,600 during the three months ended June 30, 2017, an increase of $9,733, or 52%. This increase was due primarily to a portion of the operating member's compensation being allocated to cost of goods sold during the three months ended June 30, 2017. Following our acquisition by CLS on June 27, 2018, we no longer make these payments.

Depreciation and Amortization

Depreciation and amortization expense for the three months ended June 30, 2018 were $43,804, compared to $38,691 during the three months ended June 30, 2017, an increase of $5,113, or 13%. This increase was due primarily to the purchase of new depreciable assets related to our cultivation and production activities.

Net Operating Loss

Our net operating loss for the three months ended June 30, 2018 was $350,483, compared to $390,293 during the three months ended June 30, 2017, a decrease of $39,810, or 10%. Our net operating loss decreased primarily due to increased revenues during the three months ended June 30, 2018, compared to the three months ended June 30, 2017, which decrease was partially offset by the increase in payroll expenses as we ramped up our staff during the third quarter of 2017 to handle the increased sales related to recreational marijuana.

Other Expense

Other expense of $22,500 for the three months ended June 30, 2018, consisted of $7,500 of interest expense and a $15,000 loss on early extinguishment of debt, compared to $23,438 of interest expense during the three months ended June 30, 2017, a decrease of $938, or 4%. Other expense during the three months ended June 30, 2018 decreased due to our diminished outstanding debt as note holders previously converted their debt to equity.

Net Loss

Net loss for the three months ended June 30, 2018 was $372,983, compared to $413,731 during the three months ended June 30, 2017, a decrease of $40,748, or 10%. The decreased net loss was due primarily to increased revenues during the three months ended June 30, 2018, compared to the three months ended June 30, 2017, which decrease was partially offset by the increase in payroll expenses as we ramped up our staff during the third quarter of 2017 to handle the increased sales related to recreational marijuana.

Results of Operations for the Six Months Ended June 30, 2018 and 2017

The following table summarizes selected items from the statement of operations for the six months ended June 30, 2018 and 2017.

	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017	Increase / (Decrease)
Revenues	$ 3,679,327	$ 765,374	$ 2,913,953
Cost of goods sold	2,291,857	448,907	1,842,950
Gross profit	1,387,470	316,467	1,071,003
Operating expenses:			
General and administrative	1,671,802	861,486	810,316
Professional fees	63,835	28,174	35,661
Guaranteed payments to members	58,333	40,500	17,833
Depreciation and amortization	87,046	71,491	15,555
Total operating expenses:	1,881,016	1,001,651	879,365
Net operating loss	(493,546)	(685,184)	(191,638)
Total other expenses	(30,000)	(46,875)	(16,875)
Net loss	$ (523,546)	$ (732,059)	$ (208,513)

Revenues

Revenues were primarily generated by our cannabis dispensary and to a lesser extent, from our cannabis cultivation and production operations. Aggregate revenues for the six months ended June 30, 2018 were $3,679,327, compared to revenues of $765,374 during the six months ended June 30, 2017, an increase of $2,913,953, or 381%. The increase in revenue was primarily due to the continued growth of our dispensary operations in Nevada as the implementation of the Nevada law permitting the recreational use of marijuana went into effect on July 1, 2017.

Cost of Goods Sold

Cost of goods sold for the six months ended June 30, 2018 were $2,291,857, compared to $448,907 during the six months ended June 30, 2017, an increase of $1,842,950, or 411%. Cost of goods sold consists primarily of purchases, shipping and packaging materials used in our operations. The increased cost of sales during the first half of 2018 was primarily due to increased purchases as we ramped up our operations to meet the increased demand as recreational use of marijuana was legalized in the State. Our gross margins during the first half of 2018 decreased slightly to approximately 38%, compared to gross margins of approximately 41% during the six months ended June 30, 2017, as we increased purchasing at a rapid rate to meet the demand for recreational marijuana. We expect gross margins and gross profit to continue to fluctuate until such time as we complete the first phase of the expansion of our grow and processing facilities, at which time we expect them to increase as we reduce our purchases of raw materials from third parties and increasingly rely on internal sources of raw materials.

General and Administrative Expenses

General and administrative expenses for the six months ended June 30, 2018 were $1,671,802, compared to $861,486 during the six months ended June 30, 2017, an increase of $810,316, or 94%. General and administrative expenses consisted primarily of general office expenses, advertising, rent expense, insurance and payroll expenses. The substantial increase during the first half of 2018 was primarily due to increased payroll expenses as we ramped up operations to meet the demand for sales of recreational marijuana, which became permissible effective July 1, 2017. We increased our employees from approximately 25 to approximately 50 during the third quarter of 2017 to respond to the increase in customers that occurred once we commenced sales of recreational marijuana, and our customer base increased from approximately 70 to several hundred.

Professional Fees

Professional fees for the six months ended June 30, 2018 were $63,835, compared to $28,174 during the six months ended June 30, 2017, an increase of $35,661, or 127%. This increase was due primarily to increased legal and accounting fees as we audited and prepared our financial statements for inclusion in public filings during the six months ended June 30, 2018, compared to the prior period.

Guaranteed Payments to Members

Guaranteed payments to members for the six months ended June 30, 2018 were $58,333, compared to $40,500 during the six months ended June 30, 2017, an increase of $17,833, or 44%. This increase was due primarily to a portion of the operating member's compensation being allocated to cost of goods sold during the six months ended June 30, 2017. Following our acquisition by CLS on June 27, 2018, we no longer make these payments.

Depreciation and Amortization

Depreciation and amortization expense for the six months ended June 30, 2018 were $87,046, compared to $71,491 during the six months ended June 30, 2017, an increase of $15,555, or 22%. This increase was due primarily to the purchase of new depreciable assets related to our cultivation and production activities.

Net Operating Loss

Our net operating loss for the six months ended June 30, 2018 was $493,546, compared to $685,184 during the six months ended June 30, 2017, a decrease of $191,638, or 28%. Our net operating loss decreased primarily due to increased revenues during the six months ended June 30, 2018, compared to the six months ended June 30, 2017, which decrease was partially offset by the increase in payroll expenses as we ramped up our staff during the third quarter of 2017 to handle the increased sales related to recreational marijuana.

Other Expense

Other expense of $30,000 for the six months ended June 30, 2018, consisted of $15,000 of interest expense and a $15,000 loss on early extinguishment of debt, compared to interest expense of $46,875 during the six months ended June 30, 2017, a decrease of $16,875, or 36%. Interest expense during the six months ended June 30, 2018 decreased due to our diminished debt as note holders previously converted their debt to equity. All of our outstanding notes payable were settled on June 27, 2018 with the sale of our member interests to CLS, resulting in a $15,000 loss on early extinguishment of debt.

Net Loss

Net loss for the six months ended June 30, 2018 was $523,546, compared to $732,059 during the six months ended June 30, 2017, a decrease of $208,513, or 28%. The decreased net loss was due primarily to increased revenues during the six months ended June 30, 2018, compared to the six months ended June 30, 2017, which decrease was partially offset by the increase in payroll expenses as we ramped up our staff during the third quarter of 2017 to handle the increased sales related to recreational marijuana.

LIQUIDITY AND CAPITAL RESOURCES

The following table summarizes total assets, total liabilities, members' capital and working capital at June 30, 2018 compared to December 31, 2017.

	June 30, 2018	December 31, 2017	Increase / (Decrease)
Total Assets	$ 1,652,833	$ 2,075,470	$ (422,637)
Total Liabilities	$ 1,057,682	$ 1,336,830	$ (279,148)
Members' Capital	$ 595,151	$ 738,640	$ (143,489)
Working Capital (Deficit)	$ (496,492)	$ (451,951)	$ 44,541

Sources and Uses of Cash; Liquidity and Capital Needs

As of June 30, 2018, our cash on hand was $14,612. Our principal source of operating capital has been provided from related party debt financing, members' capital contributions and revenues from operations. At June 30, 2018, we had a working capital deficit of $(496,492). Although our working capital is now negative, we expect that it will fluctuate from positive to negative depending on capitalization, fluctuations in sales as we grow, and increases in our gross margins and operating efficiencies that we expect to achieve with our growth. Assuming we implement our growth plan, we expect our working capital needs to increase. We plan to meet those needs with cash from operations and a portion of the $5.8 million in proceeds from an equity offering recently completed by CLS, which cash is intended to be used for working capital purposes, including our proposed expansion plan. These sources may be supplemented, if necessary, by proceeds from additional equity and debt financing. As a result of the change of control that occurred when CLS acquired us, we no longer have access to our prior related party debt funding but believe that we can replace this source of funding, if needed, with sources of funding available to CLS as a public company. Although CLS has initiated discussions with additional possible funding sources, it does not presently have any definitive agreement in place to supplement our liquidity needs and there can be no assurance that we can obtain any such needed funding on terms that are favorable to us or at all.

During the next twelve months we expect to complete phase 1 and possibly phase 2 of our expansion plan, which includes the substantial expansion of both our grow and production facility. At present, we estimate that we will require up to $750,000 to complete phase 1 and up to $2,250,000 to complete phase 2 of this expansion (excluding development of the outdoor space), including the purchase of the necessary equipment. We expect to fund the cost of this expansion from cash provided by CLS, as described above. We do not anticipate that we will require funds from other sources to complete our planned expansion.

Our revenues are expected to grow as we expand our operations, and our revenues are expected to exceed our investment and operating costs at a point during the next twelve months. Until we become cash flow positive, however, we expect to obtain the necessary funds as described above; however, our prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies in their early stage of operations. To address these risks, we must, among other things, seek growth opportunities through additional debt and/or equity investments and acquisitions in our industry, successfully execute our business strategy, including our planned expansion, and successfully navigate any changes that may arise in the cannabis regulatory environment. We cannot assure that we will be successful in addressing such risks, and the failure to do so could have a material adverse effect on our business prospects, financial condition and results of operations.

Debt Instruments, Guarantees, and Related Covenants

On January 6, 2016, we entered into a Subscription Agreement with Jeffrey Sloane ("First Sloane Note") for $100,000, consisting of an unsecured promissory note convertible into Class B LLC Units at the option of the Subscriber only between January 1, 2019 and February 28, 2019, subject to the execution of Alternative Solutions' operating agreement and pursuant to the State and local jurisdictions' authorization. The Note bore interest at 15%, was due and payable on November 30, 2023, and the principal was convertible into Class B LLC Units of

Alternative Solutions at a price based upon a total company valuation of twenty million dollars ($20,000,000). Interest was to be paid quarterly, in arrears. A total of $111,250, including $100,000 of principal and $3,750 of interest, was repaid pursuant to the sale of the remaining member interests to CLS on June 27, 2018, resulting in a loss of $7,500 on the early extinguishment of debt.

On June 5, 2015, we entered into a subscription agreement with Sandra (Smith) Johnson ("First Johnson Note") for $100,000, consisting of an unsecured promissory note convertible into Class B LLC Units at the option of the subscriber between January 1, 2019 and February 28, 2019, subject to the execution of Alternative Solutions' operating agreement and conditioned upon the approval of state and local jurisdictions. The First Johnson Note bore interest at 15% per annum, was due and payable on November 30, 2023, and the principal was convertible into Class B LLC Units of Alternative Solutions at a price based upon a total company valuation of twenty million dollars ($20,000,000). Interest was to be paid quarterly, in arrears. A total of $111,250 was repaid on June 27, 2018 out of the proceeds of the sale to CLS in satisfaction of $100,000 of principal and $3,750 of accrued interest, resulting in a $7,500 loss on early extinguishment of debt.

On various dates between January 16, 2015 and February 29, 2016, Alternative Solutions received non-interest bearing, unsecured loan advances, due on demand from Todd Swanson, one of Alternative Solutions' members. Aggregate proceeds of $573,270 and $950,000 were contributed to capital on August 31, 2016 and January 1, 2016, respectively. A balance of $10,000 owed to the member was repaid pursuant to the sale of the remaining member interests to CLS on June 27, 2018.

On various dates between May 11, 2015 and February 29, 2016, Alternative Solutions received non-interest bearing, unsecured loan advances, due on demand from Deb Freeman, one of Alternative Solutions' members. Aggregate proceeds of $31,098 and $60,836 were contributed to capital on August 31, 2016 and January 1, 2016, respectively. A balance of $47,557 owed to the member was repaid pursuant to the sale of the remaining member interests to CLS on June 27, 2018.

Member Distributions

On July 27, 2018, Alternative Solutions' Managing Member was paid a distribution of $1,700,000 pursuant to the closing of the Acquisition Agreement with CLS.

Member Contributions

On December 4, 2017, Alternative Solutions received a non-refundable deposit of $250,000 pursuant to the Acquisition Agreement with CLS. The ownership deposit was allocated at the subsequent closing on June 27, 2018.

In February 2018, Alternative Solutions received a second $1,800,000 deposit pursuant to the Acquisition Agreement with CLS in consideration for ten percent (10%) of the ownership interests in Alternative Solutions and its subsidiaries. The ownership change was submitted to the State of Nevada for approval and subsequently approved by the State pursuant to the terms of the sale.

Class A LLC Units Contributed (2017)

During the year ended December 31, 2017, Class A Members contributed a total of $250,000 in cash. The Class A Members agreed not to add new Units to their ownership percentage so as to not dilute minority interests.

Class A LLC Units Contributed (2016)

During the year ended December 31, 2016, Class A Members contributed a total of $63,303 in cash, representing 13,590 Units.

Class A LLC Units Contributed via Debt Exchange (2016)

During the year ended December 31, 2016, two Class A Members exchanged an aggregate $1,615,204 of outstanding debt for a total of 1,457 Class A LLC Units.

Class B LLC Units Contributed via Debt Conversion (2017)

On November 22, 2017, a Convertible Noteholder converted $200,000 of outstanding debt for 30,556 Class B LLC Units, based on a total company valuation of $20,000,000, as approved by a super majority of voting members. The debt conversion resulted in a gain of $34,998 over the $165,002 fair value of the units converted. The related party gain was recognized back against equity and had no effect on Alternative Solutions' Statements of Operations. The Class B LLC Units are not subject to dilution prior to March 1, 2019.

On November 22, 2017, another Convertible Noteholder converted $225,000 of outstanding debt for 34,375 Class B LLC Units, based on a total company valuation of $20,000,000, as approved by a super majority of voting members. The debt conversion resulted in a gain of $39,375 over the $185,625 fair value of the units converted. The related party gain was recognized back against equity and had no effect on Alternative Solutions' Statements of Operations. The Class B LLC Units are not subject to dilution prior to March 1, 2019.

Class B LLC Units Contributed via Debt Conversion (2016)

On August 15, 2016, a Convertible Noteholder converted $400,000 of outstanding debt for 69,422 Class B LLC Units, based on a total company valuation of $15,000,000, as approved by a super majority of voting members. The debt conversion resulted in a gain of $25,121 over the $374,879 fair value of the units converted. The related party gain was recognized back against equity and had no effect on Alternative Solutions' Statements of Operations. The Class B LLC Units are not subject to dilution prior to March 1, 2019.

On August 15, 2016, another Convertible Noteholder converted $100,000 of outstanding debt for 17,355 Class B LLC Units, based on a total company valuation of $15,000,000, as approved by a super majority of voting members. The debt conversion resulted in a gain of $6,283 over the $93,717 fair value of the units converted. The related party gain was recognized back against equity and had no effect on Alternative Solutions' Statements of Operations. The Class B LLC Units are not subject to dilution prior to March 1, 2019.

Class C LLC Units Contributed (2017)

On March 16, 2017, a new Class C Member contributed $162,000 in cash, representing 30,000 Units.

Class C LLC Units Contributed (2016)

During the year ended December 31, 2016, a total of seven new members contributed an aggregate $1,115,000 of capital for an aggregate 206,484 Class C LLC Units.

We utilized these funds to comply with our regulatory requirements, and to fund the cannabis business of the Oasis LLCs. On June 28, 2018, the owners of all classes of membership interests in Alternative Solutions closed on the sale of all of their membership interests to CLS.

Going Concern Qualification

We anticipate that we will incur operating losses in the foreseeable future. Therefore, our auditors have raised substantial doubt about our ability to continue as a going concern.

Off- Balance Sheet Arrangements

We did not have any off-balance sheet arrangements as of June 30, 2018.

MD&A OF ALTERNATIVE SOLUTIONS

FOR THE YEARS ENDED DECEMBER 31, 2017 AND DECEMBER 31, 2016

(Including MD&A for the three months ended March 31, 2018)

OVERVIEW AND OUTLOOK

Alternative Solutions L.L.C. ("Alternative Solutions") is a limited liability company that was formed under the laws of the State of Nevada on April 14, 2014. Alternative Solutions has three wholly-owned subsidiaries involved in the cannabis market in and around Las Vegas Nevada, including, Serenity Wellness Center LLC ("SWC"), doing business as Oasis Cannabis ("Oasis"), an adult-use retail and medical cannabis dispensary, Serenity Wellness Products LLC ("SWP"), a cannabis extraction, conversion and processing company, and Serenity Wellness Growers LLC ("SWG"), a cannabis cultivation company. Alternative Solutions also owns Community Oasis LLC, a multipurpose community facility, which is adjacent to Oasis. All wholly-owned subsidiaries are Nevada limited liability companies.

On January 4, 2018, the Attorney General of the United States issued new written guidance concerning the enforcement of federal laws relating to marijuana. The Attorney General's memorandum stated that previous DOJ guidance specific to marijuana enforcement, including the memorandum issued by former Deputy Attorney General James Cole on August 29, 2013 (as amended on February 14, 2014, the "Cole Memo") is unnecessary and is rescinded, effective immediately. The Cole Memo told federal prosecutors that in states that had legalized marijuana, they should use their prosecutorial discretion to focus not on businesses that comply with state regulations, but on illicit enterprises that create harms like selling drugs to children, operating with criminal gangs, and selling across state lines. In addition, since 2014, the federal budget has prohibited the DOJ from using federal funds to prosecute medical cannabis businesses pursuant to a budget rider, which must be renewed annually and is presently set to expire on January 19, 2018. The Attorney General has now advised that it will be left to the discretion of the local US attorneys in the various districts to decide how and when to enforce the federal marijuana laws. As a result of the Attorney General's recent guidance, it is unclear whether and how US attorneys in states with medical and/or recreational marijuana laws will enforce federal laws relating to the prohibition of the possession, ownership or sale of marijuana, among other things. It is also unclear whether any states will challenge the Attorney General's new pronouncement in the applicable courts. However, as a result of the Attorney General's new guidance, some banks, clearing brokers and other businesses may cease or limit how they do business with companies in the marijuana business to avoid a possible violation of federal law. It is also possible that some US attorneys may begin enforcing federal laws to prevent marijuana businesses that are otherwise validly operating under state laws, from conducting business. Thus, regardless of whether the Attorney General's new pronouncement is enforced or found to be lawful, it could have a material adverse impact on the marijuana industry, including our business.

During the first quarter of 2018, Alternative Solutions received $1,800,000 pursuant to a Membership Interest Purchase Agreement dated December 4, 2017, as emended (the "Acquisition Agreement") with CLS Holdings USA, Inc. ("CLS"), in consideration for ten percent (10%) of the ownership interests in Alternative Solutions and its subsidiaries. This payment was in addition to the first deposit CLS paid to Alternative Solutions in the amount of $250,000 during the fourth quarter of 2017. The ownership change was approved by the State of Nevada on June 21, 2018.

On June 28, 2018, CLS closed on the purchase of all of the membership interests in Alternative Solutions and its three operating subsidiaries (collectively, the "Oasis LLCs") from the members of such entities (other than Alternative Solutions). Pursuant to the Acquisition Agreement, at the closing, CLS paid the following consideration to the owners of the membership interests in Alternative Solutions and the Oasis LLCs: cash in the amount of $6,200,000, a $4.0 million promissory note due in December 2019, and 22,058,823 shares of its common stock. CLS then applied for regulatory approval to own the additional 90% in membership interests in the Oasis LLCs, which it expects to receive in due course. The change of ownership in the Oasis LLCs to CLS will be recorded upon receipt of such regulatory approvals.

Critical Accounting Policies

Basis of Presentation

Alternative Solutions' consolidated financial statements are prepared using the accrual method of accounting as generally accepted in the United States of America ("U.S. GAAP") and the rules of the Securities and Exchange Commission ("SEC").

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the following entities, all of which are under common control and ownership:

Name of Entity [1]	State of Incorporation	Relationship	Abbreviated Reference
Alternative Solutions L.L.C. [2]	Nevada	Parent	Alternative Solutions
Serenity Wellness Center LLC	Nevada	Subsidiary	SWC
Serenity Wellness Products LLC	Nevada	Subsidiary	SWP
Serenity Wellness Growers LLC	Nevada	Subsidiary	SWG

(1)Each entity is a Nevada limited liability company.
(2)Alternative Solutions L.L.C. is the parent company of each of SWC, SWP and SWG.

The consolidated financial statements include the operations of SWC, SWP and SWG. All significant inter-company transactions have been eliminated in the preparation of these financial statements. The parent company, Alternative Solutions, and subsidiaries noted above, are collectively referred to as "Alternative Solutions" or "Oasis". The headquarters of Alternative Solutions is located in Las Vegas, Nevada and substantially all of its current customers are within the United States, more specifically, Las Vegas, Nevada.

These statements reflect all adjustments, consisting of normal recurring adjustments, which in the opinion of management are necessary for fair presentation of the information contained therein.

Segment Reporting

Under FASB ASC 280-10-50, Alternative Solutions operates as a single segment and will evaluate additional segment disclosure requirements as it expands its operations.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Alternative Solutions maintains cash balances in non-interest-bearing accounts, which do not currently exceed federally insured limits. For the purpose of the statements of cash flows, all highly liquid investments with an original maturity of three months or less are considered to be cash equivalents.

Allowance for Doubtful Accounts

We generate the majority of our revenues and corresponding accounts receivable from the sale of cannabis and cannabis related products. We evaluate the collectability of our accounts receivable considering a combination of factors. In circumstances where we are aware of a specific customer's inability to meet its financial obligations to us, we record a specific reserve for bad debts against amounts due in order to reduce the net recognized receivable to the amount we reasonably believe will be collected. For all other customers, we recognize reserves for bad debts based on past write-off experience and the length of time the receivables are past due. We had no bad debt expense during the three months ended March 31, 2018 or the years ended December 31, 2017 and 2016, respectively.

Cash in Excess of FDIC Insured Limits

The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to $250,000, under current regulations. The Company had $1,550,000 of funds in excess of FDIC insured limits at March 31, 2018. The Company has not experienced any losses in such accounts.

Inventory

Inventories are stated at the lower of cost or market. Cost is determined on a standard cost basis that approximates the first-in, first-out (FIFO) method. Market is determined based on net realizable value. Appropriate consideration is given to obsolescence, excessive levels, deterioration, and other factors in evaluating net realizable value. Our cannabis products consist of prepackaged purchased goods ready for resale, and cannabis flower grown in-house under our cultivation license, along with produced edibles and extracts developed under our production license.

Fair Value of Financial Instruments

Under FASB ASC 820-10-05, the Financial Accounting Standards Board establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. This Statement reaffirms that fair value is the relevant measurement attribute. The adoption of this standard did not have a material effect on Alternative Solutions' financial statements as reflected herein. The carrying amounts of cash, prepaid expenses and accrued expenses reported on the balance sheet are estimated by management to approximate fair value primarily due to the short term nature of the instruments.

Deferred Rent Obligation

Alternative Solutions has entered into operating lease agreements for its dispensary/corporate office and grow facility, which contain provisions for future rent increases. In accordance with generally accepted accounting principles, Alternative Solutions records monthly rent expense equal to the total of the payments due over the lease term, divided by the number of months of the lease terms. The difference between rent expense recorded and the amount paid is credited or charged to "Deferred rent obligation," which is reflected as a separate line item in the accompanying Balance Sheets.

Revenue Recognition

Sales on fixed price contracts are recorded when services are earned, the earnings process is complete or substantially complete, the revenue is measurable and collectability is reasonably assured. Provisions for discounts and rebates to customers, estimated returns and allowances, and other adjustments are provided for in the same period the related sales are recorded. Alternative Solutions defers any revenue from sales in which payment has been received, but the earnings process has not occurred. Amounts billed in advance of the period in which service is rendered are recorded as a liability under "Deferred revenues".

Advertising and Promotion

All costs associated with advertising and promoting products are expensed as incurred with the exception of the amortization of the cost of two major video productions. A music video and reality/lifestyle video were both produced in 2017. The remaining amount that has not been expensed is listed on the schedule in Note 5. Total recognized advertising and promotion expenses were $123,040 and $43,923 for the three months ended March 31, 2018 and 2017, respectively, and $351,841 and $180,227 for the years ended December 31, 2017 and 2016, respectively.

Recent Accounting Pronouncements

Effective January 1, 2018, Alternative Solutions adopted Accounting Standards Codification ("ASC") 606 — Revenue from Contracts with Customers. Under ASC 606, Alternative Solutions recognizes revenue from the commercial sales of products, licensing agreements and contracts to perform pilot studies by applying the following steps: (1) identify the contract with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to each performance obligation in the contract; and (5) recognize revenue when each performance obligation is satisfied. For the comparative periods, revenue has not been adjusted and continues to be reported under ASC 605 — Revenue Recognition. Under ASC 605, revenue is recognized when the following criteria are met: (1) persuasive evidence of an arrangement exists; (2) the performance of service has been rendered to a customer or delivery has occurred; (3) the amount of the fee to be paid by a customer is fixed and determinable; and (4) the collectability of the fee is reasonably assured. There was no impact on Alternative Solutions' financial statements as a result of adopting Topic 606 for the years ended December 31, 2018 and 2017.

In May 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2017-09*, Compensation — Stock Compensation (Topic 718): Scope of Modification Accounting.* ASU 2017-09, which provides guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. Per ASU 2017-9, an entity should account for the effects of a modification unless all the following are met: (1) the fair value (or calculated value or intrinsic value, if such an alternative measurement method is used) of the modified award is the same as the fair value (or calculated value or intrinsic value, if such an alternative measurement method is used) of the original award immediately before the original award is modified. If the modification does not affect any of the inputs to the valuation technique that the entity uses to value the award, the entity is not required to estimate the value immediately before and after the modification, (2) the vesting conditions of the modified award are the same as the vesting conditions of the original award immediately before the original award is modified, and (3) the classification of the modified award as an equity instrument or a liability instrument is the same as the classification of the original award immediately before the original award is modified. The current disclosure requirements in Topic 718 apply regardless of whether an entity is required to apply modification accounting under the amendments in ASU 2017-9. ASU 2017-9 is effective for public business entities for annual and interim periods in fiscal years beginning after December 15, 2017. Early adoption is permitted, including adoption in any interim period, for (1) public business entities for reporting periods for which financial statements have not yet been issued and (2) all other entities for reporting periods for which financial statements have not yet been made available for issuance. The amendments in this ASU should be applied prospectively to an award modified on or after the adoption date. The adoption of *ASU 2017-9* is not expected to have a material impact on Alternative Solutions' financial statements or related disclosures.

No other new accounting pronouncements, issued or effective during the three months ended March 31, 2018 and the years ended December 31, 2017 and 2016, have had or are expected to have a significant impact on Alternative Solutions' financial statements.

Results of Operations for the Years Ended December 31, 2017 and 2016

The following table summarizes selected items from the statements of operations for the years ended December 31, 2017 and 2016.

	Years Ended December 31, 2017	2016	Increase / (Decrease)
Revenues	$ 4,546,210	$ 1,263,262	$ 3,282,948
Cost of goods sold	2,878,110	1,085,115	1,792,995
Gross profit	1,668,100	178,147	1,489,953
Operating expenses:			
General and administrative	2,666,602	1,419,948	1,246,654
Professional fees	134,336	93,285	41,051
Guaranteed payments to members	110,000	89,250	20,750
Depreciation and amortization	155,474	125,770	29,704
Total operating expenses:	3,066,412	1,728,253	1,338,159
Net operating loss	(1,398,312)	(1,550,106)	(151,794)
Total other expenses	(94,204)	(522,630)	(428,426)
Net loss	$ (1,492,516)	$ (2,072,736)	$ (580,220)

Revenues

Revenues were primarily generated by our cannabis dispensary and to a de minimis extent, from our cannabis cultivation and production operations. Aggregate revenues for the year ended December 31, 2017 were $4,546,210, compared to revenues of $1,263,262 during the year ended December 31, 2016, an increase of $3,282,948, or 260%. The increase in revenue was primarily due to the continued growth of our dispensary operations in Nevada as the implementation of the Nevada law permitting the recreational use of marijuana went into effect on July 1, 2017.

Cost of Goods Sold

Cost of goods sold for the year ended December 31, 2017 were $2,878,110, compared to $1,085,115 during the year ended December 31, 2016, an increase of $1,792,995, or 165%. Cost of goods sold consists primarily of purchases, shipping and packaging materials used in our operations. The increased cost of sales in 2017 was primarily due to our increased costs as we ramped up our operations to meet the increased demand as recreational use of marijuana was legalized in the State. Our gross margins during 2017 increased to approximately 37%, compared to gross margins of approximately 14% during the year ended December 31, 2016 as a result of the addition of sales of recreational marijuana during 2017.

General and Administrative Expenses

General and administrative expenses for the year ended December 31, 2017 were $2,666,602, compared to $1,419,948 during the year ended December 31, 2016, an increase of $1,246,654, or 88%. General and administrative expenses consisted primarily of general office expenses, advertising, rent expense, insurance and payroll expenses. The substantial increase during 2017 was primarily due to increased payroll expenses as we ramped up operations to meet the demand for sales of recreational marijuana, which became permissible effective July 1, 2017. We increased our employees from approximately 25 to approximately 50 to respond to the increase in customers that occurred once we commenced sales of recreational marijuana, and our customer base increased from approximately 70 to several hundred.

Professional Fees

Professional fees for the year ended December 31, 2017 were $134,336, compared to $93,285 during the year ended December 31, 2016, an increase of $41,051, or 44%. This increase was due primarily to increased legal fees as we navigated the new regulations surrounding recreational marijuana during the year ended December 31, 2017, compared to the prior period.

Guaranteed Payments to Members

Guaranteed payments to members for the year ended December 31, 2017 were $110,000, compared to $89,250 during the year ended December 31, 2016, an increase of $20,750, or 23%. This increase was due primarily to a portion of the operating member's compensation being allocated to cost of goods sold during the year ended December 31, 2016. Following our acquisition by CLS in June 2018, we will no longer make these payments.

Depreciation and Amortization

Depreciation and amortization expense for the year ended December 31, 2017 were $155,474, compared to $125,770 during the year ended December 31, 2016, an increase of $29,704, or 24%. This increase was due primarily to the purchase of new depreciable assets related to our cultivation and production activities.

Net Operating Loss

Our operating loss for the year ended December 31, 2017 was $1,398,312, compared to $1,550,106 during the year ended December 31, 2016, a decrease of $151,794, or 10%. Our net operating loss decreased primarily due to increased revenues and gross margins, during the year ended December 31, 2017, compared to the year ended December 31, 2016, which decrease was partially offset by the increase in payroll expenses as we ramped up our staff in 2017 to handle the increased sales related to recreational marijuana.

Other Expense

Other expense for the year ended December 31, 2017 was $94,204, compared to $522,630 during the year ended December 31, 2016, a decrease of $428,426, or 82%. Other expense consisted of $94,204 of interest on loans from members for the year ended December 31, 2017. Other expense during the year ended December 31, 2016 consisted of $147,000 of interest on loans from members and $375,630 from a loss on the early extinguishment of a loan receivable from one of the members.

Net Loss

Net loss for the year ended December 31, 2017 was $1,492,516, compared to $2,072,736 during the year ended December 31, 2016, a decrease of $580,220, or 28%. The decreased net loss was due primarily to increased revenues and gross margins, in addition to the absence of a $375,630 loss on the early extinguishment of a loan receivable from one of the members, during the year ended December 31, 2017, compared to the year ended December 31, 2016.

Results of Operations for the Quarters Ended March 31, 2018 and 2017

The following table summarizes selected items from the statements of operations for the three months ended March 31, 2018 and 2017.

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017	Increase / (Decrease)
Revenues	$ 2,006,844	$ 337,314	$ 1,669,530
Cost of goods sold	1,266,418	197,649	1,068,769
Gross profit	740,426	139,665	600,761
Operating expenses:			
General and administrative	772,962	366,749	406,213
Professional fees	37,285	13,107	24,178
Guaranteed payments to members	30,000	21,900	8,100
Depreciation and amortization	43,242	32,800	10,442
Total operating expenses:	883,489	434,556	448,933
Net operating loss	(143,063)	(294,891)	(151,828)
Total other expenses	(7,500)	(23,437)	(15,937)
Net loss	$ (150,563)	$ (318,328)	$ (167,765)

Revenues

Revenues were primarily generated by our cannabis dispensary and to a de minimis extent, from our cannabis cultivation and production operations. Aggregate revenues for the three months ended March 31, 2018 were $2,006,844, compared to revenues of $337,314 during the three months ended March 31, 2017, an increase of $1,669,530, or 495%. The increase in revenue was primarily due to the continued growth of our dispensary operations in Nevada as the implementation of the Nevada law permitting the recreational use of marijuana went into effect on July 1, 2017.

Cost of Goods Sold

Cost of goods sold for the three months ended March 31, 2018 were $1,266,418, compared to $197,649 during the three months ended March 31, 2017, an increase of $1,068,769, or 541%. Cost of goods sold consists primarily of purchases, shipping and packaging materials used in our operations. The increased cost of sales in 2018 was primarily due to increased purchases as we ramped up our operations to meet the increased demand as recreational use of marijuana was legalized in the State. Our gross margins during the first three months of 2018 decreased slightly to approximately 37%, compared to gross margins of approximately 41% during the three months ended March 31, 2017. We expect gross margins and gross profit to continue to fluctuate until such time as we complete the first phase of the expansion of our grow and processing facilities, at which time we expect them to increase as we reduce our purchases of raw materials from third parties and increasingly rely on internal sources of raw materials.

General and Administrative Expenses

General and administrative expenses for the three months ended March 31, 2018 were $772,962, compared to $366,749 during the three months ended March 31, 2017, an increase of $406,213, or 111%. General and administrative expenses consisted primarily of general office expenses, advertising, rent expense, insurance and payroll expenses. The substantial increase during the first quarter of 2018 was primarily due to increased payroll expenses as we ramped up operations to meet the demand for sales of recreational marijuana, which became permissible effective July 1, 2017. We increased our employees from approximately 25 to approximately 50 during the third quarter of 2017 to respond to the increase in customers that occurred once we commenced sales of recreational marijuana, and our customer base increased from approximately 70 to several hundred.

Professional Fees

Professional fees for the three months ended March 31, 2018 were $37,285, compared to $13,107 during the three months ended March 31, 2017, an increase of $24,178, or 184%. This increase was due primarily to increased legal and accounting fees as we had our financial statements audited for the first time during the three months ended March 31, 2018, compared to the prior period.

Guaranteed Payments to Members

Guaranteed payments to members for the three months ended March 31, 2018 were $30,000, compared to $21,900 during the three months ended March 31, 2017, an increase of $8,100, or 37%. This increase was due primarily to a portion of the operating member's compensation being allocated to cost of goods sold during the three months ended March 31, 2017. Following our acquisition by CLS in June 2018, we will no longer make these payments.

Depreciation and Amortization

Depreciation and amortization expense for the three months ended March 31, 2018 were $43,242, compared to $32,800 during the three months ended March 31, 2017, an increase of $10,442, or 32%. This increase was due primarily to the purchase of new depreciable assets related to our cultivation and production activities.

Net Operating Loss

Our operating loss for the three months ended March 31, 2018 was $143,063, compared to $294,891 during the three months ended March 31, 2017, a decrease of $151,828, or 51%. Our net operating loss decreased primarily due to increased revenues during the three months ended March 31, 2018, compared to the three months ended March 31, 2017, which decrease was partially offset by the increase in payroll expenses as we ramped up our staff in 2017 to handle the increased sales related to recreational marijuana.

Interest Expense

Interest expense for the three months ended March 31, 2018 was $7,500, compared to $23,437 during the three months ended March 31, 2017, a decrease of $15,937, or 68%. Interest expense during the three months ended March 31, 2018 decreased due to our diminished debts as note holders converted their debt to equity.

Net Loss

Net loss for the three months ended March 31, 2018 was $150,563, compared to $318,328 during the three months ended March 31, 2017, a decrease of $167,765, or 53%. The decreased net loss was due primarily to increased revenues during the three months ended March 31, 2018, compared to the three months ended March 31, 2017.

LIQUIDITY AND CAPITAL RESOURCES

The following table summarizes total assets, accumulated deficit, stockholders' equity and working capital at March 31, 2018 compared to December 31, 2017.

	March 31, 2018	December 31, 2017	Increase / (Decrease)
Total Assets	$ 3,922,462	$ 2,075,470	$ 1,846,992
Total Liabilities	$ 1,534,385	$ 1,336,830	$ 197,555
Members' Capital	$ 2,388,077	$ 738,640	$ 1,649,437
Working Capital (Deficit)	$ 1,216,711	$ (451,951)	$ 1,668,662

Sources and Uses of Cash; Liquidity and Capital Needs

As of March 31, 2018, our cash on hand was $1,849,955. Our principal source of operating capital has been provided from related party debt financing, members' capital contributions and revenues from operations. At March 31, 2018, we had a working capital position of $1,216,711. Our working capital is now positive, but we expect that it will fluctuate from positive to negative depending on capitalization, fluctuations in sales as we grow, and increases in our gross margins and operating efficiencies that we expect to achieve with our growth. Assuming we implement our growth plan, we expect our working capital needs to increase. We plan to meet those needs with cash from operations, supplemented by proceeds from additional equity and debt financing. As a result of the change of control that occurred when the Company acquired us, we no longer have access to our prior related party debt funding but believe that we can replace this source of funding, if needed, with sources of funding available to the Company as a public company. Although we have initiated discussions with possible funding sources, we do not presently have any definitive agreement in place to meet our liquidity needs and there can be no assurance that we can obtain any such needed funding on terms that are favorable to us or at all.

During the next twelve months we expect to complete phase 1 and possibly phase 2 of our expansion plan, which includes the substantial expansion of both our grow and production facility. At present, we estimate that we will require up to $3,000,000 to complete phase 1 and up to $2,000,000 to complete phase 2 of this expansion (including development of the outdoor space), including the purchase of the necessary equipment. We expect to fund the cost of this expansion from the proceeds of debt and/or equity capital raises. Although we have had preliminary discussions with potential funding sources, we have not yet entered into any definitive agreements to fund our expansion activities, and thus there can be no assurance that we will be successful in obtaining the required capital to fund this expansion. If we are unable to obtain expansion financing on a timely basis or on favorable terms, our expansion may be delayed and we may be unable to execute on our business plan.

Although our revenues are expected to grow as we expand our operations, our revenues are not expected to exceed our investment and operating costs in the next twelve months, and we do not have funds sufficient to fund our operations at their current level for the next twelve months. We expect to obtain the necessary funds as described above; however, our prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies in their early stage of operations. To address these risks, we must, among other things, seek growth opportunities through additional debt and/or equity investments and acquisitions in our industry, successfully execute our business strategy, including our planned expansion, and successfully navigate any changes that may arise in the cannabis regulatory environment. We cannot assure that we will be successful in addressing such risks, and the failure to do so could have a material adverse effect on our business prospects, financial condition and results of operations.

Debt Instruments, Guarantees, and Related Covenants

On January 6, 2016, we entered into a Subscription Agreement with Jeffrey Sloane ("First Sloane Note") for $100,000, consisting of an unsecured promissory note convertible into Class B LLC Units at the option of the Subscriber only between January 1, 2019 and February 28, 2019, subject to the execution of Alternative Solutions' operating agreement and pursuant to the State and local jurisdictions' authorization. The Note bore interest at 15%, was due and payable on November 30, 2023, and the principal was convertible into Class B LLC Units of Alternative Solutions at a price based upon a total company valuation of twenty million dollars ($20,000,000). Interest was to be paid quarterly, in arrears.

On various dates between January 16, 2015 and February 29, 2016, Alternative Solutions received non-interest bearing, unsecured loan advances, due on demand from Todd Swanson, one of Alternative Solutions' members. Aggregate proceeds of $573,270 and $950,000 were contributed to capital on August 31, 2016 and January 1, 2016, respectively. A balance of $10,000 remained owed to the member as of March 31, 2018.

On various dates between May 11, 2015 and February 29, 2016, Alternative Solutions received non-interest bearing, unsecured loan advances, due on demand from Deb Freeman, one of Alternative Solutions' members. Aggregate proceeds of $31,098 and $60,836 were contributed to capital on August 31, 2016 and January 1, 2016, respectively. A balance of $47,557 remained owed to the member as of March 31, 2018.

All debts owed to the members of Alternative Solutions as of the closing of the acquisition by CLS on June 28, 2018, including the $200,000 of outstanding convertible notes payable and the $57,557 of short term loans, were repaid out of the proceeds of the sale of membership interests.

Membership Contributions

On December 4, 2017, Alternative Solutions received a non-refundable contribution of $250,000, which was a non-refundable deposit made pursuant to the Acquisition Agreement with CLS. The ownership contribution was allocated at the subsequent closing on June 28, 2018.

In February 2018, the Company received an additional $1,800,000 pursuant to the Acquisition Agreement with CLS in consideration for ten percent (10%) of the ownership interests in Alternative Solutions and its subsidiaries. The ownership change was submitted to the State of Nevada for approval and subsequently approved by the State pursuant to the terms of the sale.

Class A LLC Units Contributed (2017)

During the year ended December 31, 2017, Class A Members contributed a total of $250,000 in cash. The Class A Members agreed not to add new Units to their ownership percentage so as to not dilute minority interests.

Class A LLC Units Contributed (2016)

During the year ended December 31, 2016, Class A Members contributed a total of $63,303 in cash, representing 13,590 Units.

Class A LLC Units Contributed via Debt Exchange (2016)

During the year ended December 31, 2016, two Class A Members exchanged an aggregate $1,615,204 of outstanding debt for a total of 1,457 Class A LLC Units.

Class B LLC Units Contributed via Debt Conversion (2017)

On November 22, 2017, a Convertible Noteholder converted $200,000 of outstanding debt for 30,556 Class B LLC Units, based on a total company valuation of $20,000,000, as approved by a super majority of voting members. The debt conversion resulted in a gain of $34,998 over the $165,002 fair value of the units converted. The related party gain was recognized back against equity and had no effect on Alternative Solutions' Statements of Operations. The Class B LLC Units are not subject to dilution prior to March 1, 2019.

On November 22, 2017, another Convertible Noteholder converted $225,000 of outstanding debt for 34,375 Class B LLC Units, based on a total company valuation of $20,000,000, as approved by a super majority of voting members. The debt conversion resulted in a gain of $39,375 over the $185,625 fair value of the units converted. The related party gain was recognized back against equity and had no effect on Alternative Solutions' Statements of Operations. The Class B LLC Units are not subject to dilution prior to March 1, 2019.

Class B LLC Units Contributed via Debt Conversion (2016)

On August 15, 2016, a Convertible Noteholder converted $400,000 of outstanding debt for 69,422 Class B LLC Units, based on a total company valuation of $15,000,000, as approved by a super majority of voting members. The debt conversion resulted in a gain of $25,121 over the $374,879 fair value of the units converted. The related party gain was recognized back against equity and had no effect on Alternative Solutions' Statements of Operations. The Class B LLC Units are not subject to dilution prior to March 1, 2019.

On August 15, 2016, another Convertible Noteholder converted $100,000 of outstanding debt for 17,355 Class B LLC Units, based on a total company valuation of $15,000,000, as approved by a super majority of voting members. The debt conversion resulted in a gain of $6,283 over the $93,717 fair value of the units converted. The related party gain was recognized back against equity and had no effect on Alternative Solutions' Statements of Operations. The Class B LLC Units are not subject to dilution prior to March 1, 2019.

Class C LLC Units Contributed (2017)

On March 16, 2017, a new Class C Member contributed $162,000 in cash, representing 30,000 Units.

Class C LLC Units Contributed (2016)

During the year ended December 31, 2016, a total of seven new members contributed an aggregate $1,115,000 of capital for an aggregate 206,484 Class C LLC Units.

We utilized these funds to comply with our regulatory requirements, and to fund the cannabis business of the Oasis LLCs. On June 28, 2018, the owners of all classes of membership interests in Alternative Solutions closed on the sale of all of their membership interests to CLS.

Going Concern Qualification

We anticipate that we will incur operating losses in the foreseeable future. Therefore, our auditors have raised substantial doubt about our ability to continue as a going concern.

Off- Balance Sheet Arrangements

We did not have any off-balance sheet arrangements as of March 31, 2018.

SCHEDULE "E"

PRO FORMA FINANCIAL STATEMENTS

[See attached.]

Unaudited Pro Forma Condensed Consolidated Financial Statements

On June 27, 2018, the Company completed the purchase of all of the membership interests in Alternative Solutions and the Oasis LLCs (the "Oasis Acquisition") from the members of such entities. The closing occurred pursuant to a Membership Interest Purchase Agreement entered into between the Company and Alternative Solutions on December 4, 2017, as amended (the "Acquisition Agreement"). The following unaudited pro forma consolidated financial statements are presented to reflect the impact of the Oasis Acquisition, as well as certain transactions carried out prior to the closing.

The Company derived the following unaudited pro forma consolidated financial statements by applying pro forma adjustments to the historical consolidated financial statements of each of the Company and the Oasis LLCs.

The accounting policies used in preparation of these unaudited pro forma consolidated financial statements are consistent with those applied to the Company, as described in the historical consolidated financial statements of the Company.

The unaudited pro forma condensed consolidated statement of operations for the year ended May 31, 2018 has been derived from the audited financial statement of operations of the Company for the year ended May 31, 2018, the audited financial statements of the Oasis LLCs for the year ended December 31, 2017, and the unaudited financial statements of the Oasis LLCs for the interim period from January 1, 2018 to May 31, 2018 and gives effect to the pre-closing transactions and the Oasis Acquisition as if such transactions had occurred on June 1, 2017. The financial statements 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 included elsewhere in the prospectus.

Adjustments reflected in the unaudited pro forma consolidated statements of operations include those items that are directly attributable to the applicable transactions, factually supportable and expected to have a continuing impact.

The unaudited pro forma consolidated statements of operations should be read in conjunction with the historical audited and unaudited financial statements and accompanying note thereto included elsewhere in this Form S-1/A.

The unaudited pro forma consolidated financial information is presented for illustrative purposes only and is not necessarily indicative of the Company's financial position or results of operations had the transactions to which the pro forma adjustments relate actually occurred on the dates or for the periods indicated.

Unaudited Pro Forma Condensed Combined Statement of Operations
For the Year Ended May 31, 2018

	CLS, Inc. and Subsidiaries	Alternative Solutions, LLC and Subsidiaries	Reorganization Adjustments	Note	Pro forma Combined
Revenue	$ -	$ 7,258,443			$ 7,258,443
Cost of goods sold	-	4,586,221			4,586,221
Gross profit	-	2,672,222			2,672,222
Sales, general, and administrative expenses	3,116,040	3,877,117	125,060	A	7,118,217
Total operating expenses	3,116,040	3,877,117	125,060		7,118,217
Net operating loss	(3,116,040)	(1,204,895)	(125,060)		(4,445,995)
Other (income) expense:					
Interest expense	4,709,940	67,641	372,606	B	5,150,187
Gain on settlement of debt	(3,480)	-			(3,480)
Loss on modification of debt	29,145	-			29,145
Loss on note exchange	404,082	-			404,082
Loss on extinguishment of debt	989,032	-			989,032
Prepayment Penalty	137,000	-			137,000
Change in fair value of derivative	195,725	-			195,725
Total other expense	6,461,444	67,641	372,606		6,901,691
Net loss	$ (9,577,484)	$ (1,272,536)	(497,666)		$ (11,347,686)
Net loss per share - basic and diluted	$ (0.19)				$ (0.11)
Weighted average shares outstanding - basic and diluted	50,128,972		56,772,661	C	106,901,633

A – Represents the period amortization of $1,637,600 finite-lived intangible assets in connection with the Oasis acquisition.

B – Represents the interest costs associated with the $4,000,000 note payable associated with the Oasis acquisition, consisting of (i) interest accrued of $240,000 and amortization of original issue discount of $132,606; and (ii) interest accrued of $17,753 and amortization of original issue discount of $9,729.

C – The unaudited pro forma consolidated basic and diluted earnings per share reflect the effect of the offering. For purposes of the unaudited pro forma consolidated basic and diluted earnings per share, the number of common shares of the Company is shown in the table below. The number of shares shown as held by existing shareholders of CLS Holdings, Inc. represents the number of shares outstanding at May 31, 2018; the weighted-average number of shares outstanding reported in the Company's audited financial statements for the year ended May 31, 2018, was 39,224,613.

	Common Shares
Existing shareholders of CLS Holdings, Inc.	50,128,972
Shares issued in connection with the Oasis acquisition	22,058,823
Shares issuable upon exercise of the special warrants sold for cash in connection with the Oasis acquisition. Each special warrant is exercisable, for no additional consideration, into one share of common stock and one three-year warrant to purchase one share of common stock at a price of CAN$0.65. The special warrants are automatically exercisable, at no additional consideration, on the earlier of (i) the date that is five business days following the date on which the Company obtains a receipt from the applicable securities regulatory authorities in each of the jurisdictions in Canada in which the special were sold for a final prospectus qualifying the distribution of the unites, and (ii) November 30, 2018. These pro forma financial statements assume the exercise of the special warrants for one share of common stock, but do not assume the exercise of the underlying warrants at CAN$0.65.	28,973,020
Special warrants issued to placement agent with the same terms as the special warrants above.	1,448,651
Special warrants issued as penalty with the same terms as the special warrants above.	3,042,167
Common stock issued to consultants for assisting with the Oasis acquisition	700,000
Common stock issued to officers of the Oasis LLCs	550,000
Total pro forma additional shares issuable	56,772,661
Total pro forma shares outstanding	106,901,633

SCHEDULE “F”

AUDIT COMMITTEE CHARTER

[See attached.]

AUDIT COMMITTEE CHARTER

General

The Board of Directors of the Corporation (the "**Board of Directors**") will establish an Audit Committee (the "**Audit Committee**"). The primary role of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities regarding the following:

- the accuracy and completeness of the Corporation's Financial Statements;
- the internal control and financial reporting systems of the Corporation;
- the selection and activities of the Corporation's external Auditor;
- the development of the Corporation's Risk Management Strategy;
- the Corporation's compliance with legal and regulatory requirements regarding financial reporting; and
- any additional duties set out in this mandate or otherwise delegated to the Audit Committee by the Board of Directors.

Composition and Operation

The Board of Directors will in each year appoint at least three (3) Members of the Board of Directors (the "**Board Members**") as Members of the Audit Committee. The majority of the Members of the Audit Committee shall be "Independent" Directors.

All Members of the Audit Committee shall be financially literate. "**Financially literate**" means the ability to read and understand a set of Financial Statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's Financial Statements. Specifically, a Board Member should have the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and reserves.

Board Members who are not Members of the Audit Committee may attend all or any part of Meetings of the Audit Committee, but shall not vote.

Mandate

The Audit Committee's duties and responsibilities include, but are not limited to the following:

Financial Reporting and Disclosure

In connection with the financial reporting and disclosure obligations of the Corporation, the Audit Committee will:

- review the Audited Annual Financial Statements of the Corporation (the "**Annuals**") as prepared by Management in conjunction with the external Auditors, related Management Discussion and Analysis of operations and financial results of the Corporation (the "**MD&A**") and earnings Press Releases for submission to the Board of Directors for approval;
- review the Quarterly Financial Statements of the Corporation (the "**Quarterlies**"), the related MD&A and earnings Press Releases for submission to the Board of Directors for approval;
- review with Management and the external Auditor, significant accounting practices employed by the Corporation and disclosure issues, including complex or unusual transactions, judgmental areas such as

reserves or estimates, significant changes to accounting principles, and alternative treatments under US GAAP for material transactions. This review process must be undertaken in order to have reasonable assurance that the Financial Statements are complete, do not contain any misrepresentations, and present fairly the Corporation's financial position and the results of its operations in accordance with US GAAP;

- confirm through discussions with Management that US GAAP and all applicable laws or regulations related to financial reporting and disclosure have been complied with;

- review representations made by Management or the Auditor or other experts regarding any fact or event, which could have a material current or future effect on the Corporation's Financial Statements, and the manner in which these have been disclosed in the Financial Statements;

- discuss with Management the effect of any Off-Balance Sheet transactions, arrangements, obligations and other relationships with unconsolidated entities or other persons that may have a material current or future effect on the Corporation's financial condition, changes in financial condition, results of operations, liquidity, capital expenditures, capital resources, or significant components or revenues and expenses; and

- satisfy itself that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted from the Corporation's Financial Statements and periodically assess the adequacy of those procedures.

Oversight of Internal Controls

The Audit Committee will:

- review and assess the adequacy and effectiveness of the Corporation's system of internal control and Management information systems through discussions with Management and the external Auditor;

- oversee the system of internal control, by:

  - consulting with the external Auditor regarding the adequacy of the Corporation's internal controls;

  - monitoring Policies and Procedures for internal accounting, financial control and Management information, electronic data control and computer security;

  - obtaining from Management adequate assurances that all statutory payments and withholdings have been made; and

  - taking other actions as considered necessary.

- oversee investigations of alleged fraud and illegality relating to the Corporation's finances and any resulting actions; and

- establish procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters, the confidential, anonymous submission by Employees of concerns regarding questionable accounting or auditing matters, and for the protection from retaliation of those who report such complaints in good faith.

External Audit Appointment and Removal

The Audit Committee will:

- recommend the appointment or replacement of the external Auditor to the Board of Directors, who will consider the recommendation prior to submitting the nomination to the Shareholders of the Corporation for their approval;

- review Management's plans for an orderly transition to a new external Auditor, if required;

- pre-approve, in accordance with applicable law, any non-audit services to be provided to the Corporation by the external Auditor, with reference to compatibility of the service with the external Auditor's independence; and

- review and approve the Corporation's hiring policies regarding Partners, Employees and former Partners and Employees of the present and former external Auditor of the Corporation.

External Audit Liaison

The external Auditor will report directly to the Audit Committee.

In its role as liaison with the external Auditor the Audit Committee will:

- assist and facilitate the resolution of any disagreements between Management and the external Auditor regarding financial reporting;

- review all other material written communications between the external Auditor and Management, including the post-audit Management Letter containing the recommendations of the external Auditor, Management's response and, subsequently, follow up identified weaknesses; and

- meet with the external Auditor independently from Management and without Management present at least annually to discuss and review specific issues; and as appropriate with respect to any significant matters that the Auditor may wish to bring to the Audit Committee for its consideration.

External Audit Review

The Audit Committee will:

- review with Management, and make recommendations to the Board of Directors, regarding the compensation of the external Auditor. In making a recommendation with respect to compensation, the Audit Committee shall consider the number and nature of reports issued by the external Auditor, the quality of internal controls, the size, complexity and financial condition of the Corporation, and the extent of other support provided by the Corporation to the external Auditor;

- review with Management the terms of the external Auditor's engagement, accountability, experience, qualifications and performance. Evaluate the performance of the external Auditor;

- review the Audit Plan and scope of the external Audit with the external Auditor and Management, and consider the nature and scope of the planned audit procedures;

- discuss with the external Auditor any significant changes required in the approach or scope of their Audit Plan, Management's handling of any proposed adjustments identified by the external Auditor, and any actions or inactions by Management that limited or restricted the scope of their work;

- review, independently from Management and without Management present, the results of the Annual External Audit, the Audit Report thereon and the Auditor's review of the related MD&A, and discuss with the external Auditor the quality (not just the acceptability) of accounting principles used, any alternative treatments of financial information that have been discussed with Management, the ramifications of their use and the Auditor's preferred treatment, and any other material communications with Management;

- engage the external Auditor to review all Interim Financial Statements and review the results of the Auditor's review of the Interim Financial Statements and the Auditor's review of the related MD&A independent of and without Management present;

- review any other matters related to the external Audit that are to be communicated to the Audit Committee under generally accepted auditing standards or that relate to the external Auditor;

- review with Management and the external Auditor any correspondence with regulators or governmental agencies, Employee complaints or published reports that raise material issues regarding the Corporation's Financial Statements or Accounting Policies; and

- at least annually, and before the external Auditor issues its report on the Annual Financial Statements, review and confirm the independence of the external Auditor through discussions with the Auditor on their relationship with the Corporation, including details of all non-audit services provided. Consider the safeguards implemented by the external Auditor to minimize any threats to their independence, and take action to eliminate all factors that might impair, or be perceived to impair, the independence of the external Auditor. Consider the number of years the lead audit partner has been assigned to the Corporation, and consider whether it is appropriate to recommend to the Board of Directors a policy of rotating the lead audit partner more frequently than every five years, as is required under the rules of the Canadian Public Accountability Board.

Risk Management

The Audit Committee will:

- review with Management the Corporation's tolerance for financial risks;

- review with Management its assessment of the significant financial risks facing the Corporation;

- review with Management its assessment of the policies for managing those significant financial risks; and

- review with Management its plans, processes and programs to manage and control such financial risks.

Regulatory Compliance

The Audit Committee will:

- review with Management any comment letters received from regulators and ensure that comments/concerns of the regulators are dealt with satisfactorily and in a timely manner; and

- review with Management the timeliness and accuracy of the Corporation's filings with regulatory authorities.

Related Party Transactions

The Audit Committee will review with Management all related party transactions and the development of Policies and Procedures related to those transactions.

Board of Directors Relationship and Reporting

The Audit Committee will:

- review and assess the adequacy of the Audit Committee mandate annually and submit such amendments as the Audit Committee proposes to the Board of Directors;
- oversee appropriate disclosure of the Audit Committee mandate, and other information required to be disclosed by applicable securities laws in all applicable disclosure documents, including any materials distributed in connection with the solicitation of proxies from the Shareholders of the Corporation; and
- report regularly to the Board of Directors on Audit Committee activities, issues and related recommendations.

Chair

The Board of Directors will in each year appoint a Chairman of the Audit Committee (the "**AC Chair**"). In the AC Chair's absence, or if the position is vacant, the Audit Committee may select another member as AC Chair. The AC Chair will have the right to exercise all powers of the Audit Committee between meetings but will attempt to involve all other Members as appropriate prior to the exercise of any powers and will, in any event, advise all other Members of any decisions made or powers exercised.

Meetings

The Audit Committee shall meet at the request of the AC Chair, but in any event it will meet at least four times a year. Notices calling Meetings shall be sent to all Audit Committee Members, to the CEO and to the AC Chair. The external Auditor or any member of the Audit Committee may call a meeting of the Audit Committee.

Quorum

A majority of Members of the Audit Committee, present in person, by teleconference, or by videoconference will constitute a quorum.

Removal and Vacancy

A Member may resign from the Audit Committee, and may be removed and replaced at any time by the Board of Directors, and will automatically cease to be a member as soon as the Member ceases to be a Board Member. The Board of Directors will fill vacancies in the Audit Committee by appointment from among the Directors in accordance with this mandate. Subject to quorum requirements, if a vacancy exists on the Audit Committee, the remaining Members will exercise all its powers.

Experts and Advisors

In order to carry out its duties, the Audit Committee may retain or appoint, at the Corporation's expense, such independent counsel and other experts and advisors, as it deems necessary. The Audit Committee shall provide notice to the relevant parties of its actions in this regard.

Access

The Audit Committee may have access to and direct contact with any Employee, contractor, supplier, customer or other person that is engaged in any business relationship with the Corporation to confirm information or to investigate any matter within the mandate of the Audit Committee.

Secretary and Minutes

The AC Chair shall appoint a secretary for each meeting to keep Minutes of such Meeting. The Minutes of the Audit Committee will be in writing and duly entered into the books of the Corporation. The Minutes of the Audit Committee will be available to all Board Members.

CERTIFICATE OF CLS HOLDINGS USA, INC.

Dated November 30, 2018

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities previously issued by the Company as required by the securities legislation of each of the Qualifying Jurisdictions.

(signed) *"Jeffrey Binder"*

Jeffrey Binder
President and Chief Executive Officer

(signed) *"Frank Tarantino"*

Frank Tarantino
Chief Financial Officer

On behalf of the Board of Directors

(signed) *"Andrew Glashow"*

Andrew Glashow
Director

(signed) *"Frank Koretsky"*

Frank Koretsky
Director

CERTIFICATE OF THE AGENT

Dated November 30, 2018

To the best of our knowledge, information and belief, this Prospectus constitutes full, true and plan disclosure of all material facts relating to the securities previously issued by the Company as required by the securities legislation of each of the Qualifying Jurisdictions.

CANACCORD GENUITY CORP.

(signed) *"Graham Saunders"*

Graham Saunders
Vice Chairman, Managing Director
Head of Capital Markets Origination