

A copy of this preliminary prospectus has been filed with the securities regulatory authority in the province of British Columbia, but has not yet become final. Information contained in this preliminary prospectus may not be complete and may have to be amended. This preliminary prospectus does not constitute a public offering of securities.

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

PRELIMINARY PROSPECTUS

Non-Offering Prospectus

April 22, 2020



JUVA LIFE INC.

No securities are being offered pursuant to this Prospectus.

This non-offering preliminary prospectus (the “**Prospectus**”) is being filed with the securities regulatory authorities in the Province of British Columbia to enable Juva Life Inc. (the “**Corporation**”) to become a “reporting issuer” in the Province of British Columbia pursuant to applicable securities legislation and to develop an organized market for the common shares of the Corporation (the “**Common Shares**”). Since no securities are being offered pursuant to this Prospectus, no proceeds will be raised, and all expenses incurred in connection with the preparation and filing of this Prospectus will be paid by the Corporation from its general corporate funds.

There is no market through which the securities of the Corporation may be sold. This may affect the pricing of the Corporation’s securities in the secondary markets; the transparency and availability of trading prices; the liquidity of the Corporation’s securities and the extent of issuer regulations. See “Risk Factor”.

The Corporation has applied to list its Common Shares on the Canadian Securities Exchange (the “**CSE**”). In order to obtain a listing, the Corporation must fulfill all of the listing requirements of the CSE, including obtaining a receipt for this Prospectus from the British Columbia Securities Commission, distributing its Common Shares to a minimum number of public shareholders and meeting certain financial and other requirements.

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

Douglas Chloupek, Kari Gothie and Rakesh Patel, directors of the Corporation, reside outside Canada. The Corporation, Douglas Chloupek, Kari Gothie and Rakesh Patel have appointed McMillan LLP, having an office at 1055 West Georgia Street, Suite 1500, Vancouver, British Columbia, V6B 4N7 as their agent for service of process.

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 under the laws of a foreign jurisdiction or resides outside of Canada, even if the party has appointed an agent for service of process.

An investment in securities of the Corporation is speculative and involves a high degree of risk. In reviewing this Prospectus, you should carefully consider the matters described under the heading “Risk Factors”.

The Corporation’s principal executive office is located at 885 West Georgia Street, Suite 1500, Vancouver, British Columbia, V6C 3E8.

This Prospectus qualifies the securities of an entity that will derive directly a substantial portion of its revenues from the cannabis industry in certain U.S. states, which industry is illegal under U.S. federal law. The Corporation will be directly involved (through its licensed wholly-owned subsidiary) in both the medical-use and adult-use cannabis marketplace in the State of California, which has regulated such activity.

The cultivation, sale and use of cannabis is illegal under federal law pursuant to the U.S. Controlled Substances Act of 1970 (the “Controlled Substances Act”). Under the Controlled Substances Act, the policies and regulations of the U.S. federal government and its agencies are that cannabis has no medical benefit and a range of activities including cultivation and the personal use of cannabis is prohibited. The Supremacy Clause of the U.S. Constitution establishes that the U.S. Constitution and federal laws made pursuant thereto are paramount 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 Controlled Substances Act, the states of California, Nevada, Massachusetts, Maine, Illinois, Michigan, Washington, Oregon, Colorado, Vermont and Alaska, and the District of Columbia, have legalized the 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 recreational cannabis by passage in a state legislature, but does not allow commercial sale 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.

The Corporation’s objective is to capitalize on the opportunities presented as a result of the changing regulatory environment governing the cannabis industry in the State of California and, if permitted, other states in the U.S. Accordingly, there are a number of significant risks associated with the business of the Corporation. Unless and until the U.S. Congress amends the Controlled Substances Act with respect to medical and/or adult-use cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a risk that federal authorities may enforce current federal law, and the business of the Corporation may be deemed to be producing, cultivating, extracting or dispensing cannabis in violation of federal law in the U.S.

For these reasons, the Corporation’s operations in the U.S. cannabis market may subject the Corporation to heightened scrutiny by regulators, stock exchanges, clearing agencies and other Canadian authorities. There are a number of risks associated with the business of the Corporation. See section entitled “*Risk Factors*”.

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FORWARD-LOOKING STATEMENTS

This Prospectus contains forward-looking statements and forward-looking information within the meaning of applicable securities legislation about the Corporation and the development of its business. The use of any of the words “may”, “will”, “should”, “expect”, “anticipate”, “continue”, “plan”, “estimate”, “believe”, “intend”, “project”, “forecast”, and other similar expressions is intended to identify forward-looking statements or information.

These forward-looking statements include statements regarding:

- the listing of its Common Shares on the CSE;
- performance of the Corporation’s products and product candidates;
- supply and demand of the Corporation’s products;
- projections on revenues generated from the sale of the Corporation’s products (or related products);
- regulatory approval and market acceptance of the Corporation’s products;
- growth strategy and opportunities;
- anticipated operating expenses and business operational requirements;
- future funds from operations; and
- expectations regarding the ability to raise capital.

The forward-looking statements and information contained in this Prospectus are based on certain key expectations and assumptions made by the Corporation, including expectations and assumptions relating to the ongoing ability of the Corporation to develop, manufacture and market its products, the availability of capital to undertake planned expenditures, the acceptance by the CSE of the listing of the Corporation’s Common Shares, the ability of the Corporation to attract wholesale and retail customers, the ability of the Corporation to obtain regulatory approval for its products, the market for the Corporation’s products will continue to grow. the availability and cost of labour and services and prevailing applicable laws remaining unchanged. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks in the section entitled “Risk Factors”, which may cause the Corporation’s actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements.

Although the Corporation has attempted to identify important factors that could cause actual results to differ materially from those contained in the forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

The forward-looking statements and information contained in this Prospectus are made as of the date hereof and, unless so required by applicable law, the Corporation undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information future events or otherwise. The forward-looking statements and information contained in this Prospectus are expressly qualified by this cautionary statement.

CURRENCY PRESENTATION AND EXCHANGE RATE INFORMATION

In this Prospectus, unless otherwise indicated, all references to “\$” or “dollars” refer to United States Dollars, all references to “CAD\$” refer to Canadian Dollars.

On April 21, 2020 the closing exchange rate for Canadian Dollars in terms of the United States Dollar as quoted by the Bank of Canada, was CAD\$1.4203 = \$1.00.

GLOSSARY

The following is a glossary of certain general terms used in this Prospectus. Terms and abbreviations used in the financial statements and management's discussion and analysis included in, or appended to this Prospectus are defined separately and the terms and abbreviations defined below are not used therein, except where otherwise indicated. Words importing the singular, where the context requires, include the plural and vice versa and words importing any gender include all genders.

"2019 Plan" means the stock option plan adopted by the Corporation under which the Board of Directors may from time to time, in its discretion, grant to directors, officers, employees and consultants of the Corporation non-transferable options to purchase Common Shares.

"Audit Committee" means the audit committee of the Corporation.

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

"Common Shares" means a common stock in the capital of the Corporation.

"Compensation Committee" means the compensation committee of the Corporation.

"Corporation" means Juva Life Inc., a company incorporated under the laws of the British Columbia.

"CSA" means the United States *Controlled Substances Act*.

"CSE" means the Canadian Securities Exchange.

"CUP" means Conditional Use Permit.

"DEA" means United States Drug Enforcement Agency.

"FDA" means the United States Food and Drug Administration.

"FDCA" means the United States *Federal Food Drug and Cosmetic Act*.

"Governance Committee" means the governance committee of the Corporation.

"Hayward Facilities" means the Corporation's properties located at Hayward, CA.

"IFRS" means International Financial Reporting Standards.

"Juva Holdings" means Juva Holdings (California) Ltd.

"Juva RWC" means Juva RWC, Inc., a California corporation.

"Juva Stockton" means Juva Stockton, Inc., a California corporation.

"Juva USA" means Juva Life, Inc., a corporation incorporated under the laws of California, a wholly-owned subsidiary of the Corporation.

"MD&A" means management discussion and analysis.

"Merger Agreement" means an Agreement and Plan of Merger dated May 15, 2019 by and among the Corporation, Juva USA, and Juva Holdings.

“**Named Executive Officer**” or “**NEO**” means each of the following individuals of the Corporation;

- (a) a chief executive officer (“**CEO**”) of the Corporation;
- (b) a chief financial officer (“**CFO**”) of the Corporation;
- (c) a chief operating officer (“**COO**”) of the Corporation;
- (d) each of the Corporation’s three most highly compensated executive officers, or the three most highly compensated individuals acting in a similar capacity, other than the CEO, CFO and COO, at the end of the most recently completed financial year whose total compensation was, individually, more than \$150,000, as determined in accordance with subsection 1.3(6) of Form 51-102F6, for the December 31, 2019 financial year; and
- (e) each individual who would be an NEO under paragraph (d) above but for the fact that the individual was neither an executive officer, nor acting in a similar capacity at December 31, 2019.

“**Navy Drive Facility**” means the Corporation’s approximate 11,448 square foot facility located on Navy Drive in Stockton, California.

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

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

“**Precision**” means Precision Apothecary, Inc., a California corporation.

“**Prospectus**” means this non-offering preliminary prospectus.

“**RSU**” means restricted share unit.

“**San Juan Facility**” means leased location in Stockton, CA that has local permits for cultivation, manufacturing, distribution and delivery. This facility operates as Juva Stockton, Inc.

“**VG**” means VG Enterprises, LLC, a California limited liability company.

SUMMARY OF PROSPECTUS

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

Capitalized terms used in this summary, which are not defined in the summary, have the meanings ascribed to them elsewhere in this Prospectus. Unless otherwise indicated, references to the “Corporation”, “Juva”, “we”, “us” and similar terms are to Juva Life Inc.

The Corporation

Juva was formed on April 3, 2019 under the laws of the Province of British Columbia, and is headquartered in Vancouver, British Columbia, Canada. The Corporation was formed to establish a vertically-integrated corporation to engage in all areas of the medical and recreational cannabis industry, including cultivation, manufacturing, research and development, distribution and retail. The principal planned business of the Corporation is to acquire, own and operate cannabis businesses in the State of California.

Use of Available Funds

No securities are being offered and no proceeds will be raised pursuant to this Prospectus. The Corporation’s available cash has been used and will continue to be used, to the extent required, to fund its negative cash flow and for the principal purposes set out in this Prospectus. However, there may be circumstances where, for business reasons, a reallocation of funds or further financing may be necessary. See “*Use of Available Funds*”.

Risk Factors

Investment in the Corporation’s securities involves a significant degree of risk. An investment in the Common Shares or other securities of the Corporation should be considered highly speculative due to the nature of the Corporation’s business and its early stage of development, nature of the industry and evolving regulations, and should be considered only by investors who can afford the total loss of their investment. There are certain factors and risks which should be considered when evaluating an investment in the Corporation, including, but not limited to: ability of the Corporation to continue its operations; the market developing at a slow rate; ability of the Corporation to adapt to new laws and government regulations; ability of the Corporation to compete with both direct and indirect competition; changes to perceived health risks associated with the use of the Corporation’s products; dependence on the Corporation’s management team to operate the business; litigation; dependence on third party suppliers; changes to tax policies regarding the Corporation’s products; ability of the Corporation to attract new customers and generate sales; no patents on its products; intellectual property infringement claims; dependence of the Corporation on foreign sales to maintain operations; adverse media attention and public pressure; foreign currency risk; ability of the Corporation to comply with securities laws; no cash dividends in the foreseeable future; no market for the Common Shares; illiquidity and price volatility of the Common Shares; ability of the Corporation to implement its business plan, raise capital and generate revenues; limited operating results; lack of working capital; ability of the Corporation to manage growth; and potential political risks on the Corporation’s business. These categories of risk are not comprehensive and additional risks are disclosed elsewhere in this Prospectus. See “*Risk Factors*”.

Summary of Financial Information

The following selected financial information for the Corporation is derived from the audited consolidated financial statements of the Corporation for the period from incorporation on April 3, 2019 to December 31,

2019, and the audited consolidated financial statements of Juva USA for the period from incorporation on June 29, 2018 to December 31, 2018, in each case, attached to and forming part of this Prospectus and should be read in conjunction therewith. The Corporation's consolidated financial statements were prepared and presented in accordance with IFRS and are expressed in United States Dollars. Juva USA's consolidated financial statements were prepared and presented in accordance with IFRS and are expressed in United States Dollars. The consolidated financial statements attached herewith have not been reconciled to Canadian generally accepted accounting principles. See "*Management's Discussion and Analysis*".

| Juva Life Inc. | For the year ended December 31, 2019 (audited) (\$) |
|-----------------------------|--|
| Current assets | 1,534,094 |
| Liabilities | 7,233,092 |
| Total assets | 6,616,130 |
| Loss per share | (0.11) |
| Total shareholders' deficit | (616,962) |

| Juva Life, Inc. | For the Period from Incorporation on June 29, 2018 to December 31, 2018 (audited) (\$) |
|----------------------------|---|
| Current assets | 2,426,332 |
| Liabilities | 1,928,297 |
| Total assets | 3,098,647 |
| Loss per share | (0.07) |
| Total Shareholders' equity | 1,170,350 |

CORPORATE STRUCTURE

Name, Address and Incorporation

Juva was formed on April 3, 2019 under the laws of the Province of British Columbia, and is headquartered in Vancouver, British Columbia, Canada. The Corporation was formed to establish a vertically-integrated corporation to engage in all areas of the medical and recreational cannabis industry, including cultivation, manufacturing, research and development, distribution and retail. The principal planned business of the Corporation is to acquire, own and operate cannabis businesses in the State of California.

The Corporation's mailing address is 885 West Georgia Street, Suite 1400, Vancouver, BC V6C 3E8, and our telephone number is 833-333-5882. Our principal California-based executive offices are located at 8 N San Pedro Road, Suite 200, San Jose, CA 95110. Our website address is www.juvalife.com.

Intercorporate Relationships

The following chart outlines the inter-corporate relationships between the Corporation and its subsidiaries and the jurisdiction of incorporation of each entity.

| Entity | Registered | Holding |
|----------------------------|--------------------------|-----------------------------|
| Juva Life, Inc. | California, USA | 100% owned |
| Precision Apothecary, Inc. | California, USA | 100% owned through Juva USA |
| VG Enterprises, LLC | California, USA | 100% owned through Juva USA |
| 1177988 B.C. Ltd. | British Columbia, Canada | 100% owned through Juva USA |
| Juva RWC, Inc. | California, USA | 100% owned through Juva USA |
| Juva Stockton, Inc. | California, USA | 100% owned through Juva USA |

Juva USA, a California corporation and wholly-owned subsidiary of the Corporation is a California-based cannabis company that was incorporated in June 2018 to acquire, own, and operate various cannabis businesses in the State of California. Juva USA became a wholly-owned subsidiary of the Corporation effective May 30, 2019, pursuant to an Agreement and Plan of Merger dated May 15, 2019 (the "**Merger Agreement**"), by and among the Corporation, Juva USA, and Juva Holdings (California) Ltd. ("**Juva Holdings**"), a California corporation and wholly-owned subsidiary of the Corporation formed for the purpose of the merger.

On July 31, 2018, Juva USA acquired all of the equity interests in Precision Apothecary, Inc., a California corporation ("**Precision**"), and VG Enterprises, LLC, a California limited liability company ("**VG**"), through a Contribution and Equity Exchange Agreement among Juva USA, Precision, VG and the holders of all the outstanding equity interests of Precision and VG, in exchange for the issuance of shares of common stock of Juva USA. VG has a local Conditional Use Permit (a "**CUP**") from the city of Stockton, California that will allow VG, upon satisfaction of all applicable conditions (including obtaining a State licenses), to cultivate, manufacture, distribute and deliver cannabis in the State of California for the medical and recreational markets within the State. Precision has received local approval for a Microbusiness Permit from the City of Hayward, California that will allow it to cultivate, manufacture and distribute cannabis and operate a retail cannabis storefront in the City of Hayward. Juva Stockton also has four CUPs from the city of Stockton for cultivation, manufacturing, distribution and delivery to be performed at its Stockton Facility. Juva RWC has been granted both a local and State license for delivery at its leased location in Redwood City, California, and began operations in January 2020.

Juva USA also incorporated 1177988 B.C. Ltd. in August 2018 under the laws of British Columbia, Canada, as a wholly-owned subsidiary of Juva USA. In June 2019, Juva USA formed Juva RWC, a California corporation and Juva Stockton, a California corporation, as wholly-owned subsidiaries of Juva USA.

The business of the Corporation will effectively be the business of Juva USA. Juva USA is a cannabis company that is working to establish itself as an emerging leader in all areas of medical and recreational cannabis through its cultivation, manufacturing, distribution, retail, delivery, and research divisions.

The strategic plan for the Corporation is to be a fully autonomous, vertically-integrated cannabis business that will operate with two main missions: (1) to achieve the lowest cost of production by owning at least one or more licenses for retail sales, manufacturing, distribution and cultivation of cannabis (including microbusiness licenses as described below), and use each license to assist the supply chain with a few key brick and mortar storefronts and multiple delivery businesses throughout the State of California; and (2) to develop "precision cannabis" products that deliver the right medicine to the right patient at the right time. The Corporation plans to develop intellectual property and secure patent protection on each of its custom medical formulations. Juva Research will develop the related intellectual property, research registries and patent formulations in areas of oncology, neurology, pain management and opiate reduction.

There are currently 33 states in the United States that have legalized medical cannabis use, and there are 11 states, plus the District of Columbia, in which the recreational sale and use of cannabis has been approved, including Alaska, California, Illinois, Colorado, Maine, Massachusetts, Michigan, Nevada, Oregon, Vermont and Washington. In these markets, we believe recreational and medical sales will continue to grow as new population groups realize the magnitude of cannabis applications and cannabis is accepted by more demographics. Juva plans to capitalize on the significant increase in cannabis consumption in the medical and recreational markets through an expansion of its distribution and product lines in key markets such as California. Juva will also seek opportunities to expand its brand in recreational and medical markets through its existing facilities or through acquisitions of additional licenses or processing and wholesaling operators. Juva plans to make strategic acquisitions to expand its brand as well as its supply chain.

Juva has built an executive team with decades of experience in business management, consumable goods, brand development, sales and marketing, and risk management. The experience of the Juva management team has allowed Juva to develop best practices, quality control standards, and global scale within the organization. To date, Juva has focused on obtaining permits and licenses in all verticals of the California cannabis market, including cultivation, manufacturing, retail and distribution, with the aim of becoming a fully-integrated cannabis company

GENERAL DESCRIPTION OF THE BUSINESS

Overview

Juva is a cannabis company that is working to establish itself as an emerging leader in all areas of medical and recreational cannabis cultivation, manufacturing, distribution, sales, and research and development.

Juva Life is vertically integrated and consists of six divisions: Juva Cultivation, Juva Research, Juva Manufacturing, Juva Distribution, Juva Retail, and Juva Delivery. Each division plays a crucial role in their overall goal of helping people feel better.

Juva Cultivation is Juva's cultivation operation which will focus on the production (growing) of high-quality cannabis for all Juva product lines.

Juva Retail is a network of retail cannabis facilities that will serve the San Francisco Bay Area and other areas within the State of California where the business is compliant with applicable local laws through storefront and non-storefront (delivery) locations.

Juva Research is Juva's therapeutics division which, when operational, will be involved in medicinal cannabis-based product research. The Corporation currently intends to develop and market products solely in the State of California under applicable state and local laws and regulations. The Corporation's planned activities do not currently involve interstate commerce, and therefore are not currently subject to prior approval requirements of the United States Food and Drug Administration (the "FDA"). If any of the Corporation's products and development activities become subject to federal drug approval processes and the Corporation decides to seek federal approval, the Corporation may need to comply with the drug research, approval and registration processes and requirements of the FDA and the United States Drug Enforcement Agency (the "DEA") for drugs developed and marketed on a national scale in the United States. If the Corporation decides to seek FDA and/or DEA approval or registration for any of its future cannabis-based products, there is no guarantee that the Corporation would be successful in obtaining such approvals or registrations.

Juva Manufacturing will create Juva branded and white-label products for other recreational and medical-related cannabis companies.

Juva Distribution will distribute Juva branded products and products from other licensed cannabis companies.

The Corporation is in the process of applying for and obtaining licenses and permits in the localities in California in which it plans to operate and will commence operations once the required state and local licenses and permits are obtained. Although the Corporation initially plans to research, develop and market products on an intrastate basis that meet state and local regulatory requirements in California, if the Corporation's business transitions into interstate commerce in the future, the Juva business may eventually involve development and sale of cannabis based products that will require FDA and/or DEA drug approval(s) and/or registration(s). In such case, the Corporation's activities related to research, development and marketing of its products, including dietary supplements, will be conducted in accordance with applicable federal and state law requirements. The Corporation will seek and obtain applicable premarketing authorizations or registrations from the FDA and/or DEA, as applicable, prior to marketing its products. Currently, the FDA appears to be exercising enforcement discretion and not taking enforcement action against those entities that comply with state and local regulations for medicinal cannabis. However, the FDA could modify its position and take action against companies such as Juva in the future. The DEA has also been exercising enforcement discretion and not taking action against entities that comply with state and local laws; however, that position could change and the DEA could take adverse action against the Corporation.

Juva is capitalizing on the rapidly growing regulated cannabis market in the United States. To date, the Corporation has focused on obtaining permits and licenses in all verticals of the California cannabis market, including cultivation, manufacturing, retail and distribution. Juva will also seek opportunities to expand its brand in recreational and medicinal cannabis markets through its existing facilities or through acquisitions of additional licenses or processing and wholesaling operators. Juva Cultivation, Juva Research, Juva Manufacturing, Juva Distribution, Juva Retail, and Juva Delivery will continue business as distinct divisions of an effective vertical operation, sharing knowledge and expertise.

Acquisition of Juva USA

On May 15, 2019, the Corporation entered into the Merger Agreement for the purpose of the merger. Under the terms of the Agreement, Juva Holdings merged with Juva USA, the legal existence of Juva Holdings

ceased, and Juva USA was the surviving entity, becoming a wholly-owned subsidiary of Juva. After the transaction, Juva Canada intends to apply for a listing on the CSE. The merger was effective on May 30, 2019.

Our Products and Services

Juva is a cannabis company that is working to establish itself as an emerging leader in all areas of medical and recreational cannabis cultivation, manufacturing, distribution, sales, and research and development.

Juva is vertically integrated and consists of six divisions: Juva Cultivation, Juva Research, Juva Manufacturing, Juva Distribution, Juva Retail, and Juva Delivery. Each division plays a crucial role in their overall goal of helping people feel better.

Juva Cultivation will focus on cultivating and distributing high quality cannabis to medical and recreational cannabis users in the State of California via licensed cannabis retailers. Through its subsidiary, Precision, Juva has acquired the rights to the Frosted Flowers cannabis brand. Prior to the acquisition, Frosted Flowers grew 430 pounds of cannabis in 2018, and is expected to increase production to 9,445 pounds per year once all permits are in place and facilities are operational. Frosted Flowers is not cultivating cannabis in 2019, but the Corporation expects Frosted Flowers to be in production in late 2020 once all permits are in place and facilities are operational. Frosted Flowers has an extensive catalogue of proprietary bred genetics, and is most well-known for its three signature cannabis strains: Silver Haze, Maple Wreck and Sumatra Kush.

Juva Retail is a network of retail cannabis facilities that will serve the San Francisco Bay Area and other areas within the State of California where the business is compliant with applicable local laws. Juva Retail intends to operate as a combination of non-storefront retail delivery businesses, pending receipt of necessary delivery licenses, and a few strategic storefront brick and mortar cannabis retail facilities. The Corporation currently has one delivery permit approved both by the State of California and the City of Redwood City, California. The Corporation previously had two microbusiness permit applications pending for adjacent properties in Hayward, California (the “**Hayward Facilities**”). However, the City of Hayward agreed to consider the two separately leased properties as one and approved them jointly under a single permit in June 2019. Once approved by the State, Juva will have a retail storefront as part of its microbusiness permit in Hayward. Juva also has two non-storefront retail delivery permits approved locally by the City of Stockton, CA. at its San Juan and Navy Drive locations.

Juva Research will research and develop "precision cannabis" products to deliver the right medicine to the right patient at the right time. The Corporation plans to develop intellectual property and secure patent protection for each of its proprietary formulations for medical cannabis products. Through Juva Research, the Corporation plans to engage in research that will help with the following: developing intellectual property, research registries and patent formulations in areas of oncology, neurology, pain management and opiate reduction; conducting human interactive investigations for intramuscular pain, neuropathic pain, cancer, post-traumatic stress disorder, multiple sclerosis, epilepsy, muscle spasticity, autism, Parkinson's disease, and sleeping disorders; developing medical cannabis products utilizing five drug delivery mechanisms, including gel capsule, transdermal patch, inhaler, oral tongue strip and suppository; conducting Institutional Review Board approved patient research investigations; and testing and verifying product integrity through a network of doctors, clinics and at its newly developed Class 5 clean room. The Corporation currently intends to develop and market products solely in the State of California under applicable state and local laws and regulations. The Corporation's planned activities do not currently involve interstate commerce, and therefore are not currently subject to prior approval requirements of the FDA. If any of the Corporation's products and development activities become subject to federal drug approval processes and the Corporation decides to seek federal approval, the Corporation may need to comply with the drug research, approval and registration processes and requirements of the FDA and the DEA for drugs developed and marketed on a national scale in the United States. If the Corporation decides to seek FDA

and/or DEA approval or registration for any of its future cannabis-based products, there is no guarantee that the Corporation would be successful in obtaining such approvals or registrations.

Juva Manufacturing will create Juva branded and white-label products for other recreational and medical-related cannabis companies.

Juva Distribution will distribute Juva branded products and products from other licensed cannabis companies.

The Corporation is limited in how it can market its products, and while the research may be promising in terms of effectiveness and safety in treating these conditions, the Corporation will need to comply with applicable state and local laws and regulations, and the requirements of the FDA and DEA. The Corporation intends to leverage its brand development and marketing expertise to select products that will expand its shelf space and customer reach, as permitted under current cannabis regulations in California. Although the Corporation initially plans to research, develop and market products on an intrastate basis that meet state and local regulatory requirements in California, if the Corporation's business transitions into interstate commerce in the future, the Juva Research business may involve development and sale of cannabis-based products that will require FDA and/or DEA approval and/or registration. If the FDA determines that a new drug approval is needed for any of the Corporation's products, the Corporation would need to proceed through the NDA process or modify its activities to comply with FDA requirements. Even if the Corporation were to submit an IND and NDA for FDA approval, there is no guarantee that the FDA would grant approval for all or event any of the cited indications.

Facilities

The Corporation currently has six properties under lease in the cities of Stockton, Hayward and Redwood City, California, and is in the process of building out its facilities and obtaining the necessary State and Local Authorizations to operate its planned businesses. The leased properties are summarized below.

Stockton, California

The Corporation is currently developing two locally permitted cannabis production facilities in Stockton, California, totaling approximately 41,448 square feet, including: (1) an approximate 30,000 square foot production facility located on San Juan Drive in Stockton, California (the "**San Juan Facility**"); and (2) an approximate 11,448 square foot facility located on Navy Drive in Stockton, California, (the "**Navy Drive Facility**"). The San Juan Facility and Navy Drive Facility will support cultivation, manufacturing, retail sales (non-storefront delivery only) and wholesale distribution.

San Juan Facility. The San Juan Facility is being designed as a cultivation, manufacturing, distribution and non-storefront retail delivery facility that will produce high quality flower and pre-rolls for both our branded products and white labeled products. This location will deliver direct to consumers in the north San Joaquin Valley as well as operate as the Corporation's Central Valley distribution hub. As of the date of this Prospectus, demolition at the San Juan facility is complete, and the underground plumbing, fire system and security systems have been installed. Trenching, structural, and foundation support is also complete. The final construction and architectural plans for this facility are complete, and include fully closed and sealed rooms, climate control sensors, special wall treatments, and a holding safe to store over 1000 pounds of cannabis and a packaging room. The San Juan Facility totals approximately 30,000 square feet, with 15,750 square feet of flowering canopy. At full capability, this canopy will result in approximately 9,250 pounds of cannabis flower. Juva Stockton occupies the San Juan Facility under a 5-year sublease, commencing August 1, 2018, and pays \$ 26,400.00 per month in rent (with annual increases). Pursuant to Stockton Municipal Code Section 5.100.040, in order to operate legally in Stockton, the Corporation will have to obtain: (1) a proper Use Permit pursuant to Stockton Municipal Code Section 16.80.195 and 16.168; (2) an

approved or conditionally approved Operators Permit from the Chief of Police pursuant to Stockton Municipal Code Section 5.100.060; (3) a business license issued by the City pursuant to Stockton Municipal Code Section 5.04.040; and (4) State licenses for cultivation, manufacturing, distribution and non-storefront retail.

The Corporation currently has a local CUP from the city of Stockton and has begun construction on the San Juan Facility. The Operators Permit and business license cannot be obtained until construction is complete. State licenses cannot be approved until the local authorization(s) are obtained. The Corporation is building this facility out in phases. The first phase requires the build out of the front offices which is expected to be complete by May 2020. This will allow Juva to receive partial occupancy of the building and be fully licensed to begin its delivery and distribution operations in Stockton.

The next phase will be finalizing the construction of the first two of seven cultivation rooms. The completion of this phase, along with the final approvals for local and state permits for cultivation, is forecasted to be August 2020. This will allow for the planting of initial crops to then be harvested in November 2020.

The final phase is the build out of the remaining five cultivation rooms. The Corporation expects to begin this phase in December 2020 and have it completed by the second quarter of 2021.

Navy Drive Facility. The Corporation intends to use the Navy Drive Facility for its bulk cannabis storage, grinding, and manufacturing (ethanol extraction) operations. The Navy Drive Facility will also serve as a small in-house research and development cultivation site for new strains before they go into full production at the San Juan Facility. As with the San Juan facility, for the Navy Drive Facility, the Corporation will have to obtain the following pursuant to Stockton Municipal Code Section 5.100.040: (1) a proper Use Permit pursuant to Stockton Municipal Code Section 16.80.195 and 16.168; (2) an approved or conditionally approved Operators Permit from the Chief of Police pursuant to Stockton Municipal Code Section 5.100.060; (3) a business license issued by the City pursuant to Stockton Municipal Code Section 5.04.040; and (4) State licenses for processing (a type of cultivation license) and manufacturing. These licenses will be obtained separately, as the Corporation is not operating this facility as a microbusiness. The process for obtaining these licenses varies by the licensing authority. Each license application requires the owners to be identified, those with financial interests to be identified, a bond of \$5,000.00, certain tax identification numbers, plans, and other business information.

The Corporation has its local CUP from the city of Stockton and has begun construction on the Navy Drive Facility. This facility totals approximately 11,448 square feet. VG Enterprises occupies the Navy Drive Facility under a 5-year lease, commencing August 1, 2018, and pays \$11,500.00 per month in rent. The Operators Permit and business license cannot be obtained until after construction is complete. The State licenses cannot be sought until the local authorization(s) are obtained. Interior demolition has been completed at this facility, and a new roof, gutters and sprinkler system have been installed. The Corporation expects construction to be completed by the third quarter of 2020 and all the other requisite State and Local Authorizations in place by the fourth quarter of 2020.

Hayward, California

The Hayward Facilities will house Juva Cultivation, Juva Research, Juva Manufacturing, Juva Distribution, Juva Retail, and Juva Delivery and intends to offer "white labeling" opportunities that can provide the means for new and existing out-of-state brands to introduce products in California. "White labeling" refers to entering into license agreements with third parties to manufacture and distribute such third parties' products. The Corporation would take on liability with respect to the manufacturing and distribution of the product, including, but not limited to, responsibility for any product recalls.

Clawiter Road Facility. The Clawiter Road property is being designed as Juva's main corporate and operational campus for Juva Cultivation, Juva Research, Juva Manufacturing, Juva Retail, and Juva Delivery. The Clawiter property is adjacent to the Enterprise Avenue property. Juva USA occupies the

Clawiter Road property under a sublease with a term of 4 years and 5 months commencing August 1, 2018 and pays \$22,660.00 per month in rent, increasing by approximately 3% annually.

Enterprise Avenue Facility. The Enterprise Avenue facility is located adjacent to the Clawiter Road facility. It is being designed Juva Cultivation, Juva Distribution, and Juva Delivery. Juva USA occupies the Enterprise property under a sublease with a term of 4 years and 5 months, commencing August 1, 2018, and pays \$8,593.75 per month in rent, increasing by approximately 3% annually.

The Clawiter Road and Enterprise Avenue properties are collectively referred to as the "Hayward Facilities." The Hayward Facilities include two buildings with an existing Class 5 clean room as part of the 18,000 square foot building and 11,000 square feet of greenhouses for cultivation. The Hayward Facilities' other activities will include cultivation of high-quality greenhouse material for extraction, a flagship retail store, a delivery hub for the entire East San Francisco Bay area, post-process extraction of oil from the Navy Drive Facility, CO₂ extraction, formulation, isolation and contract product development. There will also be new drug research and development, and the manufacturing of capsules, edibles, transdermal patches, topical products, inhalers, and suppository products. The Hayward campus includes a total of approximately 35,000 square feet.

Pursuant to Hayward Municipal Code Chapter 6, Article 14, and Chapter 10, Article 1, in order to operate the Hayward Facilities in Hayward, California, the Corporation must obtain: (1) an Administrative Use Permit or a CUP, depending on the type of license sought; (2) a Commercial Cannabis Permit; and (3) a State license for a microbusiness facility. The Corporation received approval to proceed with the CUP on or about June 18, 2019. Demo at the Hayward Facilities is complete and land entitlement is in process. The Corporation expects construction of the manufacturing area of the Hayward Facilities to be completed, and the manufacturing facilities to be licensed and operational, by approximately the second quarter of 2020. The Corporation expects construction on the cultivation, retail, R&D lab and distribution facilities at the Hayward Facilities to be completed, licensed and operational, by the fourth quarter of 2020.

Redwood City, California

Convention Way Facility. The Convention Way property is used for a non-storefront retail (delivery) cannabis facility. Delivery service is available throughout the Bay Area Peninsula from San Francisco down to San Jose. The facility complies with all applicable local and State laws and has adequate controls in place against any diversion, theft, and loss of cannabis products. The facility has a security alarm system, continuous 24-hour video surveillance, proper lighting, commercial grade locked doors, cannabis products and money secured in an on-site vault, and other protective security and safety measures required by applicable law and industry standards. The Corporation believes this delivery business will have access to approximately 1.67 million potential customers. The Convention Way property is approximately 1,345 square feet of office space. Juva RWC occupies the property under a 5-year lease, commencing December 1, 2018, and pays \$6,052 per month in rent, increasing by approximately 3% annually. Pursuant to Article 59 of the Redwood City Municipal Code, in order to operate in Redwood City, the Corporation must obtain: (1) a Cannabis Business Permit; (2) a CUP; and (3) a State License. The Corporation obtained approval of its Cannabis Business Permit on or about April 22, 2019; the Conditional Use Permit was approved on or about May 31, 2019; and the State license was issued in September 2019. The Corporation has received all local and State licenses necessary to operate and began delivery in January of 2020.

San Jose, CA

The Corporation leases approximately 2,000 square feet of office space used for executive offices in San Jose, CA. The lease is a one year lease commencing November 1, 2019 with rent of \$7,800 per month.

Permits

Local Permits

To Summarize, the Corporation currently has the following local permits approved:

- Four (4) CUPs for cultivation, manufacturing, delivery, and distribution at the San Juan Facility in Stockton, California;
- Four (4) CUPs for cultivation, manufacturing, delivery, and distribution at Navy Drive Facility in Stockton, California;
- One fully approved non-storefront retail delivery license in Redwood City, California; and
- One approved microbusiness permit for the combined operations at the Clawiter Road and Enterprise Avenue facilities in Hayward, California.

State Issued Permits

The Corporation has a State license for its delivery operations in Redwood City, California.

Leased Real Property

Juva has six properties under lease in the State of California, which are in various stages of build-out. The leased properties are summarized below.

- (1) *San Juan Property in Stockton, California.* The San Juan property is being designed for cultivation (to produce high quality flower and pre-rolls for the Juva brands), non-storefront retail sales, distribution and manufacturing (including white label production of products through licensing agreements). This location's retail facility will deliver directly to consumers in the north San Joaquin Valley as well as operate as Juva's Central Valley distribution hub.
- (2) *Navy Drive Property in Stockton, California.* Juva intends to use the Navy Drive property for its bulk cannabis storage, grinding, and manufacturing operations (including manufacturing via ethanol extraction). It will also serve as a small in-house testing cultivation site for new strains before they go into full production at the San Juan facility.
- (3) *Clawiter Road Property in Hayward, California.* The Clawiter Road property is being designed as Juva's main operational hub, and is being built to encompass the following: house the Corporation's flagship retail store; act as the delivery hub for the East San Francisco Bay Area; perform post process extraction of oil from the Navy Drive location; CO² extraction, formulation, isolation and contract product development; and medicinal cannabis research and development, and manufacturing of related medicinal products.
- (4) *Enterprise Property in Hayward, California.* The Enterprise property is the building adjacent to the Clawiter Road property, and is being designed to house the equipment for manufacturing capsules, edibles, transdermal, inhaler & suppository products.
- (5) *Convention Way Property in Redwood City, California.* The Convention Way property will be used for non-storefront retail cannabis delivery. Service will be available throughout the Bay Area peninsula from San Francisco down to San Jose, with access to 1.67 million potential customers.

- (6) San Pedro St., San Jose, CA. This property is used exclusively for executive and administrative offices.

Intellectual Property

The Corporation believes it is important to its success that it:

- Obtain and maintain patent, trademark and other legal protections for the proprietary formulations, research, technology, inventions, improvements and other intellectual property it considers important to its business;
- Prosecute its patent applications and defend its issued patents;
- Protect and enforce its trademark rights and preserve the confidentiality of its trade secrets; and
- Operate without infringing the patents, trademarks and proprietary rights of third parties.

The Corporation intends to seek appropriate patent protection and intellectual property protection for its business, as well as other proprietary technologies and their uses, by filing applications in the United States and selected other countries.

Juva has invested significant resources towards developing a recognizable and unique brand consistent with premium, high-end products in other industries. To date, Juva has one registered federal trademark with the United States Patent and Trademark Office and six pending trademark applications.

As of the date of this Prospectus, Juva has registered the following state trademarks in the State of California:

- Frosted Flowers
- www.frostedflowers.com

As of the date of this Prospectus, Juva has the following pending applications for federal trademarks in the United States:

| Trademark | Classes | Classes & Goods (Table) | App No | App Date | Status |
|-----------|---------|---|----------|-------------|---------|
| JUVA | 40 | 40 - Manufacturing services for others in the field of dried plants and herbs, and live plants and plant seeds; Processing of herbs | 88206128 | 26 Nov 2018 | Pending |
| JUVA | 31 | 31 - Dried plants; Herb seeds for planting; Live plants; Plant seeds | 88206122 | 26 Nov 2018 | Pending |
| JUVA | 30 | 30 - Dried herbs | 88206119 | 26 Nov 2018 | Pending |
| JUVA | 5 | 5 - Herbs for medicinal purposes; Medicinal herb extracts; Medicinal herbs in dried or preserved form; Medicinal herbs; Plant and herb extracts sold as components of medicated cosmetics | 88206117 | 26 Nov 2018 | Pending |
| JUVA | 1 | 1 - Plant and herb extracts for use in the manufacture of cosmetics | 88206114 | 26 Nov 2018 | Pending |
| JUVA | 42 | 42 - Product development for others; Research and development of new products for others | 88206130 | 26 Nov 2018 | Pending |

Competition

The Corporation faces, and expects to continue to face, competition from other companies in the medical and recreational cannabis industry, some of which may have longer operating histories, more financial resources and more experience than the Corporation. Increased competition by larger and well-financed competitors, and/or competitors that have longer operating histories and more manufacturing and marketing experience than the Corporation, could have a material adverse effect on the Corporation's business, financial condition and results of operations. As the Corporation and its subsidiaries operate in an early stage industry, the Corporation expects to face additional competition from new entrants. To remain competitive, the Corporation will require research and development, marketing, sales and other support.

The Corporation expects to face additional competition from new market entrants which are not yet active in the industry. If a significant number of new licenses are granted to new market entrants in the near term, the Corporation may experience increased competition for market share and may experience downward price pressure on the Corporation's products as new entrants increase production, which could have a material adverse effect on the Corporation's business.

In addition, if the number of users of cannabis increases, the demand for products will increase and the Corporation 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 Corporation will require a continued high level of investment in its facilities, licenses, branding, products and technologies, distribution, research and development, marketing, sales and client support. The Corporation may not have sufficient resources to complete the construction of its facilities, obtain the licenses needed to carry out our its business plan, and develop a marketing, sales and client support program on a competitive basis, which could materially and adversely affect the business, financial condition, and results of operations of the Corporation.

The Corporation's ability to become and remain competitive in the market will depend upon, among other things:

- The level of competition in the cannabis industry;
- The Corporation's ability to identify, acquire and integrate strategic acquisitions and partnerships;
- The Corporation's ability to obtain new licenses as cannabis is legalized at the state level;
- The Corporation's ability to achieve brand loyalty;
- The Corporation's ability to offer new products and to extend existing brands and products into new markets;
- The Corporation's ability to remain competitive in its product pricing; and
- The Corporation's ability to leverage its vertically-integrated business model to increase profitability.

Developments by others in our industry may render our products or technologies obsolete or non-competitive.

Government Regulation

Government authorities in the United States, at the federal, state and local level, and in other countries, extensively regulate, among other things, the research, development, testing, manufacture, quality control, approval, labeling, packaging, storage, record-keeping, promotion, advertising, distribution, post-approval monitoring and reporting, marketing and export and import of products such as those we plan to develop. In the United States, the cultivation, manufacturing, distribution, sale and use of cannabis is subject to regulation at the state and local level, and pharmaceutical product candidates are subject to FDA regulation and approval. To date, the FDA has only approved one cannabis-derived medication – Epidiolex.

In California, the Medicinal and Adult-Use Cannabis Regulation and Safety Act provides the general framework for the regulation of commercial medicinal and recreational cannabis within the State of California. California's three State cannabis licensing authorities include the Bureau of Cannabis Control, the Manufactured Cannabis Safety Branch (a division of the California Department of Public Health), and CalCannabis Cultivation Licensing (a division of the California Department of Food and Agriculture). These three licensing authorities are tasked with issuing State licenses to applicants. As of the date of this Offering Circular, there is no limit to the number of licenses the State will issue. The Bureau of Cannabis Control issues licenses for retail (storefront and non-storefront/delivery), distribution, microbusinesses (businesses that have at least three of the following activities: retail, distribution, manufacturing and/or cultivation), testing, and cannabis events. The Manufactured Cannabis Safety Branch issues licenses for manufacturing operations. CalCannabis issues licenses for cultivation operations.

Currently, the Corporation is in the process of obtaining cannabis licenses in California that will allow it to cultivate, manufacture, process, distribute, and sell cannabis products to medicinal and recreational cannabis users. If the Corporation obtains the necessary State and Local Authorizations to carry out its business plan, management anticipates increased manufacturing and sales capacity as well as efficiencies and cost reductions in the Corporation's supply chains. Please see "Production Facilities and Permits" in the "Description of Property" section below for a description of licenses and permits the Corporation has obtained or is in the process of obtaining.

State cannabis licenses in California must be renewed annually. Depending on the jurisdiction, the Corporation's local authorizations must generally be renewed annually as well. Each year, licensees are required to submit a renewal application per State cannabis regulatory guidelines. Provided renewal applications are submitted in a timely manner, the Corporation can expect the renewals to be granted in the ordinary course of business.

The following is an overview of laws and regulations in the United States which pertain to the Corporation and its planned operations.

Regulation of Cannabis in the United States

Unlike Canada, which has federal legislation uniformly governing the cultivation, distribution, sale and possession of medical cannabis under the Access to Cannabis for Medical Purposes Regulations (Canada) and the regulation of recreational cannabis under the *Cannabis Act* (Canada), investors are cautioned that in the United States, cannabis remains illegal under United States federal law and is largely regulated at the State and local level. As of the date of this Prospectus, a total of 33 states, and the District of Columbia, have legalized cannabis in some form. The recreational use of cannabis has been legalized in the District of Columbia and 11 states, including Alaska, California, Colorado, Illinois, Maine, Massachusetts, Michigan, Nevada, Oregon, Vermont and Washington.

Notwithstanding the permissive regulatory environment of cannabis at the state level, cannabis continues to be categorized as a Schedule I narcotic under the CSA in the United States and as such, remains illegal under United States federal law. Accordingly, the Corporation's business activities, while believed to be compliant with applicable state and local laws, are currently illegal under United States federal law. Unless and until the United States government amends the CSA with respect to cannabis, there is a risk that federal authorities may enforce current federal law. The risk of strict enforcement of the CSA in light of congressional activity, judicial holdings, and stated federal policy remains uncertain. Since federal law criminalizing the use of cannabis may pre-empt state laws legalizing its use, strict enforcement of federal law regarding cannabis would harm our business, prospects, results of operation, and financial condition. There is no guarantee that the Trump Administration or future Administrations will maintain the low-priority enforcement of federal laws in the cannabis industry that was adopted by the Obama Administration. Any change in the federal government's policy on enforcement of the CSA implementing stricter enforcement could have a material adverse effect on the Corporation's business, financial condition and results of operations and cause significant financial damage to our business and our shareholders.

Violations of any United States federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements, arising from either civil or criminal proceedings brought by either the United States federal government or private citizens, including, but not limited to, property or product seizures, disgorgement of profits, cessation of business activities or divestiture. Such fines, penalties, administrative sanctions, convictions or settlements could have a material adverse effect on the Corporation, including, but not limited to, the Corporation's reputation, the Corporation's ability to conduct business, the Corporation's ability to obtain and/or maintain cannabis licenses, whether directly or indirectly, in the United States, the listing of the Corporation's securities on various stock exchanges, the Corporation's financial position, operating results, profitability or liquidity, and the market price of the Corporation's Common Shares.

State and local cannabis laws and regulations in the United States are complex, broad in scope, and subject to evolving interpretations and changes. Compliance with such laws and regulations could require the Corporation to incur substantial costs or alter certain aspects of the Corporation's business. A compliance program is essential to manage regulatory risk. All operating policies and procedures implemented in the operation will be compliance-based and derived from the state regulatory structure governing ancillary cannabis businesses and their relationships to state-licensed or permitted cannabis operators, if any. Notwithstanding the Corporation's efforts, regulatory compliance and the process of obtaining regulatory approvals can be costly and time-consuming, and no assurance can be given that the Corporation will receive the requisite State and Local Authorizations to operate its planned businesses.

Violations of applicable State and local cannabis laws and regulations, or allegations of such violations, could disrupt certain aspects of the Corporation's business plan and result in a material adverse effect on certain aspects of the Corporation's planned operations. Additional regulations may be enacted in the future that will be directly applicable to certain aspects of the Corporation's cultivation, production and retail businesses, and the Corporation's ability to sell cannabis. The Corporation cannot predict the nature of any future laws, regulations, interpretations or applications, especially in the United States, nor can it be determined what effect additional governmental regulations or administrative policies and procedures, if and when promulgated, could have on the Corporation's business.

The Corporation will be required to obtain and maintain certain State and Local Authorizations in the jurisdictions where its operations are based and where its products are sold. There can be no assurance that the Corporation will be able to obtain or maintain the State and Local Authorizations necessary to operate its planned medical and recreational cannabis businesses. Failure to comply with or to obtain the necessary State and Local Authorizations, or any material delay in obtaining these items, is likely to delay and/or inhibit the Corporation's ability to conduct its business.

While the Corporation's management believes that legalization trends are favorable and create a compelling business opportunity for early movers, there is no assurance that those trends will continue and be realized, that existing limited markets will continue to be available, or that any new markets for cannabis will emerge. The Corporation's business plan is based on the premise that cannabis legalization will continue to expand, that consumer demand for cannabis will continue to exceed supply for the foreseeable future, and that consumer demand for cannabis for medical and recreational use will grow as legalization expands. If cannabis legalization is scaled back or reversed at the State level, or if the United States federal government increases regulation and prosecution of cannabis-related activities, it could have a material adverse effect on the Corporation's business, financial condition and results of operations.

FDA Approval Process for Pharmaceutical Drugs in the United States

Because cannabis is federally illegal to produce and sell in the United States, and because it currently has no federally recognized medical uses, the FDA has historically deferred enforcement related to cannabis to the DEA; however, the FDA has enforced the FDCA 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, the FDA would likely play a more active regulatory role with respect to cannabis and cannabis products. In the event that cannabis or any other cannabis products that the Corporation develops become subject to FDA regulation, the Corporation's future products may become subject to FDA approval processes for drugs marketed in the United States.

In the United States, the FDA regulates drugs under the FDCA and implementing regulations. Drugs are also subject to other federal, state and local statutes and regulations. Biological products are subject to regulation by the FDA under the FDCA, the Public Health Service Act, and related regulations, and other federal, state and local statutes and regulations. Biological products include, among other things, viruses, therapeutic serums, vaccines and most protein products. The process of obtaining regulatory approvals and the subsequent compliance with appropriate federal, state, local and foreign statutes and regulations require

the expenditure of substantial time and financial resources. Failure to comply with the applicable United States requirements at any time during the product development process, approval process or after approval, may subject an applicant to administrative or judicial sanctions. FDA sanctions could include refusal to approve pending applications, withdrawal of an approval, a clinical hold, warning letters, product recalls, product seizures, total or partial suspension of production or distribution, injunctions, fines, refusals of government contracts, restitution, disgorgement or civil or criminal penalties. Any agency or judicial enforcement action could have a material adverse effect on our business, financial condition and results of operations.

The process required by the FDA before a drug or biological product may be marketed in the United States generally involves the following:

- Completion of preclinical laboratory tests, animal studies and formulation studies according to Good Laboratory Practices or other applicable regulations;
- Submission to the FDA of an Investigational New Drug Application (an "**IND**"), which must become effective before human clinical trials may begin;
- Performance of adequate and well-controlled human clinical trials according to the FDA's current good clinical practices ("**GCPs**") to establish the safety and efficacy of the proposed drug or biologic for its intended use;
- Submission to the FDA of a New Drug Application (an "**NDA**") for a new drug product, or a Biologics License Application (a "**BLA**") for a new biological product;
- Satisfactory completion of an FDA inspection of the manufacturing facility or facilities where the drug or biologic is to be produced to assess compliance with the FDA's current good manufacturing practice standards, or cGMP, to assure that the facilities, methods and controls are adequate to preserve the drug's or biologic's identity, strength, quality and purity;
- Potential FDA audit of the nonclinical and clinical investigation sites that generated the data in support of the NDA or BLA; and
- FDA review and approval of the NDA or BLA.

The lengthy process of seeking required approvals and the continuing need for compliance with applicable statutes and regulations require the expenditure of substantial resources. There can be no certainty that approvals will be granted. If a product receives regulatory approval, the approval may be limited to specific diseases and dosages or the indications for use may otherwise be limited, which could restrict the commercial value of the product. Further, the FDA may require that certain contraindications, warnings or precautions be included in the product labeling.

Any drug or biological products that receive FDA approval are subject to continuing regulation by the FDA, including, among other things, record-keeping requirements, reporting of adverse experiences with the product, providing the FDA with updated safety and efficacy information on an annual basis or as required more frequently for specific events, product sampling and distribution requirements, complying with certain electronic records and signature requirements and complying with FDA promotion and advertising requirements, which include, among others, standards for direct-to-consumer advertising, prohibitions against promoting drugs and biologics for uses or in patient populations that are not described in the drug's or biologic's approved labeling (known as "off-label use"), rules for conducting industry-sponsored scientific and educational activities, and promotional activities involving the internet. Failure to comply with FDA requirements can have negative consequences, including the immediate discontinuation of noncomplying materials, adverse publicity, enforcement letters from the FDA, mandated corrective advertising or communications with doctors, and civil or criminal penalties. The FDA also may require post-marketing testing, known as Phase 4 testing, risk minimization action plans and surveillance to monitor the effects of an approved product or place conditions on an approval that could otherwise restrict the distribution or use of the product.

Environmental, Health and Safety Laws

The Corporation is subject to environmental, health and safety laws and regulations in each jurisdiction in which the Corporation operates. Such regulations govern, among other things, emissions of pollutants into the air, wastewater discharges, waste disposal, the investigation and remediation of soil and groundwater contamination, and the health and safety of the Corporation's employees. The Corporation may be required to obtain environmental permits from governmental authorities for certain of its current or proposed operations. If the Corporation violates or fails to comply with these laws, regulations or permits, the Corporation could be fined or otherwise sanctioned by regulators. As with other companies engaged in similar activities or that own or operate real property, the Corporation faces inherent risks of environmental liability at its current and historical production sites. Certain environmental laws impose strict and, in certain circumstances, joint and several liability on current or previous owners or operators of real property for the cost of the investigation, removal or remediation of hazardous substances as well as liability for related damages to natural resources. The costs of complying with current and future environmental and health and safety laws, and any liabilities arising from past or future releases of, or exposure to, regulated materials, may have a material adverse effect on the Corporation's business, financial condition and results of operations.

NON-OFFERING PROSPECTUS

This Prospectus is being filed with the securities regulatory authority in the Province of British Columbia to enable the Corporation to become a “reporting issuer” in the Province of British Columbia pursuant to applicable securities legislation and to develop an organized market for the Common Shares. Since no securities are being offered pursuant to this Prospectus, no proceeds will be raised. All expenses incurred in connection with the preparation and filing of this Prospectus will be paid by the Corporation.

USE OF AVAILABLE FUNDS

This is a non-offering prospectus. The Corporation is not raising any funds in conjunction with this Prospectus and accordingly, there are no proceeds. The sole purpose of this Prospectus is to permit the Corporation to apply to list the Common Shares on the CSE.

Funds Available

There is no assurance that additional capital or other types of financing will be available if needed or that these financings will be on terms at least as favorable to the Corporation as those previously obtained, or at all. See “Risk Factors”.

As of December 31, 2019, the Corporation had cash on hand of \$1,276,143. Subsequent to December 31, 2019, the Corporation undertook a private placement financing with gross proceeds of \$15,111,436, for total cash on hand of the date of this Prospectus of \$16,387,579. The Corporation has working capital of \$15,158,575 (excluding the warrant liability). Based upon Management's current intentions, the estimated expenditures for which the total available funds will be used in the 12 months after the date hereof are as follows:

| Sources | Funds |
|--------------------------------|---------------------|
| Total funds available | \$16,400,000 |
| Principal Uses of Funds | |
| Listing on the CSE | \$175,450 |

| | |
|---|---------------------|
| Facility construction and equipment | \$7,900,000 |
| Licensing and permitting | \$500,000 |
| Marketing and branding | \$350,000 |
| Recruit and implement sales team | \$150,000 |
| Acquire pipeline projects | \$3,800,000 |
| General and administrative expenses ⁽¹⁾ | \$3,200,000 |
| Unallocated working capital to fund ongoing operations and for reviewing business opportunities | \$324,550 |
| Total uses of funds | \$16,400,000 |

Notes:

(1) General and administrative expenses for next twelve months ending December 31, 2020, based on current operations, to be in the approximate amount of \$3,200,000 including: \$1,200,000 in wages and director's fees; and \$750,000 in investor relations. These expenses do not take into account any earnings during the period.

Significant Events, Milestones or Objectives

The Corporation intends to spend the funds available to it for pursuing growth and expansion initiatives, corporate overhead cost, and to complete its listing on the CSE. The Corporation intends to spend the funds available to it as stated in this Prospectus. There may be circumstances however, where, for sound business reasons, a reallocation of funds may be necessary. Due to the uncertain nature of the cannabis industry, projects may be frequently reviewed and reassessed. The amounts and time of the expenditures will vary depending upon a number of factors, including regulatory developments, market reaction to the changing legal and regulatory landscapes of cannabis in the U.S. and globally, success in developing new products, market reception of new products and other factors referred to under "*Risk Factors*". Accordingly, while it is currently intended by management that the available funds will be expended as set forth above, actual expenditures may in fact differ from these amounts and allocations.

The primary business objective of the Corporation over the next 12 months are:

1. Increase sales volumes at Redwood City delivery operations;
2. File state license for Stockton delivery and distribution;
3. Receive Hayward CUP;
4. Commence Hayward construction;
5. Begin Stockton delivery and distribution operations;
6. File state license for Stockton cultivation;
7. Begin Stockton cultivation operations; and
8. Begin Hayward laboratory operations.

DIVIDENDS OR DISTRIBUTIONS

The Corporation has not declared or paid any dividends or distributions on its Common Shares since inception. The Corporation currently intends to retain future earnings, if any, for use in its business and

does not anticipate paying dividends or distributions in the foreseeable future on its Common Shares. Any determination to pay future dividends or distributions will remain at the discretion of the Board of Directors and will depend on the earnings, financial condition of the Corporation and such other factors deemed relevant by the Board of Directors.

SELECTED FINANCIAL INFORMATION OF THE CORPORATION AND MANAGEMENT'S DISCUSSION AND ANALYSIS

Summary of Financial Information

The following selected financial information for the Corporation is derived from the audited consolidated financial statements of the Corporation for the period from incorporation on April 3 to December 31, 2019 attached to and forming part of this Prospectus and should be read in conjunction therewith. The consolidated financial statements were prepared and presented in accordance with IFRS and are expressed in United States Dollars.

| | For the year ended December 31, 2019 (audited) (\$) |
|-----------------------|---|
| Total assets | 6,616,130 |
| Net loss | (8,980,603) |
| Loss per share | 0.11 |
| Total liabilities | 7,233,092 |
| Shareholders' deficit | (616,962) |

The following selected financial information for Juva USA is derived from the audited consolidated financial statements of Juva USA for the period from incorporation on June 29, 2019 to December 31, 2018 attached to and forming part of this Prospectus and should be read in conjunction therewith. The consolidated financial statements were prepared and presented in accordance with IFRS and are expressed in United States Dollars.

| | For the Period from Incorporation on June 29, 2019 to December 31, 2018 (audited) (\$) |
|----------------------|---|
| Total assets | 3,098,647 |
| Comprehensive loss | (3,395,266) |
| Loss per share | (0.07) |
| Total liabilities | 1,928,297 |
| Shareholders' equity | 1,170,350 |

Management's Discussion and Analysis

*You should read the following discussion and analysis of our financial condition and results of our operations together with our consolidated financial statements and the notes thereto appearing elsewhere in this Prospectus. This discussion contains forward-looking statements reflecting our current expectations, whose actual outcomes involve risks and uncertainties. Actual results and the timing of events may differ materially from those stated in or implied by these forward-looking statements due to a number of factors, including those discussed in the sections entitled "**Risk Factors**".*

Overview and Outlook

The Corporation was incorporated under the laws of British Columbia on April 3, 2019. The principal business of the Corporation is to acquire, own, and operate various cannabis businesses in the state of California. The Corporation's registered office is 1055 West Georgia Street, 1500 Royal Centre, P.O. Box 11117, Vancouver, BC V6E 4N7.

The Corporation is planning to operate in the medical and recreational cannabis sectors in California, USA. While some states in the United States have authorized the use and sale of marijuana, it remains illegal under federal law and the approach to enforcement of U.S. federal laws against marijuana is subject to change. Because the Corporation will be engaging in the marijuana-related activities in the US, it assumes certain risks due to conflicting state and federal laws. The federal law relating to marijuana could be enforced at any time and this would put the Corporation at risk of being prosecuted and having its assets seized when the Corporation starts operations in the cannabis sector.

On April 17, 2019, the Corporation issued 1,542,867 units at a price of CAD\$0.35 per unit for gross proceeds of CAD\$540,003 (\$400,376). The units are comprised of one Common Share and one-half Common Share purchase warrant. Each warrant is exercisable at CAD\$0.60 for a period of 18 months. In connection with this financing, the Corporation paid finders' fees of 7% on a portion of the gross proceeds and issued 68,285 finders' warrants, with each warrant entitling the holder to purchase one Common Share at a price of CAD\$0.60 for a period of 18 months after issuance.

On May 30, 2019, the Corporation entered into the Merger Agreement for purposes of the merger. Under the terms of the Merger Agreement, Juva Holdings merged with Juva USA, the legal existence of Juva Holdings ceased and Juva USA was the surviving entity, becoming a wholly-owned subsidiary of the Corporation. After the transaction, the Corporation intends to apply for a listing on the CSE.

On July 11, 2019, the Corporation issued 4,251,964 units at a price of CAD\$0.35 per unit for gross proceeds of \$1,488,187 (\$1,143,187). The units are comprised of one Common Share and one-half Common Share purchase warrant. Each warrant is exercisable at CAD\$0.60 for a period of 18 months. In connection with this financing, the Corporation paid finders' fees of 7% on a portion of the gross proceeds and issued 90,125 finders' warrants, with each warrant entitling the holder to purchase one Common Share at a price of CAD\$0.60 for a period of 18 months after issuance.

On July 20, 2019, the Corporation granted 10,429,881 restricted stock units ("RSUs") to directors, officers and consultants of the Corporation. The RSUs have varying vesting terms and expire on July 20, 2029. The RSUs were valued using the fair market value of CAD\$0.35 (\$0.27) at the time of grant.

The Corporation intends to complete a non-brokered private placement of 57,000,000 units at a price of \$0.50 per unit for gross proceeds of \$28,500,000. Each unit is comprised of one Common Share, with no par value per Common Share, and one-half of a warrant. Each whole warrant enables the holder to purchase one additional Common Share at an exercise price of \$0.75 per Common Share, subject to certain adjustments, over an 18-month exercise period following the date of issuance of the warrant. Subsequent to year end, the Corporation has raised an additional \$15,111,436 in connection with this financing. Of this amount, \$1,500,000 has been released to the Corporation, with the remaining \$13,611,436 held in trust.

Results of Operations

During the year ended December 31, 2019, the Corporation reported a net loss of \$8,980,603 compared to a net loss of \$3,369,485 for the initial period ended December 31, 2018.

Total operational expenses were \$6,936,146 during the year ended December 31, 2019 compared to \$1,483,594 for the initial period ended December 31, 2018. The increase in costs is a result of the Corporation's focus on becoming operational as well as a longer reporting period. Other reasons include costs associated with the previously announced transaction with East West Petroleum Corp. and professional fees incurred with the Corporation's Regulation A offering. Other notable increases include salaries and benefits of \$1,154,771 (2018: \$236,015); share-based payments of \$3,159,444 (2018 - \$52,681), and depreciation of \$730,103 (2018: \$nil).

Interest expense on lease liabilities and depreciation both increased as a result of the Corporation's adoption of IFRS 16 – Leases during the year ended December 31, 2019.

Other factors in the reported loss for the year ended December 31, 2019 include a loss in fair value of the Corporation's warrant liability of \$1,987,836 (2018 - \$1,023,586).

Selected Annual Information

| | Year Ended December 31, 2019 | The Period from Incorporation on June 29, 2018 to December 31, 2018 |
|-------------------------------------|-------------------------------------|--|
| | (\$) | (\$) |
| Revenues | - | - |
| Expenses including non-cash items | 6,936,146 | 1,483,594 |
| Net loss for the period | 8,980,603 | 3,369,485 |
| Number of common shares outstanding | 89,887,379 | 76,103,977 |
| Loss per share | 0.11 | 0.07 |
| Cash | 1,276,143 | 2,358,086 |
| Working capital* | 47,139 | 2,269,428 |
| Total assets | 6,616,130 | 3,098,647 |
| Shareholders' equity (deficit) | (616,962) | 1,170,350 |
| Long-term financial liabilities | 1,795,109 | - |
| Dividends paid per share | - | - |

*Excludes the Corporation's warrant liability.

Summary of Quarterly Results

The Corporation has completed six fiscal quarters, the financial results of which are detailed below:

| | Quarter Ended December 31, 2019 | Quarter Ended September 30, 2019 | Quarter Ended June 30, 2019 | Quarter Ended March 31, 2019 |
|----------------------------------|--|---|------------------------------------|-------------------------------------|
| | | | (\$) | (\$) |
| Net Loss | (4,013,799) | (3,358,314) | (854,519) | (753,971) |
| Basic and Diluted Loss Per Share | 0.05 | 0.01 | 0.01 | 0.01 |

| | Quarter Ended December 31, 2018 | Period from Incorporation on June 28, 2018 to December 31, 2018 |
|--|--|--|
| | (\$) | (\$) |
| | | |

| | | |
|----------------------------------|------------|-------------|
| Net Loss | (1064,676) | (2,304,809) |
| Basic and Diluted Loss Per Share | 0.02 | (0.07) |

Fourth Quarter Results

During the three months ended December 31, 2019, the Corporation reported a net loss of \$4,013,799 compared to a net loss of \$1,064,676 for the three months ended December 31, 2018.

Total operational expenses were \$879,340 during the three months ended December 31, 2019 compared to \$1,081,087 for the three months ended December 31, 2018. The decrease in costs is primarily due to fewer professional fees being incurred during the three months ended December 31, 2019 as compared to the three months ended December 31, 2018. The decrease in operational expenses is offset by an increase in loss on the fair value change in warrant liability of \$707,186 during the three months ended December 31, 2019 compared to a loss of \$114,704 during the three months ended December 31, 2018.

Liquidity and Capital Resources

The Corporation finances its activities by raising equity capital from private placements. The Corporation may encounter difficulty sourcing future financing.

The Corporation had cash of \$1,276,143 at December 31, 2019 (2018 - \$2,358,086) and the Corporation had a working capital of \$47,139 at December 31, 2019 (2018 – \$2,269,428) (not including warrant liability of \$3,951,028 (2018 – \$1,771,393)).

The Corporation defines the capital that it manages as its shareholders' equity.

The Corporation's objective when managing capital is to maintain corporate and administrative functions necessary to support the Corporation's operations and corporate functions; and to seek out and acquire new projects of merit.

The Corporation manages its capital structure in a manner that provides sufficient funding for operational and capital expenditure activities. Funds are secured, when necessary, through debt funding or equity capital raised by means of private placements. There can be no assurances that the Corporation will be able to obtain debt or equity capital in the case of working capital deficits.

The Corporation does not pay dividends and has no long-term debt or bank credit facility. The Corporation is not subject to any externally imposed capital requirements.

If additional funds are required, the Corporation plans to raise additional capital primarily through the private placement of its equity securities. Under such circumstances, there is no assurance that the Corporation will be able to obtain further funds required for the Corporation's continued working capital requirements.

Off-Balance Sheet Arrangements

The Corporation has not entered into any off-balance sheet arrangements.

Transactions with Related Parties

| Relationships | Nature of the relationship |
|----------------------|--|
| Key management | Key management are those personnel having the authority and responsibility for planning, directing and controlling the Corporation and include the President and Chief Executive Officer, Doug Chloupek, Chief Financial Officer, Mathew Lee, Chief Operating Officer, Neil Ruditsky, and VP Finance, Kari Gothie. |

During the year ended December 31, 2019, the Corporation had the following related party transactions:

- (a) The Corporation paid \$602,281 (2018 - \$276,469) in lease payments and a \$27,240 (2018 - \$56,211) security deposit to Best Leasing Services, Inc., a company 100% owned by the CEO and a shareholder of the Company;
- (b) The Corporation paid \$752,837 (2018 - \$83,116) in salaries and consulting fees to key management of the Corporation; and
- (c) The Corporation recorded share-based compensation of \$429,743 (2018 - \$24,791) for the vested portion of options granted to key management; and
- (d) The Corporation recorded share-based compensation of \$2,517,817 (2018 - \$Nil) for the vested portion of RSUs granted to officers and directors.

Included in accounts payable and accrued liabilities as at December 31, 2019 is \$31,750 (2018 - \$53,592) owed to the CEO and CFO of the Corporation.

Proposed Transactions

See "*Overview and Outlook*".

Subsequent Events

Subsequent not disclosed elsewhere include:

- (a) On January 20, 2020, the Corporation granted 600,000 RSUs to directors and officers of the Corporation;
- (b) On January 20, 2020, the Corporation granted 350,000 stock options to an employee of the Corporation. The stock options have an exercise price of \$0.50 and expire January 20, 2030;
- (c) On February 13, 2020, the Corporation entered into a consulting agreement with TME Consulting, LLC ("**TME**"), a company controlled by a director of the Corporation. Pursuant to the terms of the agreement, TME will receive \$10,000 per month and receive 450,000 Common Shares, subject to regulatory approval;
- (d) On March 2, 2020, the Corporation entered into a consulting agreement with Model 4771, LLC ("**Model 4771**"), for advisory services in relation to best scientific practices for medically based research. Pursuant to the terms of the agreement, Model 4771 will receive \$15,000 per month and receive 10,000,000 share purchase warrants, subject to regulatory approval. The warrants will vest quarterly over 4 years and will expire March 1, 2030; and

- (e) On April 1, 2020, the Corporation extended the expiry dates of warrants expiring on August 31, 2019, April 23, 2020 and May 16, 2020. The new expiry dates are the earlier of a) 18 months after listing on the CSE; or b) December 31, 2023, April 23, 2021, and May 16, 2021, respectively.

Changes in Accounting Policies including Initial Adoption

Adoption of new accounting policy - leases

Impact of application of IFRS 16 Leases

Effective January 1, 2019, the Corporation adopted IFRS 16 using the modified retrospective application method, where the 2018 comparatives are not restated and the cumulative effect of initially applying IFRS 16 has been recorded on January 1, 2019 for any differences identified. The Corporation has determined that the adoption of IFRS 16 resulted in no adjustments to the opening balance of accumulated deficit.

IFRS 16 introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases under IFRS 17 and requiring the recognition of a right-of-use asset (“ROU asset”) and a lease liability at the lease commencement for all leases, except for short-term leases (lease terms of 12 months or less) and leases of low value assets.

In applying IFRS 16 for all leases, except as noted above, the Corporation (i) recognizes the ROU asset and lease liabilities in the statement of financial position, initially measured at the present value of future lease payments; (ii) recognizes the depreciation of ROU assets and interest on lease liabilities in the consolidated statement of loss and comprehensive loss; and (iii) separates the total amount of cash paid into a principal portion (presented in financing activities) and interest (presented within operating activities) in the consolidated statement of cash flows. For short-term leases and leases of low value assets, the Corporation has opted to recognize a lease expense on a straight-line basis, and this expense is presented within office and miscellaneous in the consolidated statement of loss and comprehensive loss.

The Corporation has made use of the following practical expedients available on transition to IFRS 16:

- Measure the ROU assets equal to the lease liability calculated for each lease;
- Apply the recognition exemptions for low value leases and leases that end within 12 months of the date of initial application, and account for them as low value and short-term leases, respectively; and
- Accounting for non-lease components and lease components as a single lease component.

As at January 1, 2019, the Corporation recognized \$3,138,853 in right-of-use assets and in lease liabilities as summarized below.

| | \$ |
|---|-------------|
| Minimum lease payments under operating leases as of December 31, 2018 | 4,346,358 |
| Effect from discounting at the incremental borrowing rate as of January 1, 2019 | (1,207,505) |
| | |
| Right-of-use assets and lease liabilities recognized as of January 1, 2019 | 3,138,853 |

The incremental borrowing rate for lease liabilities initially recognized on adoption of IFRS 16 was 15%.

New accounting policy for leases under IFRS 16

The Corporation assesses whether a contract is or contains a lease, at the inception of a contract. The Corporation recognizes a ROU asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, at the commencement of the lease, with the following exceptions: (i) the Corporation has elected not to recognize ROU assets and liabilities for leases where the total lease term is less than or equal to 12 months, or (ii) for leases of low value. The payments for such leases are recognized in the consolidated statement of loss and comprehensive loss on a straight-line basis over the lease term.

The ROU asset is initially measured based on the present value of lease payments, lease payments made at or before the commencement day, and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. The ROU asset is depreciated over the shorter of the lease term or the useful life of the underlying asset. The ROU asset is subject to testing for impairment if there is an indicator of impairment.

The lease liability is initially measured at the present value of lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Corporation uses its incremental borrowing rate. Lease payments include fixed payments less any lease incentives, and any variable lease payments where variability depends on an index or rate. When the lease contains an extension or purchase option that the Corporation considers reasonably certain to be exercised, the cost of the option is included in the lease payments.

ROU assets are included in property and equipment, and the lease liability is presented as a separate line in the consolidated statement of financial position. Variable lease payments that do not depend on an index or rate are not included in the measurement of the ROU asset and lease liability. The related payments are recognized as an expense in the period in which the triggering event occurs and are included in the consolidated statement of loss and comprehensive loss.

Financial Instruments and Other Instruments

The Corporation's financial instruments consist of cash, and accounts payable and accrued liabilities, and the lease liabilities. Unless otherwise noted, it is management's opinion that the Corporation is not exposed to significant interest rate, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values due to the relatively short-term maturity of these instruments.

Disclosure of Outstanding Share Data

Common Shares

The Corporation's shares are privately held. The Corporation's authorized share capital consists of an unlimited number of common shares without par value. As at the date of this Prospectus, the Corporation had 120,110,251 common shares issued and outstanding, 41,672,981 warrants outstanding, 11,029,881 RSUs outstanding, and 350,000 stock options outstanding.

Financial Condition and Results of Operations for Juva USA

Results of Operations

To date, Juva USA has not generated any revenues from its planned operations. Juva USA incurred a net loss of \$3,369,485 during the period from June 29, 2018 (incorporation) to December 31, 2018, primarily consisting of a change in fair value of warrant liability of \$1,023,586, professional fees of \$407,529, consulting fees of \$173,149, salary expense of \$236,015, rent expense of \$286,826, marketing and promotion expenses of \$186,771, and an impairment of intangible assets of \$690,041. The Corporation anticipates that operating expenses will continue to rise in connection with the Corporation's continued development of its business operations in California.

Liquidity and Capital Resources

To date, we have generated no cash from operations and negative cash flows from operating activities. Juva USA has financed its activities to date by raising capital from private placements. Our future expenditures and capital requirements will depend on numerous factors, including the success of this Offering and the ability to execute our business plan. We may encounter difficulty sourcing future financing.

Juva USA had cash in the amount of \$2,358,086 as of December 31, 2018, and working capital of \$2,269,428 as of December 31, 2018 (not including warrant liability of \$1,771,393).

Juva USA has contractual obligations for capital expenditures in the amount of \$200,000 and projected capital expenditures of \$10,000,000 to complete the construction of its facilities in California, and we expect to use the proceeds from this Offering and past and future private placements to fulfill such commitments.

Juva USA does not pay dividends and has no long-term debt or bank credit facility.

Off-Balance Sheet Arrangements

Juva USA does not have any off-balance sheet arrangements.

Going Concern

Our financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. Our ability to continue as a going concern is contingent upon its ability to raise additional capital as required. During the period from June 29, 2018 (inception) through December 31, 2018, Juva USA incurred net losses of \$3,369,485. Juva USA does not currently generate any cash on its own. We have funded operations exclusively in the form of capital raised from the issuance of our equity securities.

DESCRIPTION OF SECURITIES

No securities are being offered pursuant to this Prospectus. The following is a description of the Common Shares for informational purposes.

Common Shares

The Corporation is authorized to issue an unlimited number of common shares, and at the date of this Prospectus, a total of 120,110,251 Common Shares are issued and outstanding.

The holders of the Common Shares are entitled to dividends, if, as and when declared by the Board of Directors, to receive notice of meetings of shareholders of the Corporation, to one vote per Common Share at meetings of the shareholders of the Corporation and, upon liquidation, to receive such assets of the Corporation as are distributable to the holders of the Common Shares. 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 votes eligible to vote at a meeting of shareholders may elect all the directors of the Corporation standing for election. Dividends, if any, will be paid on a pro rata basis only from funds legally available therefore. The Common Shares do not carry any pre-emptive, subscription, redemption or conversion rights, nor do they contain any sinking or purchase fund provisions.

DESCRIPTION OF MATERIAL INDEBTEDNESS

The Corporation does not have any material indebtedness as of the date of this Prospectus

See “*MD&A*” and note 10 of the Corporation’s consolidated financial statements for the year ended December 31, 2019 “*Related Party Transactions*” attached hereto.

CONSOLIDATED CAPITALIZATION

Except as noted below, there have been no material changes in the consolidated share capitalization or in the indebtedness of the Corporation since December 31, 2019:

On January 21, 2020, the Corporation completed a non-brokered private placement of 30,222,872 units at a price of \$0.50 per unit for gross proceeds of \$15,11,436. Each unit is comprised of one Common Share with no par value per share, and one-half of a warrant. Each whole warrant enables the holder to purchase one additional Common Share at an exercise price of \$0.75 per share, subject to certain adjustments, over an 18-month exercise period following the date of issuance of the Warrant.

The following table outlines the capitalization of the Corporation as at December 31, 2019 and the date of this Prospectus. The table should be read in conjunction with the consolidated financial statements of the Corporation and the accompanying notes thereto, attached to this Prospectus hereto.

| Description of Security | Authorized Amount | Issued and Outstanding as at December 31, 2019 | Outstanding as at the date of this Prospectus |
|-------------------------|---|--|---|
| Common Share | Unlimited | 89,887,379 ⁽¹⁾ | 120,110,251 |
| Options | Up to 20% of issued and outstanding common shares | nil | 350,000 |
| Warrants | unlimited | 11,361,545 | 41,672,981 |
| RSUs | Up to 20% of issued and outstanding common shares | 10,429,881 | 11,029,881 |

Note:

- (1) During the year ended December 31,2019, 600,000 Common Shares were cancelled and returned to treasury.

OPTIONS TO PURCHASE SECURITIES

Equity Incentive Plan

Our Board adopted the 2019 Equity Incentive Plan (the "**2019 Plan**") on July 20, 2019. The 2019 Plan provides for the grant of stock options, stock appreciation rights, restricted share units, and other stock and cash-based awards. Stock issued pursuant to awards granted under the 2019 Plan will consist of authorized but unissued Common Shares. Incentive stock options may be granted only to our employees and employees of any parent or subsidiary corporation. All other awards may be granted to our employees, officers, directors and consultants and to employees, officers, directors and consultants of any affiliated entity.

The principal purposes of the 2019 Plan are to provide the Corporation with the advantages of the incentive inherent in equity ownership on the part of directors, officers, employees and consultants of the Corporation who are responsible for the continued success of the Corporation, to create in those persons a proprietary interest in, and a greater concern for, the welfare and success of the Corporation, to retain the services of such persons, and to attract new directors, officers, employees and consultants.

Share Reserve

We have reserved a number of Common Shares equal to 20% of our issued and outstanding Common Shares for issuance pursuant to awards under the 2019 Plan, which, as of the date of adoption of the 2019 Plan, was 18,059,761 Common Shares. The number of Common Shares available for issuance pursuant to awards granted under the 2019 Plan will increase as the number of issued and outstanding Common Shares increases. In general, Common Shares subject to awards granted under the 2019 Plan that are exercised, terminated or cancelled, or returned to the Corporation for any reason, shall be available for issuance pursuant to subsequent awards granted pursuant to the plan.

Administration

Our Board, or a committee of the Board designated by the Board, will administer the 2019 Plan. Subject to the terms of the 2019 Plan, the Board has the power to determine when and how awards will be granted, which employees, directors or consultants will receive awards, the type and terms of the awards granted, including the number of Common Shares subject to each award and the vesting schedule of the awards, if any, and to interpret the terms of the 2019 Plan and the award agreements, among other things. The Board also has the authority to accelerate the time at which an award may vest or be exercised, to approve forms of award agreements to be used under the 2019 Plan and amend the terms of any award agreement, and to amend, suspend or terminate the 2019 Plan at any time.

The Board will determine the provisions, terms and conditions of each award granted pursuant to the 2019 Plan, including vesting schedules, forfeiture or repurchase provisions, forms of payment (cash, shares, or other consideration) upon settlement of the award, payment contingencies and satisfaction of any performance criteria.

Stock Options and Stock Appreciation Rights

The 2019 Plan allows for the grant of incentive stock options that qualify under Section 422 of the Internal Revenue Code, non-incentive or non-qualified stock options, and stock appreciation rights ("**SARs**"). SARs allow the recipient to receive the appreciation in the fair market value of our Common Shares between the date of grant and the exercise date. The exercise price of all options granted under the 2019 Plan must at least be equal to the fair market value of our Common Shares on the date of grant. The term of an option may not exceed 10 years, except that with respect to any employee who owns more than 10% of the voting power of all classes of our outstanding stock or any parent or subsidiary corporation as of the grant date, the term must not exceed five years, and the exercise price must equal at least 110% of the fair market value

on the grant date. The Board will determine the terms of stock option awards and SARs granted pursuant to the 2019 Plan, including, without limitation, the permitted method(s) of payment for Common Shares upon the exercise of an option award, vesting terms, and whether the Corporation will pay the increased appreciation with respect to a SAR in cash or with Common Shares (or a combination thereof). After the continuous service of an option or SAR recipient terminates, the recipient's awards may be exercised, to the extent vested at the time of such termination, during the period of time specified in the recipient's award agreement, which generally will be the period of time ending on the earlier of (i) the date that is 90 days following the termination of the recipient's continuous service and (ii) the expiration of the term of the option or SAR. If the recipient does not exercise the option or SAR within the applicable time period, the option or SAR will terminate.

Restricted Share Units

The 2019 Plan allows for the grant of RSUs. RSUs are awards that will result in payment to a recipient at the end of a specified period only if the vesting criteria established by the Board are achieved or the award otherwise vests. Upon vesting and exercise of the award, a RSU may be settled by the delivery of Common Shares, their cash equivalent, any combination thereof or any other form of consideration, as determined by the Board and set forth in the applicable award agreement. The Board may determine the consideration, if any, to be paid by the recipient upon exercise of a RSU and delivery of each Common Share subject to the RSU. The Board may impose whatever conditions to vesting, or restrictions and conditions to payment, that it determines to be appropriate. The Board may set restrictions based on the achievement of specific performance goals or on the continuation of service or employment, or any other restrictions or conditions it deems appropriate. Upon termination of the continuous service of a RSU recipient, any unvested portion of the recipient's RSU award will be forfeited, except as otherwise provided in the applicable award agreement.

Other Awards

The 2019 Plan also allows for the grant of other cash or stock-based awards. The Board has authority to determine the persons to whom and the time or times at which such other awards will be granted, the number of Common Shares (or cash equivalent thereof) to be granted pursuant to such other awards, and all other terms and conditions of such other awards.

Transferability of Awards

The 2019 Plan allows for the transfer of awards granted under the 2019 Plan only by will or the laws of descent and distribution, except as otherwise provided in the applicable award agreement or as otherwise expressly consented to by the Board.

Certain Adjustments

In the event of certain changes in our capitalization, the Board will make appropriate and proportionate adjustments to one or more of the number of Common Shares that are covered by outstanding awards, the exercise or purchase price of Common Shares covered by outstanding awards, and the numerical share limits contained in the 2019 Plan.

Corporate Transactions

The 2019 Plan provides that in the event of a corporate transaction, as such term is defined in the 2019 Plan, the Board may take one or more of the following actions with respect to awards granted under the 2019 Plan: (i) arrange for the surviving or acquiring corporation to assume or continue the outstanding awards or substitute one or more similar stock awards for outstanding awards; (ii) arrange for the assignment of any reacquisition or repurchase rights held by the Corporation with respect to Common Shares issued pursuant

to awards under the 2019 Plan to the surviving or acquiring corporation; (iii) accelerate the vesting, in whole or in part, of outstanding awards; (iv) arrange for the lapse, in whole or in part, of any reacquisition or repurchase rights held by the Corporation; (v) cancel or arrange for the cancellation of outstanding awards to the extent not vested or not exercised prior to the effective time of the corporate transaction; and (vi) make a payment to the award recipient equal to the excess, if any, of the value of the property the recipient would have received upon exercise of the award immediately prior to the effective time of the corporate transaction, over the exercise price payable by such recipient in connection with such exercise.

Plan Amendments and Termination

The Board has the authority to amend, suspend or terminate the 2019 Plan at any time, subject to shareholder approval in the event such approval is required by law, provided such action does not adversely affect the rights under any outstanding award. Pursuant to the terms of the 2019 Plan, no incentive stock option will be granted after the 10th anniversary of the plan adoption date.

The foregoing description of the 2019 Plan does not purport to be complete and is qualified in its entirety by reference to the full text of the 2019 Plan included as Appendix “C” hereto.

The tables below summarize information about the RSUs issued and outstanding as at the date of this Prospectus:

| | RSUs outstanding | Exercise Price | Expiry Date |
|-----------------------------------|-------------------------|-----------------------|--------------------|
| Executive Officers ⁽¹⁾ | 8,426,893 | n/a | July 19, 2029 |
| Directors ⁽²⁾ | 2,002,988 | n/a | July 19, 2029 |
| Consultants | 600,000 | n/a | July 19, 2029 |

Notes:

- (1) Includes 8,126,893 RSUs granted to Douglas Chloupek expiring July 19, 2029, 250,000 RSUs granted to Mathew Lee expiring August 30, 2028, and 50,000 RSUs granted to Mathew Lee expiring May 13, 2029;
- (2) Includes 450,000 RSUs granted to Dr. Rakesh Patel expiring July 19, 2029, 902,988 RSUs granted to Dr. Rakesh Patel expiring July 19, 2029, 300,000 RSUs granted to Kari Gothie expiring July 19, 2029, 50,000 RSUs granted to Norton Singhavon expiring July 19, 2029, and 300,000 RSUs granted to Norton Singhavon expiring August 30, 2028.

Warrants

As of the date of this Prospectus, there were an aggregate of 41,672,981 warrants for the purchase of Common Shares issued and outstanding, as follows:

| Number of Warrants | Exercise Price (CAD\$) | Expiry Date |
|---------------------------|-------------------------------|----------------------------------|
| 1,974,442 | 0.60 | April 23, 2021 |
| 6,331,277 | 0.60 | May 16, 2021 |
| 839,719 | 0.60 | October 17, 2020 |
| 2,216,107 | 0.60 | January 29, 2021 |
| 15,111,436 | 0.99 | August 28, 2021 |
| 5,200,000 | 0.05 | December 31, 2023 ⁽¹⁾ |
| 10,000,000 | 0.67 | March 1, 2030 |

- (1) The expiry date of these warrants is the earlier of (a) 18 months after the date the Company lists on the CSE, and (b) December 31, 2023.

There are no assurances that the warrants for the purchase of Common Shares described above will be exercised, in whole or in part.

PRIOR SALES

Prior Sales

In the twelve (12) month period preceding the date of this Prospectus, the Corporation issued the following Common Shares:

| Date Issued | Type of Security | Number of Securities Issued | Issue Price per Common Share | Consideration |
|-------------------|------------------|-----------------------------|------------------------------|---------------|
| July 1, 2018 | common shares | 10 | 0.01 | 0.10 |
| July 31, 2018 | common shares | 35,000,000 | 0.015 | \$537,885 |
| August 8, 2018 | common shares | 15,000,000 | 0.02 | \$233,295 |
| August 31, 2018 | common shares | 10,400,000 | 0.039 | \$404,375 |
| October 23, 2018 | common shares | 3,631,643 | 0.27 | \$970,434 |
| November 16, 2018 | common shares | 12,072,324 | 0.27 | \$3,225,925 |
| April 17, 2019 | common shares | 1,542,867 | 0.26 | \$400,376 |
| July 11, 2019 | common shares | 4,251,964 | 0.26 | \$1,103,390 |
| June 29, 2019 | common shares | 8,400,000 | 0.10 | \$804,112 |
| December 31, 2019 | common shares | 188,571 | 0.27 | \$50,914 |
| February 28, 2020 | common shares | 30,222,872 | 0.50 | \$15,111,436 |

PRINCIPAL SHAREHOLDERS

To the knowledge of the Corporation's directors and senior officers, the following are the only persons who beneficially own, directly or indirectly, or exercise control or direction over, Common Shares carrying more than 10% of all voting rights attached to all outstanding shares of the Corporation as of the date of this Prospectus:

| Name | Common Shares (and % of Outstanding Shares) Owned, Controlled or Directed ⁽¹⁾ |
|------------------|--|
| Douglas Chloupek | 28,296,584 (23.56%) |

Note:

- (1) Percentage is based on 120,110,251 Common Shares issued and outstanding as of the date of this Prospectus.

ESCROWED SECURITIES

As at the date of this prospectus, the securities expected to be subject to escrow upon completion of the listing of the Common Shares on the CSE are shown in the following table:

| Designation of class | Total number of securities held in escrow | Percentage of class at the date of prospectus |
|----------------------|---|---|
| Common Shares | 38,972,510 ⁽¹⁾⁽²⁾ | 32.45% |

Notes:

- (1) Common Shares will be held in Escrow and released over a 36-month period pursuant to an escrow agreement to be entered into (the “**Escrow Agreement**”) among the Corporation, officers and directors of the Corporation and the escrow agent to be appointed by the Corporation. The release of the Common Shares under the Escrow Agreement are as follows: 10% on date of listing on the CSE and 15% released every six months over a 36-month period.
- (2) All Common Shares subject to voluntary escrow conditions are held by officers and directors of the Corporation (see below “**Escrow Agreement**”). The Corporation has no shareholders that are not also directors and officers that are subject to voluntary escrow conditions.

Escrow Agreement

Directors and executive officers of the Corporation (the “**Escrow Shareholders**”) will enter into the Escrow Agreement with the Corporation pursuant to which the Escrow Shareholders have agreed to deposit the securities of the Corporation which they hold with Odyssey Trust Company until they are released in accordance with terms of their respective Escrow Agreement, CSE Policy and applicable securities law as follows:

| On the date the Corporation’s securities are listed on a Canadian Exchange | 10% of the escrow securities |
|--|------------------------------|
| 6 months after the listing date | 15% of escrow securities |
| 12 months after the listing date | 15% of escrow securities |
| 18 months after the listing date | 15% of escrow securities |
| 24 months after the listing date | 15% of escrow securities |
| 30 months after the listing date | 15% of escrow securities |
| 36 months after the listing date | 15% of escrow securities |

DIRECTORS AND EXECUTIVE OFFICERS

The name, province (or state) and country of residence and position with the Corporation of each director and officer of the Corporation, and the principal business or occupation in which each director and officer of the Corporation has been engaged during the immediately preceding five years, and the period during which each director has served as director is set out in the table below. Each director’s term of office expires at the next annual general meeting of the Corporation or when their successors have been elected and qualified. The executive officers of the Corporation are appointed by the Board of Directors and hold office until their resignation, removal from office or death.

| Name, province and country of residence | Position with the Corporation | Principal Occupation During the Past Five Years | Period as Director and/or Officer | Number of Common Shares and Percentage of Common Shares Held ⁽¹⁾ |
|---|--|---|-----------------------------------|---|
| Douglas Chloupek Morgan Hill, CA | President, Chief Executive Officer and Director | CEO of Valley Grown Enterprises since April 2017. COO of Lux Wellness from October 2015 to February 2018 | June 2018 – Present | 28,296,584 (23.56%) |

| Name, province and country of residence | Position with the Corporation | Principal Occupation During the Past Five Years | Period as Director and/or Officer | Number of Common Shares and Percentage of Common Shares Held ⁽¹⁾ |
|---|--|--|-----------------------------------|---|
| Neil Ruditsky San Jose, CA | Chief Operating Officer | VP of Business Development Coastal Americare (dba Elemental Wellness) from July 2012 to February 2018 | August 2018 – Present | 1,800,000 (1.50%) |
| Mathew Lee Vancouver, BC | Chief Financial Officer, Treasurer and Secretary | Manager of Operations for Raymond James Ltd. from December 2014 to November 2016; Corporate Controller for Canadian operations of AP Capital from November 2016 to November 2017 | September 2018 – Present | Nil |
| Kari Gothie San Francisco, CA | VP Finance and Director | Vice President of Finance of Think Big Analytics from November 2012 to September 2014; From October 2014 to May 2018, Partner and tax specialist for Gothie & Associates LLC | June 2018 – Present | 2,950,000 (2.45%) |
| Dr. Rakesh Patel Los Altos, CA | Director | Partner of Valley Medical Oncology Consultants from 2012 to 2016. Formed Precision Cancer Specialists, an oncology services medical group, in 2016 | August 2018 – Present | 5,925,928 (4.93%) |
| Norton Singhavon Kelowna, BC | Director | Co-founder, CEO and Director of GTEC Holdings Ltd. since June 2018; Founder and Executive Chairman of Doventi Capital Inc. since 2015 | August 2018 – Present | Nil |
| Thomas Leschak, Oakland, CA | VP of Cultivation | VP of Horticulture, Frosted Flowers from 2014 | August 2018 - Present | 1,500,000 (1.24%) |

Note:

(1) Percentage is based on 120,110,251 Common Shares issued and outstanding as of the date of this Prospectus.

A description of each of the executive officers and directors of the Corporation (including details with regard to their principal occupations for the last five years) follows:

Douglas Chloupek, President, Chief Executive Officer and Director: Douglas Chloupek has served as our Chief Executive Officer, President and Director since the inception of Juva USA in 2018. Mr. Chloupek has founded and run numerous cannabis companies, including Valley Grown Enterprises (where he has served as Chief Executive Officer since April 2017), Lux Wellness (where he served as Chief Operating

Officer from October 2015 to February 2018), Medmar Healing Center (where he served as Chief Executive Officer from March 2010 to October 2015), and Frosted Flowers (where he has served as Chief Executive Officer since 2013). Mr. Chloupek also founded and served as Chief Operating Officer from January 2015 to June 2016 of BAS Research Center, California's first licensed medical cannabis manufacturing and research group, dedicated to developing pharmaceutical grade cannabis products. Additionally, Mr. Chloupek is the co-founder and has served since June 2017 as the President of Day-to-Day Ingredients, which supplies molecularly-infused sugar, salt and non-dairy powder creamer to infused product manufacturers in the California market and CBD product market globally. Mr. Chloupek also has helped build and support California's cannabis industry, as a founding member of both the California Cannabis Industry Association and the Citizens Coalition for Patient Care. We believe Mr. Chloupek's extensive experience in the industry and entrepreneurial background and knowledge will help further the Corporation's business goals and efforts.

Neil Ruditsky, Chief Operating Officer: Mr. Ruditsky has served as our Chief Operating Officer since August 2018. Mr. Ruditsky has spent more than two decades in senior leadership positions in the hospitality and cannabis industries, including with Coastal Americare (dba Elemental Wellness) where he served as VP of Business Development from July 2012 to February 2018, and the Pyramid Hotel Group where he served as General Manager from May 2006 to July 2012. Mr. Ruditsky also founded NSR Enterprises, a company that consulted with cannabis businesses on various operational issues. Mr. Ruditsky holds a Bachelor of Science degree in Hospitality from Johnson & Wales University.

Mathew Lee, Chief Financial Officer, Treasurer and Secretary: Mr. Lee has served as our Chief Financial Officer, Treasurer and Secretary since September 2018. Mr. Lee has over ten years of experience in audit, finance, public company financial reporting and operations management. He began his career as a CPA, CA with Smythe LLP and performed financial statement audits and handled taxation matters for both publicly traded and privately held entities from January 2007 to December 2014. From December 2014 to November 2016, Mr. Lee was Manager of Operations for Raymond James Ltd., one of Canada's largest independent investment dealers with revenues in excess of \$300 million and assets under administration in excess of \$33 billion. Mr. Lee provided overall leadership and business direction to two teams of 40 associates while overseeing the execution and facilitation of transactions for Canadian operations. From November 2016 to November 2017, Mr. Lee served as Corporate Controller for AP Capital, a real estate investment company with assets under management of \$150 million. Since November 2017, Mr. Lee has served as chief financial officer for multiple TSX-V and CSE listed companies with a focus on cannabis, mining, and technology. Mr. Lee has expertise in the areas of financial reporting, budgeting, forecasting, cash management and process improvement. Mr. Lee holds a Chartered Accountant designation with a Bachelor of Commerce Degree from the University of British Columbia.

Rakesh R. Patel, MD, Director: Dr. Patel has served as a member of our Board of Directors since August 2018. Dr. Patel is a renowned oncologist and clinical researcher, and has been a partner of leading oncology medical groups in Northern California since 2012. Dr. Patel served as a partner of Valley Medical Oncology Consultants from 2012 to 2016. In 2016, Dr. Patel formed Precision Cancer Specialists, an oncology services medical group, where he currently serves as Medical Director. Dr. Patel is a seasoned entrepreneur who has participated in multiple healthcare start-ups. Dr. Patel received an M.D. from Indiana University in 1999 and completed Oncology training at the University of Wisconsin in 2004. Dr. Patel has served as a national principal investigator of registry research trials with responsibilities of trial design, patient accrual, data analyses, scientific presentations and development of publication strategy. We believe that Dr. Patel's entrepreneurial healthcare leadership background, combined with his strong clinical research and education experience, will help accelerate the medical side of the Corporation's business goals.

Norton Singhavon, Director: Mr. Singhavon has served as a member of our Board of Directors since August 2018. Mr. Singhavon is the co-founder and currently serves as CEO and Director of GTEC Holdings Ltd. (TSXV:GTEC; OTC:GGTTF) (established in June 2018), which wholly owns GreenTec Holdings Ltd. (established in June 2017) and its eleven subsidiaries vertically integrated across all major sectors of the

Canadian cannabis industry. He is also the founder and has served as the Executive Chairman of Doventi Capital Inc., a company focused on cannabis sector investment, since 2015. Over the past five years, Mr. Singhavon has served as a director of several companies in the Canadian cannabis industry, including GreenTec Bio-Pharmaceuticals since 2013, PF Ventures Ltd. since 2014, and Zenalytic Laboratories from May 2015 to November 2018. Mr. Singhavon has extensive experience at the senior management level of capital investments and has been involved in several acquisitions, consolidations and start-ups in Canada's legal cannabis sector, both private and public. He has also served as an advisor to Invictus MD (TSXV:GENE; OTC:IVITF) and as an operations consultant for Cronos Group (TSX:CRON; NASDAQ:CRON). As an experienced corporate leader, Mr. Singhavon has gained valuable experience in regulatory matters, corporate matters, raising capital privately and publicly, and strategic corporate development within the public markets.

Kari Gothie, VP of Finance and Director: Ms. Gothie has served as the Corporation's Vice President of Finance since June 2018 and as a member of our Board of Directors since June 2019. Ms. Gothie has over 30 years of financial experience, including as Vice President of Finance with Think Big Analytics (a Teradata Company) from November 2012 through September 2014 and as Chief Financial Officer and Board member of FocusFrame Inc. from November 2002 through March 2007. From October 2014 to May 2018, Ms. Gothie served as a partner and tax specialist for Gothie & Associates LLC in Connecticut, in addition to consulting with private companies in the Bay Area of Northern California, advising in all areas of finance, accounting, human resources and corporate governance. She began her career as a Certified Public Accountant (CPA) with KPMG and performed financial statement audits and handled taxation matters for both publicly traded and privately held entities from 1986 to 1989. From 1990 to 1993 she was a senior manager with a regional accounting firm Gothie & Company CPAs, working with private companies in all areas of audit, tax and compliance. She received her Master's in Business Administration from University California at Berkeley in 1995 and has spent all subsequent years working with start-up companies as both an employee and private consultant. Ms. Gothie has expertise in the areas of strategic analysis, budgeting, forecasting, cash management, and risk management. She also has extensive experience in high growth organizations and mergers and acquisitions.

Thomas Leschak, VP of Cultivation: Mr. Leschak has served as the Corporation's Vice President of Cultivation since June 2018. Mr. Leschak is the Vice President of Horticulture for Frosted Flowers. He is the co-founder of CannAcademy, a trade school for cannabis cultivation. Mr. Leschak has acted as a private consultant for multiple collectives throughout California since 1999.

Cease Trade Orders or Bankruptcies

To the knowledge of the Corporation, no existing or proposed director, executive officer or promoter of the Corporation is, or within the 10 years prior to the date hereof has been, a director, chief executive officer or chief financial officer of any other corporation that, while that person was acting in the capacity of a director, chief executive officer or chief financial officer of that corporation, was the subject of a cease trade order or similar order that denied the corporation access to any exemptions under applicable securities law, for a period of more than 30 consecutive days, was declared bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Penalties or Sanctions

To the knowledge of the Corporation, no director, officer or promoter of the Corporation, or a securityholder anticipated to hold sufficient securities of the Corporation to affect materially the control of the Corporation has, within the last 10 years before the date of this Prospectus, been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or been subject to any other penalties or

sanctions imposed by a court or regulatory body, including a self-regulatory body that would be likely to be considered important to a reasonable investor making a decision in regards to the Corporation.

Personal Bankruptcies

To the knowledge of the Corporation, no director, officer or promoter of the Corporation or a securityholder anticipated to hold sufficient securities of the Corporation to affect materially the control of the Corporation, or a personal holding company of such persons has, within the 10 years before the date of this Prospectus, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangements or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of such individual.

Conflicts of Interest

The Corporation'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 Corporation may participate, the directors of the Corporation 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 Corporation's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. The directors of the Corporation are required to act honestly, in good faith and in the best interests of the Corporation.

The directors and officers of the Corporation 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 Corporation 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 Corporation are not aware of any such conflicts of interest.

EXECUTIVE COMPENSATION

Named Executive Officers

The following discussion describes the significant elements of the Corporation's executive compensation program, with emphasis on the process for determining compensation payable to the Corporation's CEO and CFO and, other than the CEO and the CFO, the Corporation's three most highly-compensated executive officers earning over \$150,000, or the three most highly compensated individuals acting in a similar capacity, as further described in National Instrument 51-102 – *Continuous Disclosure Obligations* (collectively, the "**Named Executive Officers**" or "**NEOs**").

The NEOs are:

Douglas Chloupek – CEO, President and a Director;
Mathew Lee – CFO;
Neil Ruditsky – COO;
Kari Gothie – VP Finance and a Director; and
Thomas Leschak – VP Cultivation.

Compensation Discussion and Analysis

The Corporation recognizes that remuneration plays an important role in attracting, motivating, rewarding and retaining knowledgeable and skilled individuals to the Corporation's management team. However, the

Corporation has not, as yet, generated any significant income or cash flow from operations and operates within limited financial resources to ensure that funds are available to advance the Corporation's business. The Board of Directors has to consider not only the financial situation of the Corporation at the time of the determination of executive compensation, but also the estimated financial situation in the mid and long-term. As at the date of this Prospectus, the Corporation has entered into employment contracts with its NEOs. The Board of Directors plans to continue to ensure that, at all times, its compensation arrangements adequately reflect the responsibilities and risks involved in being an effective director or officer of the Corporation.

Given the Corporation's size and stage of operations, the Board of Directors does not have a separate Compensation Committee and such functions are addressed by the entire Board.

Compensation Objectives

The general objectives of the Corporation's compensation strategy will be to (a) compensate management in a manner that encourages and rewards a high level of performance and outstanding results with a view to increasing long-term shareholder value; (b) align management's interests with the long-term interests of shareholders; (c) provide a compensation package that is commensurate with other early stage issuers to enable the Corporation to attract and retain talent; and (d) ensure that the total compensation package is designed in a manner that takes into account the constraints that the Corporation is under by virtue of the fact that it is in an early stage of its development and growth, without a history of earnings.

The Board of Directors considers the following as key elements of executive compensation awarded by the Corporation: (i) base salary; (ii) annual incentive awards; and (iii) incentive stock options. In determining compensation to be paid, the Board of Directors expects that the base salary will be the principal component of executive compensation. Upon establishing itself as a viable business, the Board of Directors expects that it will create a comprehensive set of business performance metrics or industry standard benchmarks to determine executive compensation, including any performance based annual awards. As at the date of this Prospectus, the Corporation has not sought out or reviewed specific benchmark criteria and does not expect to do so until its revenue from operations increases.

The Board of Directors believes that share-based and option-based compensation as part of executive compensation arrangements can align the interests of the Corporation's directors, officers, employees, consultants and advisors with those of its shareholders, and provide a long-term incentive that rewards these individuals for their contribution to the creation of shareholder value and to reduce the cash compensation the Corporation would otherwise have to pay.

Summary Compensation Table

The following table sets out information concerning the expected compensation for the year ending December 31, 2020 to be paid to the NEOs, effective as of date hereof.

| Name and Principal Position ⁽²⁾ | Salary (\$) | Share-based awards (\$) | Option-based awards (\$) | Non-equity incentive plan compensation (\$) | | Pension value (\$) | All other compensation (\$) | Total compensation (\$) |
|--|-----------------------|-------------------------|--------------------------|---|---------------------------|--------------------|-----------------------------|-------------------------|
| | | | | Annual incentive plans | Long-term incentive plans | | | |
| Douglas Chloupek | 210,000 | - | - | - | - | - | - | 210,000 |
| Mathew Lee | 42,000 ⁽¹⁾ | - | - | - | - | - | - | 42,000 ⁽¹⁾ |
| Neil Ruditsky | 185,000 | - | - | - | - | - | - | 185,000 |

| | | | | | | | |
|----------------|---------|---|---|---|---|---|---------|
| Kari Gothie | 200,000 | - | - | - | - | - | 200,000 |
| Thomas Leschak | 150,000 | | | | | | 150,000 |

Note:

- (1) Mr. Lee receives a salary of CAD\$60,000 (approximately \$42,000 at the exchange rate of US\$0.70/CAD\$1.00)

Incentive Plan Awards

Outstanding Share-Based Awards, Option-Based Awards Incentive Plan Awards (Value Vested or Earned During the Year)

As at the date of this Prospectus, there were 8,726,893 issued and outstanding RSUs to the Corporation's CEO, CFO and VP Finance under the 2019 Plan.

Pension Benefits

The Corporation does not have any form of pension plan that provides for payments or benefits to the NEOs at, following, or in connection with retirement. The Corporation does not have any form of deferred compensation plan.

Employment Agreements; Termination and Change of Control Benefits

Mr. Lee has entered into a consulting agreement with the Corporation dated November 1, 2019 for a term of 24 months, unless earlier terminated by either party or extended by mutual written agreement. Pursuant to the consulting agreement, Mr. Lee has agreed to perform certain services as Chief Financial Officer of the Corporation. The consulting agreement provides that Mr. Lee shall receive a monthly fee of CAD\$5,000 (CAD\$60,000 per annum), which may be increased based on the achievement by the Corporation of certain objectives in our business plan. The consulting agreement may be terminated by the Corporation for any reason upon 60 days' written notice or payment of two months' fees in lieu thereof, or without notice upon a material breach or in the event Mr. Lee is unable to provide the services for a period of thirty (30) consecutive days.

Mr. Ruditsky has entered into a verbal employment agreement with Juva USA. Pursuant to the verbal employment agreement, Mr. Ruditsky has agreed to perform certain services as Chief Operating Officer of Juva USA and the Corporation. The verbal employment agreement provides that Mr. Ruditsky will receive a base salary of \$185,000 (subject to review and adjustment by the Board) for 2020.

Ms. Gothie has entered into a verbal employment agreement with Juva USA. Pursuant to the verbal employment agreement, Ms. Gothie has agreed to perform certain services as Vice President of Finance of Juva USA and the Corporation. The verbal employment agreement provides that Ms. Gothie will receive a base salary of \$200,000 (subject to review and adjustment by the Board) 2020.

Mr. Leschak has entered into a verbal employment agreement with Juva USA. Pursuant to the verbal employment agreement, Mr. Leschak has agreed to perform certain services as Vice President of Cultivation of Juva USA and the Corporation. The verbal employment agreement provides that Mr. Leschak will receive a base salary of \$150,000 (subject to review and adjustment by the Board) for 2020.

Mr. Chloupek has entered into a verbal employment agreement with Juva USA. Pursuant to the verbal employment agreement, Mr. Chloupek has agreed to perform certain services as Chief Executive Officer of Juva USA and the Corporation. The verbal employment agreement provides that Mr. Chloupek will receive a base salary of \$210,000 (subject to review and adjustment by the Board) for 2020 and will be eligible for an annual management incentive bonus based upon the Corporation's financial results. The Corporation intends to enter into a formal written employment agreement with Mr. Chloupek. Pursuant to the formal

employment agreement, Mr. Chloupek will agree to continue to perform certain services as Chief Executive Officer of the Corporation. The formal employment agreement will provide that Mr. Chloupek will receive an initial base salary (subject to review and adjustment by the Board) and will be eligible for an annual management incentive bonus based upon the Corporation's financial results.

Pursuant to agreements with the Corporation and Juva USA, Mr. Chloupek was granted 300,000 options to purchase common stock of Juva USA at fair market value in August 2018 and an additional 2,225,000 options to purchase common stock of Juva USA at fair market value in May 2019. He will be eligible for additional annual grants of options to purchase Common Shares pursuant to his ongoing employment arrangements with the Corporation.

Pursuant to an agreement with the Corporation and Juva USA, Mr. Chloupek and Dr. Patel are entitled to, subject to certain performance milestones and *pro rata* in proportion to their respective holdings of Juva USA as of July 31, 2018, up to an aggregate total amount of (i) 5,000,000 warrants to purchase Common Shares exercisable at a price of \$0.35 per share and (ii) \$500,000 in cash. As of the date of this Prospectus, no warrants have been exercised and no cash has been disbursed under this agreement.

On July 20, 2019, the Board adopted the 2019 Plan, which provides for the grant of stock options, SARs, RSUs and other stock and cash-based awards to employees, officers, directors and consultants of the Corporation and employees, officers, directors and consultants of the Corporation's affiliated entities. The 2019 Plan will be administered by the Board, or a committee of the Board designated by the Board. The Board, as administrator, has the authority to determine the provisions, terms and conditions of each award granted pursuant to the 2019 Plan, including vesting schedules, forfeiture or repurchase provisions, forms of payment upon settlement of each award (i.e., cash, shares, or other consideration), payment contingencies and satisfaction of performance criteria. For a more detailed description of the 2019 Plan, see "Securities Being Offered" below.

On July 20, 2019, the Corporation granted a total of 10,429,881 RSUs to our directors and advisors pursuant to the 2019 Plan, including (i) 8,126,893 RSUs granted to Douglas Chloupek (fully vested as of the grant date), (ii) 1,352,988 RSUs granted to Rakesh Patel (1,127,988 of which are fully vested as of the grant date, and 225,000 of which are subject to vesting in equal quarterly installments over two years commencing August 1, 2019), (iii) 300,000 RSUs granted to Kari Gothie (subject to vesting in equal quarterly installments over three years commencing August 1, 2019), (iv) 50,000 RSUs granted to Norton Singhavon (subject to vesting in equal quarterly installments over three years commencing August 1, 2019), and (v) a total of 600,000 RSUs granted to four advisors (50% of which are fully vested as of the grant date, and 50% of which are subject to vesting in equal quarterly installments over two years commencing August 1, 2019). The Corporation may grant awards to our employees, officers, directors and consultants in the future pursuant to the terms of the 2019 Plan.

On January 20, 2020, the Corporation granted a total of 600,000 RSUs and 350,000 stock options to directors and officers pursuant to the 2019 Plan, including (i) 300,000 RSUs granted to Norton Singhavon (50% fully vested on grant date and 50% of which are subject to vesting over 2 years), and (ii) 300,000 RSUs granted to Mathew Lee (50% fully vested on grant date and 50% of which are subject to vesting equally over 2 years).

The Corporation does not currently have any other written employment agreements, arrangements or plans with any of its directors, officers or significant employees.

Director Compensation

The following table sets forth a summary of compensation earned by the Corporation's non-executive directors for the period from incorporation on April 3, 2019 to December 31, 2019:

| Name | Year | Fees earned ⁽²⁾ (\$) | Share-based awards (\$) | Option-based awards (\$) | Non-equity incentive plan compensation (\$) | Pension value (\$) | All other compensation (\$) | Total ⁽¹⁾ (\$) |
|------------------|------|---------------------------------|-------------------------|--------------------------|---|--------------------|-----------------------------|---------------------------|
| Rakesh R. Patel | 2019 | - | 251,842 | - | - | - | - | 251,842 |
| Norton Singhavon | 2019 | - | 13,500 | - | - | - | - | 33,500 |

We have four directors. We currently do not pay our directors any cash compensation for their services as board members. In August 2018, three of our directors acting at that time were each granted 300,000 options to purchase common stock of Juva USA at CAD\$0.05 per share.

On July 20, 2019, our Board adopted the 2019 Plan and approved the grant of a total of 9,829,881 RSUs to our four directors as consideration for their services to the Corporation. Certain of the RSUs were fully vested as of the grant date, while others are subject to vesting over a period of two or three years following the grant date, with vesting commencing on August 1, 2019. Upon exercise of any vested RSUs, the Corporation will pay the recipients by delivery of Common Shares, their cash equivalent, any combination thereof, or in any other form of consideration, as determined by the Board and set forth in the applicable award agreement. For a more detailed description of the 2019 Plan, see "Options to Purchase Securities". The Corporation may grant additional awards to our directors in the future as compensation for their services, pursuant to the terms of the 2019 Plan.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

As at the date of this Prospectus, no existing or former executive officer, director or employee of the Corporation is indebted to the Corporation, nor do such persons have any indebtedness to another entity that is the subject of a guarantee, support agreement, letter of credit or similar guarantee provided by the Corporation.

AUDIT COMMITTEE

The Audit Committee's Mandate

The purpose of the Audit Committee is to act on behalf of the Board of Directors to oversee all material aspects of the Corporation's reporting, control, and audit functions, except those specifically related to the responsibilities of another standing committee of the Board. The Audit Committee's role includes a particular focus on the qualitative aspects of financial reporting to shareholders and on the Corporation's processes for the management of business and financial risk and for compliance with significant applicable legal, ethical, and regulatory requirements.

In addition, the Audit Committee is responsible for: (1) selection and oversight of the Corporation's independent accountant; (2) establishing procedures for the receipt, retention and treatment of complaints regarding accounting, internal controls and auditing matters; (3) establishing procedures for the confidential, anonymous submission by the Corporation's employees of concerns regarding accounting and auditing matters; (4) establishing internal financial controls; (5) engaging outside advisors; and (6) funding for the outside auditor and any outside advisors engagement by the Audit Committee.

The Audit Committee’s role also includes coordination with other Board committees and maintenance of strong, positive working relationships with management, external and internal auditors, counsel, and other committee advisors.

A copy of the Audit Committee’s Charter is attached as Appendix “A” to this Prospectus.

Composition of Audit Committee

The Audit Committee is comprised of Douglas Chloupek (Chairman), Dr. Rakesh Patel, Kari Gothie and Norton Singhavon. Dr. Rakesh Patel and Norton Singhavon of the Audit Committee are considered to be “independent” as defined in NI 52-110 - *Audit Committees*. Norton Singhavon is “financially literate” as defined in NI 52-110 - *Audit Committees*.

Relevant Education and Experience

Dr. Rakesh Patel and Norton Singhavon are businesspersons with experience in financial matters. Each has an understanding of accounting principles used to prepare financial statements and varied experience as to general application of such accounting principles, as well as the internal controls and procedures necessary for financial reporting, garnered from working in their individual fields of endeavour. See “*Directors and Executive Officers*” for further biographic details about the members of the Audit Committee.

Pre-Approval Policies and Procedures for Non-Audit Service

We have not adopted specific policies and procedures for the engagement of non-audit services. The Audit Committee will review the engagement of non-audit services as required.

External Auditor Service Fees

The following table discloses the fees billed to the Corporation by its external auditors, during the last two completed financial years:

| Financial Period Ended | Audit Fees ⁽¹⁾ | Audit-Related Fees ⁽²⁾ | Tax Fees ⁽³⁾ | All Other Fees ⁽⁴⁾ |
|---|---------------------------|-----------------------------------|-------------------------|-------------------------------|
| Period from incorporation on April 3, 2019 to December 31, 2019 | \$94,900 ⁽⁵⁾ | - | \$4,700 | - |

Notes:

- (1) “Audit Fees” include fees necessary to perform the annual audit and quarterly reviews of the Corporation’s consolidated financial statements; fees for review of tax provisions; accounting consultations on matters reflected in the financial statements; audit or other attest services required by legislation or regulation, such as comfort letters, consents, reviews of securities filings and statutory audits.
- (2) “Audit related fees” include services that are traditionally performed by the auditor such as employee benefit audits, due diligence assistance, accounting consultations on proposed transactions, internal control reviews and audit or attest services not required by legislation or regulation.
- (3) “Tax fees” include fees for all tax services other than those included in “Audit fees”. This category includes fees for tax compliance, tax planning and tax advice. Tax planning and tax advice includes assistance with tax audits and appeals, tax advice related to mergers and acquisitions, and requests for rulings or technical advice from tax authorities.
- (4) “All other fees” include all other non-audit services.
- (5) During the Period from Incorporation on April 3, 2019 to December 31, 2019 David & Company LLP billed an aggregate of \$20,000 for audit of the Corporation’s consolidated financial statements for the Period from Incorporation on April 3, 2019 to December 31, 2019.

Reliance on Certain Exemptions

The Corporation is a “venture issuer” pursuant to relevant Canadian securities legislation, the Corporation is relying on the exemption in section 6.1 of NI 52-110 from the reporting requirements of Part 5 of NI 52-

110. The Corporation is also relying on section 3.8 of NI 52-110 for the appointment of Mr. Chloupek to the Audit Committee.

CORPORATE GOVERNANCE

Corporate governance relates to the activities of the Board of Directors, the members of which are elected by and are accountable to the shareholders, and takes into account the role of the individual members of management who are appointed by the Board of Directors and who are charged with the day to day management of the Corporation. The Board of Directors is committed to sound corporate governance practices which are both in the interest of its shareholders and contribute to effective and efficient decision making. NI 58-101 establishes corporate governance disclosure requirements which apply to all public companies in Canada. The Corporation’s general approach to corporate governance is summarized below.

Board of Directors

NI 52-110 sets out the standard for director independence. Under NI 52-110, a director is “independent” if he has no direct or indirect material relationship with the Corporation. A material relationship is a relationship which could, in the view of the Board of Directors, be reasonably expected to interfere with the exercise of a director’s independent judgment. NI 52-110 also sets out certain situations where a director will automatically be considered to have a material relationship to the Corporation.

Applying the definition set out in section 1.4 of NI 52-110, two of the four current members of the Board of Directors are independent. The two independent directors are Messrs. Patel and Singhavon.

Directors are expected to attend Board meetings and meetings of committees on which they serve and to spend the time needed and meet as frequently as necessary to properly discharge their responsibilities.

Mr. Chloupek and Ms. Gothie are not considered to be “independent” within the meaning of NI 52-110 by reason of their respective roles as executive officers of the Corporation.

Other Directorships

The following table summarizes directorships of other reporting issuers (or the equivalent) currently held by directors of the Corporation:

| Name of Director | Reporting Issuer |
|-------------------------|---------------------------|
| Norton Singhavon | GTEC Holdings Ltd. (TSXV) |
| Rakesh Patel | iCad Inc. (NASDAQ) |

Orientation and Continuing Education

The Corporation has not adopted a formalized process of orientation for new board members. Orientation of new directors has been and will be conducted on an ad hoc basis through discussions and meetings with other directors, officers and employees where a thorough description of the Corporation’s business, assets, operations and strategic plans and objectives are discussed. Orientation activities have been and will be tailored to the particular needs and experiences of each director and the overall needs of the Board of Directors.

Directors are kept informed as to matters impacting, or which may impact, the Corporation’s operations through regular discussions at board meetings. Directors are also provided the opportunity to meet with management and other employees, consultants or advisors, who can answer any questions that may arise.

Ethical Business Conduct

As at the date of this Prospectus, the Board of Directors have not adopted a formal written Code of Business Conduct and Ethics. However, the current limited size of the Corporation's operations, and the small number of officers and consultants, allow the Board of Directors to monitor on an ongoing basis the activities of management and to ensure that the highest standard of ethical conduct is maintained. As the Corporation grows in size and scope, the Board of Directors anticipate that it will formulate and implement a formal Code of Business Conduct and Ethics.

Compensation

The Board of Directors is responsible for determining all forms of compensation to be paid to the Corporation's directors and NEOs. The Corporation's process for determining the compensation of its directors and NEOs is described above under "Executive Compensation".

Nomination and Assessment

The Board of Directors does not have a nominations committee or a formal procedure with respect to the nomination of directors. In addition, the Corporation does not have any defined policy or procedure requirements of shareholders to submit recommendations or nominations for directors, and it has not established any specific or minimum criteria for nominating directors or specific process for evaluating any such nominees. The directors of the Corporation expect to identify future potential director candidates from recommendations made by its directors, management and shareholders, as appropriate.

The Board of Directors do not, at present, have a formal process in place for assessing the effectiveness of the Board of Directors as a whole, its committees or individual directors, but will consider implementing one in the future should circumstances warrant. Based on the Corporation's size and its stage of development, the Board of Directors considers a formal assessment process to be unnecessary at the present time.

Other Board Committees

As at the date of this Prospectus, the Board of Directors has no committees other than the Audit Committee.

The Board of Directors does not have a separate Compensation Committee, and such functions are addressed by the entire Board. Although there is no formal committee in place, Douglas Chloupek serves as the Chairman of the ad hoc Compensation Committee consisting of members of the Board.

The Board of Directors does not have a separate Governance Committee, and such functions are addressed by the entire Board. Although there is no formal committee in place, Douglas Chloupek serves as the Chairman of the ad hoc Governance Committee consisting of members of the Board.

The Board does not believe that it is necessary to have other committees because it believes that the functions of such committees can be adequately performed by the members of the Board.

In compliance with applicable corporate law, all proceedings of the Board are conducted either by way of a formal meeting or through resolutions consented to in writing by all of the directors of the Corporation.

RISK FACTORS

The following are certain factors relating to the business of the Corporation, which factors investors should carefully consider before purchasing securities of the Corporation. In addition, the information set forth elsewhere in this Prospectus should be given special consideration when evaluating an investment in any of

the Common Shares or other securities of the Corporation. These risks, described below, as well as additional risks and uncertainties not presently known to the Corporation, or that are currently considered immaterial, may impact the Corporation, operating results, liquidity and financial condition and could have material adverse affects. If any or all of these risks become increasingly significant and threaten the Corporation as a going concern, investors could lose a portion or all of their investment.

An investment in the Corporation is speculative. An investment in the Corporation will be subject to certain material risks and investors should not invest in securities of the Corporation unless they can afford to lose their entire investment. The following is a description of certain risks and uncertainties that may affect the business of the Corporation.

Risks Related to our Business and Industry

Risks Related to the Cannabis Industry and the Business of Juva and its divisions.

Our planned business is dependent on legislation pertaining to the cannabis industry.

Continued development of the cannabis industry is dependent upon continued legislative authorization of cannabis at the local, state and federal level. Any number of factors could slow or halt progress in this area, and continued progress for the industry cannot be assured. While there may be ample public support for legislative action, numerous factors impact the legislative process. Any one of these factors could slow or halt use of cannabis, which would negatively impact our business. Investors are cautioned that in the United States, cannabis is largely regulated at the state level. To date, a total of 33 states, plus the District of Columbia, have legalized cannabis in some form. The recreational use of cannabis has been legalized in 10 states, including Alaska, California, Colorado, Maine, Massachusetts, Michigan, Nevada, Oregon, Vermont and Washington.

State laws allowing citizens to use medical and recreational cannabis are in conflict with the United States federal *Controlled Substances Act* (the "CSA"), which makes cannabis use and possession illegal at the federal level. Cannabis is a Schedule I controlled substance and is illegal under the CSA. Even in those states in which the use of cannabis has been legalized, its use remains a violation of federal law in the United States. Since federal law criminalizing the use of cannabis may pre-empt state laws legalizing its use, strict enforcement of federal law regarding cannabis would harm our business, prospects, results of operation, and financial condition.

While the Corporation's management believes that legalization trends are favorable and create a compelling business opportunity for early movers, there is no assurance that those trends will continue or be realized, that existing limited markets will continue to be available or that any new markets for cannabis will emerge. The Corporation's business plan is based on the premise that cannabis legalization will expand, that consumer demand for cannabis will continue to exceed supply for the foreseeable future, and that consumer demand for cannabis for medical and recreational use will grow as it becomes legal to possess and consume cannabis on a more widespread basis. There is no assurance that this premise will prove to be correct. Moreover, if cannabis legalization is scaled back or reversed at the state level, or if the United States federal government increases regulation and prosecution of cannabis-related activities, it could have a material adverse effect on the Corporation's business, financial condition and results of operations.

In a memorandum issued by the United States Department of Justice (the "DOJ") from former Deputy Attorney General James Cole in August 2013 (the "**Cole Memorandum**"), the Obama Administration effectively stated that it is not an efficient use of resources to direct federal law enforcement agencies to prosecute those lawfully abiding by state laws and regulations allowing the use and distribution of cannabis. However, in rescinding the Cole Memorandum, the Trump Administration has indicated the potential for stricter enforcement of the cannabis industry at the federal level, but to date there has been little in terms of action. There is no guarantee that the Trump Administration or future administrations will maintain the low-

priority enforcement of federal laws in the cannabis industry that was adopted by the Obama Administration. The Trump Administration or any future administration could change this policy and decide to implement stricter enforcement of these federal laws. Any such change in the federal government's policy on enforcement of the CSA could have a material adverse effect on our business, financial condition and results of operations and cause significant financial damage to our business and our shareholders.

In addition, in December 2014, the Rohrabacher-Farr Amendment (also known as the Rohrabacher–Blumenauer Amendment, and more recently the Joyce Amendment) was passed, which prohibited the DOJ from using its funding to prevent states, including California, from implementing their own laws that authorize the use, distribution, possession, or cultivation of medical marijuana. The Rohrabacher–Farr Amendment must be renewed annually as part of the spending bill. It was most recently renewed in February 2019, as the Joyce Amendment, and is effective through December 31, 2019. There is no guarantee that the Rohrabacher–Farr Amendment will continue to be renewed.

Although the Corporation believes its business activities and those of its subsidiaries are compliant with the laws and regulations of the states in which the Corporation and its subsidiaries operate or plan to operate, strict compliance with state and local laws with respect to cannabis neither absolves the Corporation of liability under United States federal law, nor provide a defense to any proceeding that may be brought against the Corporation under federal law. Any proceeding that may be brought against the Corporation could have a material adverse effect on the Corporation's business, financial condition and results of operations.

Federal law in the United States prohibits the use of cannabis for the purposes in which the Corporation plans to engage.

Under the CSA, cannabis is deemed to be a Schedule I drug that has no accepted medical use or benefit and a high potential for abuse. Therefore, a range of activities, including cultivation and the personal use of cannabis, is prohibited and remains a criminal offense under federal law in the United States. Unless and until the United States Congress amends the CSA with respect to cannabis, there is a risk that federal authorities may enforce current federal law. The risk of strict enforcement of the CSA in light of congressional activity, judicial holdings, and stated federal policy remains uncertain.

The current policy and regulations of the federal government and its agencies, including the DEA and the FDA, are that cannabis has no medical benefit and a range of activities including cultivation and use of cannabis for personal use is prohibited on the basis of federal law. Although 33 states and District of Columbia have passed legislation permitting the cultivation and dispensing of medical cannabis, these laws are, in many jurisdictions, subject to strict regulation and limitations and are still being developed. Active enforcement of the current federal regulatory position on cannabis on a regional or national basis may directly and adversely affect the ability of our Corporation to develop our business plan even though it is allowed by state regulation in the various states in which the Corporation intends to operate. Although research and development in the growing and processing of cannabis products for medicinal purposes and in seeking to obtain state permits for the cultivation and sale of cannabis products are not in violation of federal law, our business plan, even if conducted within the parameters of any state licenses or permits we obtain, will violate the CSA, as currently in effect. The Corporation's business activities, and the business activities of its subsidiaries, while believed to be compliant with applicable state and local laws in the United States, are currently illegal under United States federal law. If existing federal laws are enforced by the DOJ or the FDA, it is likely that our proposed business will be materially and adversely affected.

The potential re-classification of cannabis in the United States could create additional regulatory burdens on our operations and negatively affect our results of operations.

If cannabis 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 FDA. The FDA is responsible for ensuring public health and safety through regulation of food, drugs, supplements, cosmetics and other similar products, pursuant to its enforcement authority set forth in the United States *Federal Food Drug and Cosmetic Act* (the "FDCA"). The 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 FDCA 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, the FDA would likely play a more active regulatory role. In the event that cannabis becomes subject to FDA regulation, the pharmaceutical industry may directly compete with state-regulated cannabis businesses for market share, and the pharmaceutical industry may urge the DEA, the FDA, and others to enforce the CSA and FDCA against businesses that comply with state but not federal law. The potential for multi-agency enforcement could threaten or have a materially adverse effect on existing cannabis businesses whose operations are compliant with applicable state laws, including the Corporation.

Variations in state and local regulation, and enforcement in states that have legalized cannabis, that may restrict cannabis-related activities may negatively impact our business operations and potential for revenues and profits.

Individual state laws do not always conform to the federal standard in the United States, or to other states' laws regarding the cultivation and use of cannabis. Certain states have decriminalized cannabis to varying degrees, while others have created exemptions only for medical use of cannabis, and several have passed both decriminalization and medical use legislation. There are a number of variations in laws and regulations among the states that have legalized, decriminalized, or created medical cannabis exemptions across the United States. In most states, the cultivation of cannabis for personal use continues to be prohibited, except for those states that allow small-scale cultivation by an individual in possession of medical cannabis needing care. Active enforcement of state laws that prohibit personal cultivation of cannabis may indirectly and adversely affect our business and our potential for revenue and profits.

We may become subject to federal and state forfeiture laws which could negatively impact our business operations.

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, we are potentially subject to criminal and civil federal and state forfeiture laws 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. An individual can also 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.

Investors 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, proceeds and/or personal property 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 in this area is relatively new, it remains to be seen whether these states would take such action and whether a court would approve such action. Investors and prospective investors of the Corporation should be aware of these potentially relevant federal and state laws in considering whether to invest in the Corporation.

Laws and regulations affecting the cannabis industry are constantly changing, which could detrimentally affect our planned operations.

Local, state and federal cannabis laws and regulations are broad in scope and subject to evolving interpretations, which could require us to incur substantial compliance costs or alter our business plan. In addition, violations of these laws, or allegations of such violations, could disrupt our business and result in a material adverse effect on our operations. Additional regulations may be enacted in the future that may be directly applicable to certain aspects of the Corporation's cultivation, production and dispensary businesses and the Corporation's ability to sell cannabis. We cannot predict the nature of any future laws, regulations, interpretations or applications, especially in the United States, nor can we determine what effect additional governmental regulations or administrative policies and procedures, if and when promulgated, may have on our business.

The approach to enforcement of cannabis laws is subject to change, which creates uncertainty for our business.

As a result of the conflicting views between state legislatures and the federal government regarding cannabis in the United States, investments in, and the operations of, cannabis businesses in the United States are subject to inconsistent laws and regulations. The Cole Memorandum and other cannabis policy guidance from the Obama Administration, provided the framework for managing the tension between federal and state cannabis laws. In January 2018, former Attorney General Jeff Sessions rescinded the Cole Memorandum and related policy guidance. Although no longer in effect, these policies, and the enforcement priorities established therein, 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 Memorandum directed United States 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 were not implicated (such as, among others, prevention of cannabis distribution to minors, prevention of diverting cannabis from states where it is legal under state law to states where it is not legal, and prevention of drugged driving and the exacerbation of other adverse public health consequences associated with cannabis use). In addition to general prosecutorial guidance issued by the DOJ, the United States Treasury Department's Financial Crimes Enforcement Network ("**FinCEN**") issued a FinCEN Memorandum in February 2014, outlining pathways for financial institutions to service state-sanctioned cannabis businesses in compliance with the Bank Secrecy Act, 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 Memorandum when determining whether to prosecute individuals or institutions with crimes related to financial transactions involving the proceeds of cannabis-related activities.

In January 2018, former Attorney General Jeff Sessions rescinded the Cole Memorandum and the related DOJ cannabis enforcement guidance from the Obama administration. While the rescission did not change federal law, the rescission removed the DOJ's formal policy that state-regulated cannabis businesses in compliance with the guidelines set forth in the Cole Memorandum should not be a prosecutorial priority, adding to the uncertainty around federal enforcement of the CSA in states where cannabis is legalized and regulated. In addition to his rescission of the Cole Memorandum, former Attorney General Sessions issued a memorandum known as the "Sessions Memorandum." The Sessions Memorandum explains the DOJ's rationale for rescinding all past DOJ cannabis enforcement guidance, claiming such policies are "unnecessary" due to existing general enforcement guidance adopted in the 1980s in the United States Attorney's Manual (the "**USAM**"). The USAM enforcement priorities, like those of the Cole Memorandum, are based on the use of the federal government's limited resources and include law enforcement priorities set by the Attorney General, consideration of 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 United States Attorneys to consider the prosecution of cannabis-related offenses a DOJ priority, and in practice, most United States 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, and the lack of additional guidance since the resignation of former Attorney General Sessions, there can be no assurance that the United States federal government will not seek to prosecute cases involving cannabis businesses that are otherwise compliant with applicable state law.

The United States House of Representatives passed an amendment (currently known as the "**Joyce Amendment**," previously known as the Rohrabacher–Farr Amendment and Rohrabacher–Blumenauer Amendment) to the Commerce, Justice, Science, and Related Agencies Appropriations Bill, which funds the DOJ. Under the Joyce Amendment, the DOJ is prohibited from using federal funds to prevent states from implementing their own state laws that authorize the use, distribution, possession, or cultivation of medical marijuana. Notably, this amendment only prohibits the use of federal funds to prosecute individuals and businesses operating cannabis companies in compliance with state laws regulating the medical use of cannabis, and does not apply to recreational cannabis operations. The Joyce Amendment must be renewed each federal fiscal year and has been renewed by the United States Congress through December 31, 2019. There can be no assurance that the United States Congress will further renew the Joyce Amendment for the 2020 fiscal year. If the Joyce Amendment is not renewed in the future, the DOJ and other federal agencies in the United States may utilize federal funds to enforce the CSA in states with a medical cannabis program, including states in which the Corporation's subsidiaries operate, which could have a material adverse effect on the Corporation's expansion strategy, business, financial condition and results of operations.

Any potential enforcement proceedings could involve significant restrictions being imposed upon us or third parties, and could have a material adverse effect on our business, revenues, results of operations and financial condition, as well as our reputation and prospects, even if such proceedings are concluded in our favor. In the extreme case, such proceedings could ultimately involve the criminal prosecution of key executives of the Corporation, the seizure of corporate assets, and consequently, the inability of the Corporation to continue its business operations. Strict compliance with state and local laws with respect to cannabis does not absolve the Corporation of potential liability under federal law in the United States, nor provide a defense to any federal proceeding which may be brought against us. Any such proceedings may adversely affect our operations and financial performance.

Our business in the cannabis industry is subject to heightened scrutiny by regulatory authorities.

Our existing and future operations in the United States may become the subject of heightened scrutiny by regulators, stock exchanges and other regulatory authorities in Canada. 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.

It has been reported by certain publications in Canada that the Canadian Depository for Securities Limited is considering a policy shift that would have its subsidiary, CDS Clearing and Depository Services Inc. ("CDS"), refuse to settle trades for cannabis issuers that have investments in the United States. CDS is Canada's central securities depository, clearing and settlement hub. If CDS were to proceed in the manner suggested by these publications, such action would have a material adverse effect on the ability of holders of our Common Shares to make trades in Canada, and our Common Shares would become illiquid in Canada as investors would have no ability to effect a trade of our Common Shares through the facilities of a stock exchange.

In the United States, many clearing houses for major broker-dealer firms have refused to handle securities or settle transactions of companies engaged in the cannabis industry. This means certain broker-dealers cannot accept for deposit or settle transactions in the securities of companies like ours, which may inhibit

the ability of investors to trade in our securities in the United States, and could negatively affect the liquidity of our securities in the United States as well.

In November 2017, TMX Group provided an update regarding Canadian issuers with cannabis-related activities in the United States, confirming that TMX Group will rely on the Canadian Securities Administrators' recommendation to defer to individual exchanges' rules for companies with cannabis-related business activities in the United States, and to determine the eligibility of individual issuers to list based on those exchanges' listing requirements. In February 2018, CDS signed a memorandum of understanding with Aequitas NEO Exchange Inc., CNSX Markets Inc., TSX Inc., and TSX Venture Exchange Inc., which outlines the parties' understanding of Canada's regulatory framework applicable to the rules and procedures and regulatory oversight of these exchanges and CDS. The memorandum of understanding confirms that CDS relies on these exchanges to review the conduct of listed issuers. As a result, there currently is no CDS ban on the clearing of securities of issuers with cannabis-related business activities in the United States.

Any future restrictions imposed by the CSE or other applicable exchange on the Corporation's business or securities would have a material adverse effect on the Corporation and on the ability of holders of the Corporation's securities to make trades in Canada.

We may not be able to obtain the permits and authorizations necessary to operate our planned medical and recreational cannabis businesses.

Cannabis remains an illegal drug under the federal laws of the United States as marijuana is listed as a Schedule I narcotic under the CSA. Cannabis has been legalized in Canada pursuant to the Access to Cannabis for Medical Purposes Regulations and the regulation of recreational cannabis under the Cannabis Act. Recreational and medicinal cannabis has been legalized in the State of California since January 1, 2018 pursuant to the passage of Proposition 64 and adoption of the Medicinal and Adult-Use Cannabis Regulation and Safety Act. In addition, numerous local governments have adopted ordinances and regulations legalizing cannabis in their jurisdictions. We will only be opening cannabis businesses in such jurisdictions within the State of California. Cannabis businesses cannot operate in California until they have obtained local and State authorization. The local authorization is a prerequisite to obtaining State licensure. That being said, we may not be able to obtain or maintain the necessary State and local licenses, permits, authorizations, registrations or accreditations (hereinafter collectively referred to as "**State and Local Authorizations**") to operate our planned medical and recreational cannabis businesses, or may only be able to do so at great cost. As cannabis remains illegal at the federal level in the United States under the CSA, we will not be able to comply fully with the various federal laws and regulations applicable to our businesses in the medical and recreational cannabis industries, though we will make every effort to comply with those laws and regulations that do not pertain specifically to cannabis. We will also be fully compliant with all local and State rules and regulations pertaining to operating a cannabis business in the jurisdictions where we obtain State and Local Authorizations. Failure to comply with or to obtain the State and Local Authorizations necessary to carry out our business plan, or any delay in obtaining the State and Local Authorizations, could result in restrictions on our ability to operate our planned businesses, which would have a material adverse effect on our business, financial condition and results of operations.

Our cannabis cultivation operations are subject to risks inherent in an agricultural business.

The business of Juva Cultivation involves the growing of cannabis, which is an agricultural product. As such, the Juva Cultivation business is subject to the risks inherent in the agricultural business, such as insects, plant diseases and other agricultural risks that may create crop failures and supply interruptions. Although the majority of the Corporation's cultivators grow products indoors under climate-controlled conditions and carefully monitor the growing conditions with trained personnel, there can be no assurance that such agricultural risks will not have a material adverse effect on the production of the Corporation's products.

Our cannabis cultivation operations are vulnerable to rising energy costs and dependent upon key inputs.

Our cannabis cultivation operations consume considerable amounts of energy, making the Corporation vulnerable to rising energy costs. Rising or volatile energy costs could have a material adverse effect on the Corporation's business, financial condition and results of operations.

In addition, the Corporation's business is dependent on a number of key inputs and their related costs, including raw materials and supplies related to the Corporation's growing operations, as well as electricity, water and other utilities. Some of these inputs may only be available from a single supplier or a limited group of suppliers. If a sole source supplier were to go out of business, the Corporation 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 Corporation or its subsidiaries in the future. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs, or the Corporation's inability to secure required supplies and services or to do so on appropriate terms, could have a material adverse effect on the Corporation's business, financial condition and results of operations.

Many of our competitors have greater resources that may enable them to compete more effectively than us in the cannabis industry.

The industry in which we operate is subject to intense and increasing competition. Some of our competitors have a longer operating history and greater capital resources, facilities and product line diversity, which may enable them to compete more effectively in this market. Our competitors may devote their resources to developing and marketing products that will directly compete with our planned product lines. The Corporation expects to face additional competition from existing licensees and new market entrants who are granted licenses within a particular state in which the Corporation's subsidiaries operate, who are not yet active in the industry. If a significant number of new licenses are granted in the near term, the Corporation may experience increased competition for market share and may experience downward pricing pressure on the Corporation's products as new entrants increase production. Such competition may cause us to encounter difficulties in generating revenues and market share, and in positioning our products in the market. If we are unable to successfully compete with existing companies and new entrants to the market, our lack of competitive advantage will have a negative impact on our business and financial condition.

Certain tax risks and treatments could negatively impact our results of operations.

Section 280E of the Internal Revenue Code prohibits businesses from deducting certain expenses associated with trafficking of controlled substances (within the meaning of Schedule I and II of the CSA). The United States Internal Revenue Service (the "IRS") has invoked Section 280E in tax audits against cannabis businesses in the United States, prohibiting them from deducting expenses directly associated with the sale of cannabis. 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 the courts will issue an interpretation of Section 280E favorable to cannabis businesses. Section 280E has a significant impact on the retail cannabis business, but a lesser impact on cannabis cultivation and manufacturing operations. A result of Section 280E is that an otherwise profitable business may operate at a loss after taking into account its United States income tax expenses.

We may have difficulty accessing banking services in the United States, which may make it difficult for us to operate our businesses.

Because the use, sale, cultivation, manufacturing and distribution of cannabis are illegal under federal law in the United States, there is an argument that banks should not accept for deposit any funds from businesses

involved with the cannabis industry. Consequently, such businesses often have difficulty finding a bank willing to accept their business.

Banks and other financial institutions providing services to companies with cannabis-related businesses risk violation of federal anti-money laundering statutes, the unlicensed money-remitter statute, and the United States Bank Secrecy Act. These statutes can impose criminal liability for engaging in certain financial and monetary transactions with the proceeds of a "specified unlawful activity," such as distributing controlled substances which are illegal under federal law (including cannabis), and for failing to identify or report financial transactions that involve the proceeds of cannabis-related violations of the CSA. As previously noted, in February 2014, FinCEN issued guidance with respect to financial institutions providing banking services to cannabis business. This guidance indicates that it is possible for financial institutions to provide financial services to state-licensed cannabis businesses in compliance with applicable federal anti-money laundering laws, but does not provide any safe harbors or legal defenses from examination or enforcement actions by the DOJ, FinCEN or other federal regulators. Thus, most banks and other financial institutions in the United States do not appear to be comfortable providing banking services to cannabis-related businesses or relying on this guidance.

Notwithstanding the above federal guidelines and in addition to potential federal sanctions, regulators in the states in which we are able to conduct business may make it difficult for local banks to do business with companies considered to be engaged in cultivating and dispensing cannabis. Failure to establish a permanent banking relationship in the United States could have a material and adverse effect on our future business operations and our ability to conduct our business as planned.

We are subject to anti-money laundering laws and regulations which could impact our ability to obtain banking services or result in the forfeiture or seizure of our assets.

We are subject to a variety of laws and regulations in Canada and in the United States that involve money laundering, financial recordkeeping and proceeds of crime, including the *United States 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* (the "**USA PATRIOT Act**"), the *Canada Proceeds of Crime (Money Laundering) and Terrorist Financing Act*, the *Canada Criminal Code*, and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the United States and Canada. As discussed above, because the cultivation, manufacturing, distribution and sale of cannabis remains illegal under the CSA, banks and other financial institutions providing services to cannabis-related businesses risk violation of such 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 United States. The lack of readily available 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.

Although the FinCEN Memorandum issued in February 2014 remains in effect today, it is unclear whether the current administration or future administrations will follow the guidelines of the FinCEN Memorandum in the United States. 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, 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 we do not have access to banking and financial services in the United States, our business and operations could be adversely affected.

In the event that any of our operations, any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such operations in the United States are found to be in violation of federal anti-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 or effect other distributions, and could subject us to civil and/or criminal penalties. Although we have no current intentions to declare or pay dividends on our Common Shares for the foreseeable future, in the event that a determination is made that our proceeds from operations could reasonably be shown to constitute proceeds of crime, we may decide or be required to suspend declaring or paying any dividends without advance notice and for an indefinite period of time.

United States border officers could deny entry into the United States to non-United States citizens who are employees of or investors in companies with cannabis operations in the United States or Canada.

As cannabis remains illegal under United States federal law, non-United States citizens who are employed by or investing in legal and licensed cannabis companies could face detention, denial of entry or lifetime bans from the United States for their business associations with United States or Canadian cannabis businesses. Entry happens at the sole discretion of the United States Customs and Border Protection (the "USCBP") officers on duty, and such officers have wide latitude to ask questions in determining the admissibility of a foreign national.

As a result, the Canadian government has started warning travelers on its website that previous use of cannabis, or any substance prohibited by United States federal laws, could mean denial of entry to the United States. In addition, business or financial involvement in the legal cannabis industry in Canada or in the United States could also be reason enough for USCBP officers to deny entry in the United States. In reaction to the then-impending legalization of cannabis in Canada, the USCBP released a statement outlining its current position with respect to enforcement of United States federal laws. The statement specified that Canada's legalization of cannabis would not change the USCBP's enforcement of United States federal laws regarding controlled substances and, because cannabis continues to be a controlled substance under the CSA, working in or facilitating the proliferation of the cannabis industry in states in the United States or Canada where cannabis is legal may affect admissibility to the United States.

Certain of the Corporation's directors, officers and employees are Canadian citizens, and may be subject to denials or bans from entry into the United States by USCBP officers due to their service or employment with the Corporation. In the event that any such directors, officers or employees are hindered or otherwise prevented from entering the United States, either in one instance or permanently, their ability to provide services to the Corporation could be materially hindered, which could have a material adverse effect on the Corporation's business. In addition, the Corporation's ability to attract qualified candidates for positions with the Corporation may be diminished by the prospect of a denial or ban from entry into the United States, which could have a material adverse effect on the Corporation's business.

If we incur substantial liability from litigation, complaints, or enforcement actions, our financial condition could suffer.

Our participation in the medical and recreational cannabis industries may lead to litigation, formal or informal complaints, enforcement actions, and inquiries or investigations by various federal, state, or local governmental authorities against our Corporation and/or our subsidiaries. Any such litigation, complaints, enforcement actions or other proceedings could consume considerable amounts of financial and other corporate resources and divert our key executives' attention away from carrying out our business plan, which could have a material adverse impact on our business, financial condition, results of operations and growth prospects.

Our business is dependent on the popularity of consumer acceptance of cannabis.

The medical and recreational cannabis industries are highly dependent upon consumer perception regarding the safety, efficacy and quality of their products. Consumer perception can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favorable to the cannabis market or any particular product. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity could have a material adverse effect on the demand for medical and recreational cannabis products and on the Corporation's business, financial condition and results of operations. Such adverse publicity reports or other media attention could hinder market growth and state legalization due to inconsistent public opinion and perception of the medical and recreational cannabis industries.

We currently have insurance coverage; however, because we operate within the cannabis industry, there are additional difficulties and complexities associated with such insurance coverage.

We believe that the Corporation and its subsidiaries currently have insurance coverage with respect to workers' compensation, general liability, fire and other similar policies customarily obtained for businesses to the extent commercially appropriate; however, because we are engaged in and operate within the cannabis industry, there are exclusions and additional difficulties and complexities associated with such insurance coverage that could cause us to suffer uninsured losses, which could adversely affect our business, financial condition and results of operations. There is no assurance that we will be able to fully utilize such insurance coverage, if necessary.

We will be reliant on information technology systems and may be subject to damaging cyberattacks.

We have entered into agreements with third parties for hardware, software, telecommunications and other information technology ("IT") services in connection with our operations. Our operations depend, in part, on how well we and our 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. Our 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 our reputation and results of operations.

We have not experienced any material losses to date relating to cyber-attacks or other information security breaches, but there can be no assurance that we will not incur such losses in the future. Our 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, we may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

The cannabis industry is highly regulated, and the Corporation may not always succeed in complying fully with applicable regulatory requirements in the jurisdictions where the Corporation seeks to operate.

Our cannabis-related business operations are subject to various laws, regulations and guidelines, both in the United States and Canada, relating to, among other things, the cultivation, manufacture, distribution, testing, marketing and sale of cannabis, as well as 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 various government agencies at the local, state and federal level, and self-regulatory bodies, broad administrative discretion over the Corporation's activities, including the power to limit or restrict business activities as well as impose additional disclosure requirements on the Corporation's products.

Achievement of the Corporation's business objectives is contingent, in part, upon compliance with regulatory requirements and our ability to obtain and maintain all necessary State and Local Authorizations for the Corporation's cultivation, distribution, manufacturing and retail cannabis businesses. The Corporation may not be able to obtain and maintain such State and Local Authorizations, or may be able to do so only at a significant expense. The commercial cannabis industry is still a new industry in Canada and is an emerging industry in the United States, and more specifically in California, where the Corporation will operate. The effect of relevant governmental authorities' administration, application and enforcement of their respective regulatory regimes and delays in obtaining, or the Corporation's failure to obtain, the necessary State and Local Authorizations to conduct the Corporation's business may significantly delay or impact the development of markets, products and sales initiatives and could have a material adverse effect on the Corporation's business, financial condition and results of operations.

While the Corporation endeavours to comply with all relevant laws, regulations and guidelines with respect to the Corporation's cannabis-related business and, to the Corporation's knowledge, the Corporation is in compliance or is in the process of being assessed for compliance with all such laws, regulations and guidelines, any failure to comply with the regulatory requirements applicable to the Corporation's operations may lead to possible sanctions. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Corporation's operations, increase compliance costs or give rise to material liabilities or a revocation of the Corporation's State and Local Authorizations, which could have a material adverse effect on the Corporation's business, financial condition and results of operations.

Failure to comply with applicable laws and regulations could subject the Corporation to regulatory or agency proceedings, investigations or audits. The outcome of any such proceedings, investigations or audits could harm the Corporation's reputation and operations, and could require the Corporation to pay substantial amounts of money, harming the Corporation's 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 Corporation's business, financial condition and results of operations.

Public Health Crises, including COVID-19

A local, regional or national outbreak of a contagious disease, such as COVID-19, could have an adverse effect on local economies and potentially the global economy, which may adversely impact the price and demand for the Company's products. COVID-19 could affect the Company's ability conduct operations and may result in temporary shortages of staff, to the extent its workforce is impacted. Such an outbreak, if uncontrolled, could have a material adverse effect on our business, financial condition, results of operations and cash flows, as a result, potential lost revenue.

Risks Related to Drug Development and the Business of Juva Research

Our products may be subject to United States federal drug approval requirements and processes in the future.

At this time, the Corporation does not have plans to seek United States federal regulatory approval for the products to be developed by Juva Research, although we may do so in the future. The Corporation currently intends to develop and market products solely in the State of California under applicable state and local laws and regulations. The Corporation's planned activities do not currently involve interstate commerce,

and therefore are not subject to FDA prior approval requirement . If any of our products and development activities become subject to federal drug approval processes and the Corporation decides to seek federal approval, we may need to comply with the drug research, approval and registration processes and requirements of the DEA and/or FDA for drugs developed and marketed on a national scale in the United States, which are described in the following risk factors under "Risks Related to Drug Development and the Business of Juva Research." There is no guarantee that we would be successful in obtaining such approvals and registrations.

The Corporation is in the process of applying for and obtaining licenses and permits in the localities in California in which it plans to operate, and will commence operations once the required state and local licenses and permits are obtained. Although the Corporation initially plans to research, develop and market products on an intrastate basis that meet state and local regulatory requirements in California, if the Corporation's business transitions into interstate commerce in the future, the Juva Research business may eventually involve development and sale of cannabis based products that will require FDA and/or DEA drug approval(s) and/or registration(s). In such case, the Corporation's activities related to research, development and marketing of its products, including dietary supplements, will be conducted in accordance with applicable federal and state law requirements. The Corporation will seek and obtain applicable premarketing authorizations or registrations from the FDA and/or DEA, as applicable, prior to marketing its products. Currently, the FDA appears to be exercising enforcement discretion and not taking enforcement action against those entities that comply with state and local regulations for medicinal cannabis. However, the FDA could modify its position and take action against companies such as Juva in the future. The DEA has also been exercising enforcement discretion and not taking action against entities that comply with state and local laws; however, that position could change and the DEA could take adverse action against the Corporation.

We have limited experience in drug development and may not be able to successfully develop any drugs, which would cause us to cease operations.

The Corporation has not successfully developed a new drug and brought it to market. Our management and clinical teams have experience in drug development but they may not be able to successfully develop any drugs. Our ability to achieve revenues and profitability in our business will depend on, among other things, our ability to develop products internally or to obtain rights to them from others on favorable terms, complete laboratory testing and human investigations, obtain and maintain necessary intellectual property rights to our products, successfully complete regulatory review to obtain requisite governmental agency approvals, and, if necessary, enter into arrangements with third parties to manufacture our products and provide sales and marketing functions. If we are unable to achieve these objectives, we may be forced to cease operations, and you could lose all of your investment.

FDA regulation of cannabis and the possible registration of facilities where medical cannabis is grown could negatively affect the cannabis industry, which would directly affect our financial condition.

Should the federal government legalize cannabis for medical use, it is possible that the FDA would seek to regulate it under the FDCA. Additionally, the FDA may issue rules and regulations including current good manufacturing practices related to the growth, cultivation, harvesting and processing of medical cannabis. Clinical trials may be needed to verify efficacy and safety. It is also possible that the FDA would require that facilities where medical cannabis is grown be registered with the FDA and comply with certain federally prescribed regulations. In the event that some or all of these regulations are imposed, we do not know what additional regulatory costs, requirements and possible prohibitions may be enforced.

Our ability to research, develop and commercialize drug product candidates is dependent on our ability to obtain and maintain the necessary controlled substance registrations from the DEA.

In the United States, the DEA currently regulates activities relating to the cultivation, possession and supply of cannabis for medical research and/or commercial development, including the requirement to obtain annual registrations to manufacture or distribute pharmaceutical products derived from cannabis extracts. The National Institute on Drug Abuse also plays a role in oversight of the cultivation of cannabis for medicinal research. Accordingly, we may be required to obtain and maintain the necessary DEA registrations for our medical cannabis business, and may be subject to other regulatory requirements. Commercialization of synthetically derived products may also require that we obtain and maintain the necessary DEA registrations, and be subject to other regulatory requirements.

We will be largely dependent on the success of our planned products, which will require the effective execution of our business plan, significant capital resources and years of development effort.

We are very early in our development efforts, and currently have no products on the market. Our business plan depends almost entirely on the successful development, regulatory approval and commercialization of our planned products, and substantial development and regulatory approval efforts will be required before we are permitted to commence commercialization. The manufacturing and marketing of our products will be subject to extensive and rigorous review and regulation by numerous government authorities in the United States, Canada, and any other jurisdictions where we intend to market our products. Before obtaining regulatory approvals for the commercial sale of any product, we must demonstrate that the product is safe and effective for use in each target indication, and potentially in specific patient populations. This process can take many years and may include post-marketing studies and surveillance, which would require the expenditure of substantial resources beyond our existing funds. Of the large number of drugs in development for approval in the United States, only a small percentage successfully complete the FDA regulatory approval process and are commercialized. Accordingly, even if we are able to obtain the requisite financing to continue to fund our research, development and clinical programs, we cannot assure you that any of our product candidates will be successfully developed or commercialized.

Development of pharmaceutical products is a time-consuming process, subject to a number of factors, many of which are outside of our control. Consequently, if we are unsuccessful or fail to timely develop new drugs, we could be forced to discontinue our operations.

Complex development and extensive testing will be required to determine the technical feasibility and commercial viability of the Corporation's proposed drug product(s). Our success will depend on our ability to achieve scientific and technological advances and to translate such advances into reliable, commercially competitive drugs on a timely basis. Drugs that we may develop are not likely to be commercially available, at a minimum, for a few years, if ever. The proposed development schedules for our product candidates may be affected by a variety of factors, including technological difficulties, proprietary technology of others, and changes in government regulation, many of which will not be within our control. Any delay in the development, introduction or marketing of our product candidates could result either in such drugs being marketed at a time when their cost and performance characteristics would not be competitive in the marketplace or in the shortening of their commercial lives. In light of the long-term nature of our projects and other risk factors described elsewhere in this document, we may not be able to successfully complete the development or marketing of any drugs which could cause us to cease operations.

We may fail to successfully develop and commercialize our product candidate(s) if any such product candidate is found to be unsafe or ineffective in clinical trials, does not receive necessary approval from the FDA or foreign regulatory agencies, fails to conform to a changing standard of care for the disease it seeks to treat, or is less effective or more expensive than current or alternative treatment methods.

Drug development failure can occur at any stage of clinical investigations and as a result of many factors, there can be no assurance that we or our collaborators will reach our anticipated clinical targets. Even if we or our collaborators complete our clinical investigations, we do not know what the long-term effects of exposure to our product candidates will be. Furthermore, our product candidates may be used in combination with other treatments and there can be no assurance that such use will not lead to unique safety issues. Failure to complete clinical investigations or to prove that our product candidates are safe and effective would have a material adverse effect on our ability to generate revenue and could require us to reduce the scope of or discontinue our operations, which could cause you to lose all of your investment.

If the FDA or comparable foreign regulatory authorities approve generic versions of any of our products that receive marketing approval, or such authorities do not grant our products appropriate periods of exclusivity before approving generic versions of our products, the sales of our products could be adversely affected.

Once a new drug application ("NDA") is approved by the FDA, the product covered thereby becomes a "reference listed drug" in the FDA's publication, "Approved Drug Products with Therapeutic Equivalence Evaluations," commonly known as the Orange Book. Manufacturers may seek approval of generic versions of reference listed drugs through submission of abbreviated new drug applications ("ANDAs") in the United States. In support of an ANDA, a generic manufacturer need not conduct clinical trials. Rather, the applicant generally must show that its product has the same active ingredient(s), dosage form, strength, route of administration and conditions of use or labeling as the reference listed drug and that the generic version is bioequivalent to the reference listed drug, meaning it is absorbed in the body at the same rate and to the same extent. Generic products may be significantly less costly to bring to market than the reference listed drug and companies that produce generic products are generally able to offer them at lower prices. Thus, following the introduction of a generic drug, a significant percentage of the sales of any branded product or reference listed drug is typically lost to the generic product.

The FDA may not approve an ANDA for a generic product until any applicable period of non-patent exclusivity for the reference listed drug has expired. The FDCA provides a period of five years of non-patent exclusivity for a new drug containing a new chemical entity ("NCE"). Specifically, in cases where such exclusivity has been granted, an ANDA may not be submitted to the FDA until the expiration of five years unless the submission is accompanied by a Paragraph IV certification that a patent covering the reference listed drug is either invalid or will not be infringed by the generic product, in which case the applicant may submit its application four years following approval of the reference listed drug.

As we develop drug products, the Corporation intends to ensure that the formulation would contain active ingredients that would be treated as NCEs by the FDA and, therefore, if approved, should be afforded five years of data exclusivity, although the FDA may disagree with that conclusion and may approve generic products after a period that is less than five years. If the FDA were to award NCE exclusivity to someone other than us, we believe that we would still be awarded three year "Other" exclusivity protection from generic competition, which is awarded when an application or supplement contains reports of new clinical investigations (not bioavailability studies) conducted or sponsored by an applicant and essential for approval. Manufacturers may seek to launch these generic products following the expiration of the applicable marketing exclusivity period, even if we still have patent protection for our product. If we do not maintain patent protection and data exclusivity for our product candidates, our business may be materially harmed.

Competition that our products may face from generic versions of our products could materially and adversely impact our future revenue, profitability and cash flows and substantially limit our ability to obtain a return on the investments we have made in those product candidates.

Even if we were to successfully develop approvable drugs, we will not be able to sell these drugs if we fail to comply with manufacturing regulations, which could have a materially adverse effect on our business.

If we were to successfully develop approvable drugs, before we can begin selling these drugs, we must obtain regulatory approval of our manufacturing facility and process or the manufacturing facility and process of the third party or parties with whom we may outsource our manufacturing activities. In addition, the manufacture of our products must comply with the FDA's current Good Manufacturing Practices regulations, commonly known as GMP regulations. The GMP regulations govern quality control and documentation policies and procedures. Our manufacturing facilities, and the manufacturing facilities of any third-party manufacturers we engage, will be continually subject to inspection by the FDA and other state, local and foreign regulatory authorities, before and after product approval. We cannot guarantee that we, or any potential third-party manufacturer of our products, will be able to comply with the GMP regulations or other applicable manufacturing regulations. The failure to comply with all necessary regulations would have a materially adverse effect on our business and could force us to cease operations.

We must comply with significant and complex government regulations, compliance with which may delay or prevent the commercialization of our product candidates, which could have a materially adverse effect on our business.

The research and development, manufacture and marketing of product candidates for pharmaceutical drugs and biological products are subject to regulation, primarily by the FDA in the United States and by comparable authorities in other countries. These national agencies and other federal, state, local and foreign entities regulate, among other things, research and development activities (including testing in animals and in humans) and the testing, manufacturing, handling, labeling, storage, record keeping, approval, advertising and promotion of the product that we are developing. Noncompliance with applicable requirements can result in various adverse consequences, including approval delays or refusals to approve drug licenses or other applications, suspension or termination of clinical investigations, revocation of approvals previously granted, fines, criminal prosecution, recalls or seizures of products, injunctions against shipping drugs and total or partial suspension of production and/or refusal to allow a company to enter into governmental supply contracts.

The process of obtaining FDA approval has historically been costly and time consuming. Current FDA requirements for a new human drug or biological product to be marketed in the United States include: (a) the successful conclusion of pre-clinical laboratory and animal tests, if appropriate, to gain preliminary information on the product's safety; (b) filing with the FDA of an IND application to conduct human clinical trials for drugs or biologics; (c) the successful completion of adequate and well-controlled human clinical investigations to establish the safety and efficacy of the product for its recommended use; and (d) filing by a company and acceptance and approval by the FDA of a NDA for a drug product or a biological license application for a biological product to allow commercial distribution of the drug or biologic. A delay in one or more of the procedural steps outlined above could be harmful to us in terms of getting our product candidates through clinical testing and to market, which could have a materially adverse effect on our business.

The FDA reviews the results of the clinical trials and may order the temporary or permanent discontinuation of clinical trials at any time if it believes the product candidate exposes clinical subjects to an unacceptable health risk. Investigational drugs used in clinical studies must be produced in compliance with current GMP rules pursuant to FDA regulations.

If we experience delays or discontinuations of our clinical trials by the FDA or comparable authorities in other countries, or if we fail to obtain registration or other approvals of our products or devices, then we could be forced to cease our operations and you could lose all of your investment.

Even if we are successful in developing drug product(s), we have limited experience in conducting or supervising clinical trials that must be performed to obtain data to submit in concert with applications for approval by the FDA. The regulatory process to obtain approval for drugs for commercial sale involves numerous steps. Drugs are subjected to clinical trials that allow development of case studies to examine safety, efficacy, and other issues to ensure that sale of drugs meets the requirements set forth by various governmental agencies, including the FDA. In the event that our protocols do not meet standards set forth by the FDA, or that our data is not sufficient to allow such trials to validate our drugs in the face of such examination, we might not be able to meet the requirements that allow our drugs to be approved for sale which could have a materially adverse effect on our business.

We can provide no assurance that any future product candidates will obtain regulatory approval or that the results of any clinical trials will be favorable.

The research and development plan for any product candidate will require completion of the Phases 1 and 2 clinical development program, commencement of a pivotal Phase 3 trial required for new drug approval, and other key milestones such as additional patent issuances and United States Orphan Drug designations. Due to our financial constraints, we may not have the resources necessary to complete our application. If the results of any initial Phases 1 and 2a clinical trials are satisfactory to the FDA, we may proceed to larger Phase 2b clinical trials in the United States. There is no guarantee the FDA will approve a Phase 2b trial, and even if they do, our financial constraints may prevent us from undertaking clinical trials.

The biopharmaceutical industry is characterized by rapid technological developments and a high degree of competition. We may be unable to compete with enterprises equipped with more substantial resources than us, which could cause us to curtail or cease operations.

The successful development of biopharmaceuticals is highly uncertain. A variety of factors, including pre-clinical investigation results or regulatory approvals, could cause us to abandon the development of our product candidates.

The biopharmaceutical industry is characterized by rapid technological developments and a high degree of competition based primarily on scientific and technological factors. These factors include the availability of patent and other protection for technology and products, the ability to commercialize technological developments and the ability to obtain government approval for testing, manufacturing and marketing.

We will compete with biopharmaceutical firms in the United States and elsewhere, as well as a growing number of large pharmaceutical companies that are applying biotechnology to their operations. Many biopharmaceutical companies have focused their development efforts in the human therapeutics area. Many major pharmaceutical companies have developed or acquired internal biotechnology capabilities or made commercial arrangements with other biopharmaceutical companies. These companies, as well as academic institutions, government agencies and private research organizations, also compete with us in recruiting and retaining highly qualified scientific personnel and consultants. Our ability to compete successfully with other companies in the pharmaceutical field will also depend to a considerable degree on the continuing availability of capital to us.

The Corporation faces significant competitive and market risk. These competitive and market risks could have a material adverse effect on our business, prospects, financial condition and results of operations, which may cause you to lose all of your investment.

Our competition will be determined in part by the potential indications for which drugs are developed and ultimately approved by regulatory authorities. Additionally, the timing of the market introduction of some of our potential product candidates or of competitors' products may be an important competitive factor. Accordingly, the relative speed with which we can develop drugs, complete pre-clinical testing, clinical investigations, approval processes and supply commercial quantities to market are important competitive

factors. We expect that competition among drugs approved for sale will be based on various factors, including product efficacy, safety, reliability, availability, price and patent protection.

Successful development of biopharmaceuticals is highly uncertain and is dependent on numerous factors, many of which are beyond our control.

Products that appear promising in the early phases of development may fail to reach the market for several reasons. Pre-clinical investigation results may show the product to be less effective than desired (e.g., the investigation failed to meet its primary objectives) or to have harmful or problematic side effects. Products may fail to receive the necessary regulatory approvals or may be delayed in receiving such approvals. Among other things, such delays may be caused by slow enrollment in clinical investigations, length of time to achieve investigation endpoints, additional time requirements for data analysis or a IND and later NDA, preparation, discussions with the FDA, an FDA request for additional pre-clinical or clinical data or unexpected safety or manufacturing issues, manufacturing costs, pricing or reimbursement issues, or other factors that make the product not economical. Proprietary rights of others and their competing products and technologies may also prevent the product from being commercialized.

Success in pre-clinical and early clinical investigations does not ensure that large-scale investigations will be successful. Clinical results are frequently susceptible to varying interpretations that may delay, limit or prevent regulatory approvals. The length of time necessary to complete clinical investigations and to submit an application for marketing approval for a final decision by a regulatory authority varies significantly from one product to the next, and may be difficult to predict. There can be no assurance that any of our products will develop successfully, and the failure to develop our products will have a materially adverse effect on our business, financial condition and results of operations.

Our employees may engage in misconduct or other improper activities, including noncompliance with regulatory standards and requirements, which could subject us to significant liability and harm our reputation.

We are exposed to the risk of employee fraud or other misconduct. Misconduct by employees could include intentional failures to comply with DEA or FDA regulations or similar regulations of other foreign regulatory authorities or state regulatory authorities, or failure to provide accurate information to regulatory authorities. In addition, misconduct by employees could include intentional failures to comply with certain manufacturing standards, to comply with United States federal and state healthcare fraud and abuse laws and regulations and similar laws and regulations established and enforced by comparable foreign regulatory authorities, to report financial information or data accurately or to disclose unauthorized activities to us. Employee misconduct could also involve the improper use of information obtained in the course of clinical investigations, which could result in regulatory sanctions and serious harm to our reputation. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could have a significant impact on our business and results of operations, including the imposition of significant fines or other sanctions.

If we are unable to develop sales, marketing and distribution capabilities or enter into agreements with third parties to perform these functions on acceptable terms, we may be unable to generate revenue.

If any of our product candidates is approved, we will need to develop internal sales, marketing and distribution capabilities to commercialize such products, which would be expensive and time-consuming, or enter into collaborations with third parties to perform these services. If we decide to market our products directly, we will need to commit significant financial and managerial resources to develop a marketing and sales force with technical expertise and supporting distribution, administration and compliance capabilities. If we rely on third parties with such capabilities to market our products or decide to co-promote products with collaborators, we will need to establish and maintain marketing and distribution arrangements with third parties, and there can be no assurance that we will be able to enter into such arrangements on acceptable

terms, or at all. In entering into third-party marketing or distribution arrangements, any revenue we receive will depend upon the efforts of the third parties and there can be no assurance that such third parties will establish adequate sales and distribution capabilities or be successful in gaining market acceptance of any approved product. If we are not successful in commercializing any product approved in the future, either on our own or through third parties, our business, financial condition and results of operations could be materially and adversely affected.

Product liability lawsuits against us could cause us to incur substantial liabilities.

Our use of our product candidates in clinical investigations and the sale of our products, if approved, exposes us to the risk of product liability claims. Product liability claims might be brought against us by patients, customers, healthcare providers or others selling or otherwise coming into contact with our products. For example, we may be sued if any product we develop allegedly causes injury or is found to be otherwise unsuitable during product testing, manufacturing, marketing or sale. Any such product liability claims may include allegations of defects in manufacturing, defects in design, a failure to warn of dangers inherent in the product, including as a result of interactions with alcohol or other drugs, negligence, strict liability, and a breach of warranties. Claims could also be asserted under state consumer protection acts. If we become subject to product liability claims and cannot successfully defend ourselves against them, we could incur substantial liabilities. In addition, regardless of merit or eventual outcome, product liability claims may result in, among other things:

- withdrawal of patients from our expected clinical investigations;
- substantial monetary awards to claimants;
- decreased demand for our product candidates following marketing approval, if obtained;
- damage to our reputation and exposure to adverse publicity;
- increased FDA warnings on product labels;
- litigation costs;
- distraction of management's attention from our primary business;
- loss of revenue; and
- the inability to successfully commercialize our product candidates, if approved.

We may be subject to product recalls for product defects that are self-imposed or imposed by regulators.

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If any of our products are recalled due to an alleged product defect or for any other reason, we could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. We 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 we will have detailed procedures in place for testing our 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. A recall for any of the foregoing reasons could lead to decreased demand for our products and could have a material adverse effect on the results of operations and our financial condition. Additionally, product recalls may lead to increased scrutiny of our operations by regulatory agencies, requiring further management attention and potential legal fees and other expenses.

We expect to face intense competition, often from companies with greater resources and experience than we have.

The cannabis industry and the biopharmaceutical industry are highly competitive and subject to rapid change. These industries continue to expand and evolve as an increasing number of competitors and potential competitors enter the market. Many of our competitors and potential competitors have

substantially greater financial, technological, managerial and research and development resources and experience than we have. Some of these competitors and potential competitors have more experience than we have in the development of products and product candidates, including validation procedures and regulatory matters. In addition, our products, if successfully developed, will compete with product offerings from large and well-established companies that have greater marketing and sales experience and capabilities than we have. If we are unable to compete successfully, we may be unable to grow and sustain our revenue.

Risks Related to the Corporation

We may be subject to additional regulatory burden resulting from any public listing on the CSE.

We intend to seek a listing on the CSE, although to date we have not been subject to the continuous and timely disclosure requirements of Canadian securities laws or other rules, regulations and policies of the CSE. We are working with our legal, accounting and financial advisors to identify those areas in which changes should be made to our financial management control systems to manage our obligations as a public company listed on the CSE. These areas include corporate governance, corporate controls, disclosure controls and procedures and financial reporting and accounting systems. We have made, and will continue to make, changes in these and other areas, including our internal controls over financial reporting. However, we cannot assure holders of our shares that these and other measures that we might take will be sufficient to allow us to satisfy our obligations as a public company listed on the CSE on a timely basis. In addition, compliance with reporting and other requirements applicable to public companies listed on the CSE will create additional costs for us and will require the time and attention of management. We cannot predict the amount of the additional costs that we might incur, the timing of such costs or the impact that management's attention to these matters will have on our business.

Our limited operating history makes it difficult for potential investors to evaluate our business prospects and management.

We have a very limited operating history upon which to base an evaluation of our business and prospects. Our short operating history may hinder our ability to successfully meet our objectives and makes it difficult for potential investors to evaluate our business or prospective operations. We have not generated any revenues since inception and we are not currently profitable and may never become profitable.

Operating results for future periods are subject to numerous uncertainties, and we cannot assure you that the Corporation will achieve or sustain profitability. As an early stage company, we are subject to all the risks inherent in the financing, expenditures, operations, complications and delays inherent in a new business. Future operating results will depend upon many factors, including our success in attracting and retaining motivated and qualified personnel, our ability to establish short term credit lines or obtain financing from other sources, such as the contemplated Offering, our ability to develop and market new products, control costs, and general economic conditions. Additionally, our ability to become profitable will depend upon: our ability to develop cannabis based products, to obtain approval for such products, and if approved, to successfully commercialize our products; our research and development efforts, including the timing and cost of clinical investigations; and our ability to enter into favorable alliances with third-parties who can provide substantial capabilities in clinical development, regulatory affairs, sales, marketing and distribution. Even if we successfully develop and market our cannabis based product(s), we may not generate sufficient or sustainable revenue to achieve or sustain profitability, which could cause us to cease operations and cause you to lose all of your investment.

The Corporation's prospects must be considered in light of the risks encountered by companies in the early stage of development, particularly companies in new and rapidly evolving markets. We cannot assure you that the Corporation will successfully address any of these risks. There can be no assurance that our efforts will be successful or that we will ultimately be able to attain profitability.

We need substantial additional funding to continue our operations. We may not be able to raise capital when needed, if at all, which would force us to delay, reduce or eliminate our product development programs or commercialization efforts and could cause our business to fail.

We require additional capital for the development of our business operations and commercialization of our planned products and product candidates. We may also encounter unforeseen expenses, difficulties, complications, delays and other unknown factors that may increase our capital needs and/or cause us to spend our cash resources faster than we expect. Accordingly, we will need to obtain substantial additional funding in order to continue our operations. The uncertainties surrounding our ability to fund our operations raise substantial doubt about our ability to continue as a going concern.

To date, we have financed our operations entirely through investments by founders and other investors. We may seek additional funds through public or private equity or debt financing, via strategic transactions or collaborative arrangements. Additional funding from those or other sources may not be available when or in the amounts needed, on acceptable terms, or at all. If we raise capital through the sale of equity, or securities convertible into equity, it would result in dilution to our existing shareholders, which could be significant depending on the price at which we may be able to sell our securities. If we raise additional capital through the incurrence of indebtedness, we would likely become subject to covenants restricting our business activities, and holders of debt instruments may have rights and privileges senior to those of our equity investors. In addition, servicing the interest and principal repayment obligations under debt facilities could divert funds that would otherwise be available to support research and development, clinical or commercialization activities. If we obtain capital through collaborative arrangements, these arrangements could require us to relinquish rights to our technology or product candidates and could result in our receipt of only a portion of the revenues associated with the partnered product.

There are no assurances that future funding will be available on favorable terms, or at all. If additional funding is not obtained, we may need to reduce, defer or cancel research and development efforts, preclinical and lab work, planned clinical investigations, our cultivation operations, or overhead expenditures to the extent necessary. The failure to fund our operating and capital requirements could have a material adverse effect on our business, financial condition and results of operations.

If we are unable to raise capital when needed or on attractive terms, we could be forced to delay, reduce or eliminate our research and development programs or any future commercialization efforts. Any of these events could significantly harm our business, financial condition and prospects.

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

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

When we acquire cannabis businesses, we may obtain the rights to applications for licenses as well as licenses; however, the procurement of such applications for licenses and licenses generally will be subject to governmental and regulatory approval. There are no guarantees that we will successfully consummate such acquisitions, and even if we consummate such acquisitions, the procurement of applications for licenses may never result in the grant of a license by any state or local governmental or regulatory agency,

and the transfer of any rights to licenses may not be approved by the applicable state and/or local governmental or regulatory agency.

Any inability to attract and retain qualified key management and technical personnel would impair our ability to implement our business plan.

Our success largely depends on the continued service of key management and other specialized personnel. The loss of one or more members of our management team or other key employees or consultants could materially harm our business, financial condition, results of operations and prospects. Because our management team is not obligated to provide us with continued service, they could terminate their employment or services with us at any time without penalty, subject to providing any required advance notice. Our future success and growth will depend in large part on our continued ability to attract and retain other highly qualified scientific, technical and management personnel and consultants, as well as personnel and consultants with expertise in clinical testing, manufacturing, governmental regulation and commercialization. We face competition for personnel and consultants from other companies, universities, public and private research institutions, government entities and other organizations.

We will need to grow the size of our organization, and we may experience difficulties in managing any growth we may achieve.

As of the date of this Prospectus, we have 11 full-time employees. As our development and commercialization plans and strategies develop, we expect to need additional research, development, managerial, operational, sales, marketing, financial, accounting, legal and other resources. Future growth would impose significant added responsibilities on members of management. Our management may not be able to accommodate those added responsibilities, and our failure to do so could prevent us from effectively managing future growth and successfully growing the Corporation.

We expect to incur significant ongoing costs and obligations related to our investment in infrastructure, growth, regulatory compliance and operations.

We expect to incur significant ongoing costs and obligations related to our investment in infrastructure and growth and regulatory compliance, which could have a material adverse impact on our 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 our operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on our business, results of operations and financial condition. Our efforts to grow our business may be costlier than we expect, and we may not be able to generate sufficient revenue to offset such higher operating expenses. We may incur significant losses in the future for a number of reasons, including unforeseen expenses, difficulties, complications and delays, and other unknown events.

If we are unable to protect our intellectual property rights, our competitive position could be harmed.

Our commercial success will depend in part on our ability to obtain and maintain intellectual property protection in the United States and Canada with respect to our proprietary technology and products. Our ability to successfully implement our business plan depends on our ability to build and maintain brand recognition using trademarks, service marks, trade dress and other intellectual property. We may rely on trade secret, trademark, patent and copyright laws, and confidentiality and other agreements with employees and third parties, all of which offer only limited protection. The steps we have taken and the steps we will take to protect our proprietary rights may not be adequate to preclude misappropriation of our proprietary information or infringement of our intellectual property rights. If our efforts to protect our intellectual property are unsuccessful or inadequate, or if any third party misappropriates or infringes on our intellectual property, the value of our brands may be harmed, which could have a material adverse effect on the Corporation's business and prevent our brands from achieving or maintaining market acceptance.

If we are unable to obtain and maintain patent protection for our technology and products, or if the scope of the patent protection obtained is not sufficient, our competitors could develop and commercialize technology and products similar or superior to ours, and our ability to successfully commercialize our technology and products may be adversely affected. It is also possible that we will fail to identify patentable aspects of inventions made in the course of our development and commercialization activities before it is too late to obtain patent protection on them.

Protecting against the unauthorized use of our trademarks, patented technology and other intellectual property rights is expensive, difficult and may in some cases not be possible. In some cases, it may be difficult or impossible to detect third-party infringement or misappropriation of our intellectual property rights, and proving any such infringement may be even more difficult.

We may become subject to claims by third parties asserting that we or our employees have misappropriated their intellectual property, or claiming ownership of what we regard as our own intellectual property.

Our commercial success depends upon our ability to develop, manufacture, market and sell our products, and to use our related proprietary technologies without violating the intellectual property rights of others. We may become party to, or threatened with, future adversarial proceedings or litigation regarding intellectual property rights with respect to our products. Third parties may assert infringement claims against us, and if we are found to infringe a third party's intellectual property rights, we could be required to obtain a license from such third party to continue commercializing our products. However, we may not be able to obtain any required license on commercially reasonable terms or at all. Under certain circumstances, we could be forced, including by court order, to cease commercializing the applicable product. In addition, in any such proceeding or litigation, we could be found liable for monetary damages. A finding of infringement could prevent us from commercializing our products or force us to cease some of our business operations, which could materially harm our business. Any claims by third parties that we have misappropriated their confidential information or trade secrets could have a similar negative impact on our business. We attempt to ensure that our products and the methods we employ to manufacture them, as well as the methods for their uses we intend to promote, do not infringe other parties' proprietary rights. There can be no assurance they do not, however, and competitors or other parties may assert that we infringe their proprietary rights in any event.

Our financial situation creates doubt whether we will continue as a going concern.

We have not generated revenues since inception, and we expect to incur a net loss for the fiscal year ending December 31, 2019 and thereafter, primarily as a result of increased operating expenses. There can be no assurances that we will be able to achieve a level of revenues adequate to generate sufficient cash flow from operations or obtain funding from this Offering or additional financing through private placements, public offerings and/or bank financing necessary to support our working capital requirements. To the extent that funds generated from any private placements, public offerings and/or bank financing are insufficient, we will have to raise additional working capital. No assurance can be given that additional financing will be available, or if available, will be on acceptable terms. These conditions raise substantial doubt about our ability to continue as a going concern. If adequate working capital is not available, we may be forced to discontinue operations, which would cause investors to lose their entire investment. Our auditors have indicated that these conditions raise substantial doubt about the Corporation's ability to continue as a going concern.

We will need but may be unable to obtain additional funding on satisfactory terms, which could dilute our shareholders or impose burdensome financial restrictions on our business.

In the future, we hope to rely on revenues generated from operations to fund all of the cash requirements of our activities. However, there can be no assurance that we will be able to generate any significant cash from

our operating activities in the future. Future financings may not be available on a timely basis, in sufficient amounts or on terms acceptable to us, if at all. Any debt financing or other financing of securities senior to the Common Shares will likely include financial and other covenants that will restrict our flexibility. Any failure to comply with these covenants would have a material adverse effect on our business, prospects, financial condition and results of operations because we could lose our existing sources of funding and impair our ability to secure new sources of funding. There can be no assurance that the Corporation will be able to generate any investor interest in its securities. If we do not obtain additional financing, our business may never commence, in which case you would likely lose the entirety of your investment in the Corporation.

We will incur increased costs as a result of our public reporting obligations, and our management team will be required to devote substantial time to new compliance initiatives.

We are subject to the reporting requirements under Regulation A and, in accordance with Regulation A, will file periodic reports, current reports, exit reports (if and when applicable), and other information with the SEC. These periodic reports, current reports, exit reports (if and when applicable) and other information will be available for inspection and copying at the SEC's public reference facilities and on the SEC's website at www.sec.gov. Particularly after we are no longer an "*emerging growth company*," we will continue to incur significant legal, accounting and other expenses that we have not incurred as a private company. Our management and other personnel would need to devote a substantial amount of time to comply with our reporting obligations. Moreover, these reporting obligations will increase our legal and financial compliance costs and will make some activities more time-consuming and costly.

Failure to develop our internal controls over financial reporting as we grow could have an adverse impact on us.

As the Corporation matures we will need to continue to develop and improve our current internal control systems and procedures to manage our growth. We are required to establish and maintain appropriate internal controls over financial reporting. Failure to establish appropriate controls, or any failure of those controls once established, could adversely impact our public disclosures regarding our business, financial condition or results of operations. In addition, management's assessment of internal controls over financial reporting may identify weaknesses and conditions that need to be addressed in our internal controls over financial reporting or other matters that may raise concerns for investors. Any actual or perceived weaknesses and conditions that need to be addressed in our internal control over financial reporting, disclosure of management's assessment of our internal controls over financial reporting or disclosure of our public accounting firm's attestation to or report on management's assessment of our internal controls over financial reporting may have an adverse impact on the price of our Common Shares.

We will need to raise additional funding, which may not be available on acceptable terms, or at all. Failure to obtain this necessary capital when needed may force us to delay, limit or terminate our product development efforts or other operations.

Raising funds in the current economic environment may present additional challenges. It is not certain that we have accounted for all costs and expenses of future development and regulatory compliance. Even if we believe we have sufficient funds for our current or future operating plans, we may seek additional capital if market conditions are favorable or if we have specific strategic considerations.

Any additional fundraising efforts may divert our management from their day-to-day activities, which may adversely affect our ability to develop and commercialize our products. In addition, we cannot guarantee that future financing will be available in sufficient amounts or on terms acceptable to us, if at all. Moreover, the terms of any financing may adversely affect the holdings or the rights of our shareholders and the issuance of additional securities, whether equity or debt, by us, or the possibility of such issuance, may cause the market price of our shares to decline. The sale of additional equity or convertible securities may

dilute our existing shareholders. The incurrence of indebtedness would result in increased fixed payment obligations and we may be required to agree to certain restrictive covenants, such as limitations on our ability to incur additional debt, limitations on our ability to acquire, sell or license intellectual property rights and other operating restrictions that could adversely impact our ability to conduct our business. We could also be required to seek funds through arrangements with collaborative partners or otherwise at an earlier stage than otherwise would be desirable and we may be required to relinquish rights to some of our technologies or product candidates or otherwise agree to terms unfavorable to us, any of which may have a material adverse effect on our business, operating results and prospects.

If we are unable to obtain funding on a timely basis, we may be required to significantly curtail, delay or discontinue one or more of our research or development programs or the commercialization of any product, or be unable to expand our operations or otherwise capitalize on our business opportunities, as desired, which could materially affect our business, financial condition and results of operations.

We have no minimum capitalization.

We do not have a minimum capitalization, and we may use the proceeds from this Offering immediately following our acceptance of the corresponding subscription agreements. We do not have any track record for self-underwritten Regulation A+ offerings and there can be no assurance we will sell the Maximum Amount in this Offering or any other amount. There is no assurance that we will raise sufficient capital solely from this Offering to implement our business plan, potentially resulting in greater operating losses unless we are able to raise the required capital from alternative sources. There is no assurance that alternative capital, if needed, would be available on terms acceptable to us, or at all.

Risks Related to Our Securities

We engage in transactions with related parties and such transactions present possible conflicts of interest that could have an adverse effect on us.

We have entered into transactions with related parties. The details of certain of these transactions are set forth in "Interests of Management and Others in Material Transactions."

Related party transactions create the possibility of conflicts of interest with regard to our management, including that:

- we may enter into contracts between us, on the one hand, and related parties, on the other, that are not the result of arm's-length transactions;
- our executive officers and directors that hold positions of responsibility with related parties may be aware of certain business opportunities that are appropriate for presentation to us as well as to such other related parties and may present such business opportunities to such other parties; and
- our executive officers and directors that hold positions of responsibility with related parties may have significant duties with, and spend significant time serving, other entities and may have conflicts of interest in allocating time.

Such conflicts could cause an individual in our management to seek to advance his or her economic interests or the economic interests of certain related parties above ours. Further, the appearance of conflicts of interest created by related party transactions could impair the confidence of our investors. Notwithstanding this, it is possible that a conflict of interest could have a material adverse effect on our liquidity, results of operations and financial condition.

Our executive officers and directors and their respective affiliates exercise significant control over the Corporation, which will limit your ability to influence corporate matters and could delay or prevent a change in corporate control.

Our executive officers and directors currently represent beneficial ownership, in the aggregate, of approximately 40.75% of our outstanding Common Shares. As a result, these shareholders may be able to influence our management and affairs and control the outcome of matters submitted to our shareholders for approval, including the election of directors and any sale, merger, consolidation, or sale of all or substantially all of our assets. These shareholders may have interests, with respect to their Common Shares, that are different from those of other investors in Corporation, and the concentration of voting power among one or more of these shareholders may have an adverse effect on the price of our Common Shares. In addition, this concentration of ownership might adversely affect the market price of our Common Shares by:

- delaying, deferring or preventing a change of control of the Corporation;
- impeding a merger, consolidation, takeover or other business combination involving the Corporation; or
- discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control of the Corporation.

Conflicts of Interest

The Corporation may be subject to various potential conflicts of interest because of the fact that some of its officers and directors may be engaged in a range of business activities. In addition, the Corporation's executive officers and directors may devote time to their outside business interests, so long as such activities do not materially or adversely interfere with their duties to the Corporation. In some cases, the Corporation's executive officers and directors may have fiduciary obligations associated with these business interests that interfere with their ability to devote time to the Corporation's business and affairs and that could adversely affect the Corporation's operations. These business interests could require significant time and attention of the Corporation's executive officers and directors.

There is no existing market for our Common Shares, and you cannot be certain that an active trading market or a specific share price will be established.

There has been no public market for shares of our Common Shares. We cannot predict the extent to which investor interest in our Corporation will lead to the development of a trading market or how liquid that market might become. The market price for our Common Shares may decline below an investor's acquisition price, and our stock price is likely to be volatile.

We will use our best efforts to list our Common Shares for trading on a securities exchange; however, it is uncertain when our Common Shares will be listed on an exchange for trading, if ever.

There is currently no public market for our Common Shares and there can be no assurance that one will ever develop. Our Board of Directors, in its sole discretion, may choose to take actions necessary to list our Common Shares on a national securities exchange, but is not obligated to do so. As a result, our Common Shares may not be listed on a securities exchange for an extended period of time, if at all. If our Common Shares are not listed on an exchange, it may be difficult to sell or trade in our Common Shares.

We may lose our status as a foreign private issuer in the United States, which would result in increased costs related to regulatory compliance under United States securities laws.

The Corporation will cease to qualify as a "foreign private issuer," as defined in Rule 405 under the Securities Act and Rule 3b-4 under the *United States Securities Exchange Act of 1934*, as amended (the "**Exchange Act**"), if, as of the last business day of our second fiscal quarter, more than 50 percent of our

outstanding Common Shares are directly or indirectly owned by residents of the United States. If we determine that we fail to qualify as a foreign private issuer, the Corporation will cease to be eligible to avail itself of the forms and rules designated for foreign private issuers beginning on the first day of the fiscal year following such determination. Among other things, this will result in loss of the exemption from registration under the Exchange Act provided by Rule 12g3-2(b) thereunder, and, if the Corporation is required to register our Common Shares under section 12(g) of the Exchange Act, we will have to do so as a domestic issuer. Further, any securities that we issue in unregistered or unqualified offerings both within and outside the United States will be "restricted securities" (as defined in Rule 144(a)(3) under the Securities Act), and will continue to be subject to United States resale restrictions notwithstanding their resale in "offshore transactions" pursuant to Regulation S under the Securities Act. As a practical matter, this will likely require us to register more offerings of our securities under the Securities Act on either a primary offering or resale basis, even if they take place entirely outside the United States. The resulting legal and administrative costs of complying with the resulting regulatory requirements are anticipated to be substantial, and to subject the Corporation to additional exposure to liability for which we may not be able to obtain insurance coverage on favorable terms or at all.

If our stock price fluctuates, you could lose a significant part of your investment.

The market price of our Common Shares could be subject to wide fluctuations in response to, among other things, the risk factors described in this section of the Prospectus, and other factors beyond our control, such as fluctuations in the valuation of companies perceived by investors to be comparable to us. Furthermore, the stock markets have experienced price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies. These fluctuations often have been unrelated or disproportionate to the operating performance of those companies. These broad market and industry fluctuations, as well as general economic, political, and market conditions, such as recessions, interest rate changes or international currency fluctuations, may negatively affect the market price of our Common Shares. In the past, many companies that have experienced volatility in the market price of their stock have been subject to securities class action litigation. We may be the target of this type of litigation in the future. Securities litigation against us could result in substantial costs and divert our management's attention from other business concerns, which could seriously harm our business.

PLAN OF DISTRIBUTION

This is a non-offering Prospectus. No securities are offered pursuant to this Prospectus.

The Corporation has applied to list its Common Shares on the CSE. In order to obtain a listing, the Corporation must fulfill all of the listing requirements of the CSE, including obtaining a receipt for this non-offering Prospectus from the British Columbia Securities Commission, distributing its Common Shares to a minimum number of public shareholders and meeting certain financial and other requirements. The CSE has conditionally approved the listing of the Common Shares, but there is no assurance that the Corporation will ultimately be granted a listing.

As at the date of this Prospectus, the Corporation 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, the TSX Venture Exchange, a U.S. marketplace, or a marketplace outside Canada and the United States of America.

PROMOTER

Douglas Chloupek, the Corporation's CEO, may be considered to be a Promoter of the Corporation the purposes of applicable securities laws, as Mr. Chloupek has taken the initiative in reorganizing and

financing the Corporation. Mr. Chloupek owns directly and indirectly 28,296,584 Common Shares, representing, 23.56% of the issued and outstanding Common Shares. See “*Directors and Executive Officer*” for more information about Mr. Chloupek.

Except as disclosed in this Prospectus, to the best of the Corporation’s knowledge, no person who was a promoter of the Corporation within the last two years:

- (a) receive anything of value directly or indirectly from the Corporation or a subsidiary; or
- (b) sold or otherwise transferred any asset to the Corporation or a subsidiary within the last two years.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

In October 2018, Juva USA and Kindrub/Kind Medicine, Inc. ("**Kind**"), a cannabis manufacturer, executed a Letter of Intent to memorialize the parties' mutual intent for Juva USA to acquire Kind (the "**Kind Transaction**"). The Letter of Intent set forth various binding and non-binding terms that would govern the parties' conduct until the Kind Transaction was complete or the pursuit of the Kind Transaction was terminated. Pursuant to the Letter of Intent, Juva USA paid \$150,000 .00 to Kind as a deposit to be credited towards the purchase price. Shortly after executing the Letter of Intent, the parties entered into a Cannabis Business Management Agreement (the "**Kind Management Agreement**") whereby Juva USA took over all management of Kind's business while continuing its due diligence in connection with the Kind Transaction. Per the terms of the Kind Management Agreement, Juva USA incurred substantial out of pocket costs associated with the business management and operation. In December 2018, after Juva USA had made the \$150,000 .00 deposit payment to Kind and incurred multiple expenses and made loans under the Kind Management Agreement, Kind notified Juva CA of its intent to terminate the Letter of Intent. Juva USA demanded the return of the deposit and expenses under the governing agreements. Kind refused to return the monies owed to Juva USA. Pursuant to the arbitration clause set forth in the Letter of Intent, Juva USA filed an arbitration demand with the American Arbitration Association for costs and damages against Kind on June 3, 2019.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as described below and except for employment and compensation arrangements which are described under "Executive Compensation" above, since the inception of Juva USA and the Corporation, there has not been, nor is there currently proposed, any transaction in which the Corporation or any of its subsidiaries are or were a participant and the amount involved exceeds the lesser of \$120,000 or 1% of the total assets as of May 15, 2019, and in which any of our directors, executive officers, holders of more than 5% of our Common Shares or any immediate family member of any of the foregoing had or will have a direct or indirect material interest.

During the year ended December 31, 2019, the Corporation had the following related party transactions:

- (a) The Corporation paid \$602,281 (2018 - \$276,469) in lease payments and a \$27,240 (2018 - \$56,211) security deposit to Best Leasing Services, Inc., a company 100% owned by the CEO and a shareholder of the Corporation;
- (b) The Corporation paid \$752,837 (2018 - \$83,116) in salaries and consulting fees to key management of the Corporation;

- (c) In connection with the acquisition of Precision and VG, the Corporation assumed a total of \$Nil (2018 - \$284,778) in amounts owed to the CEO and director of the Corporation;
- (d) The Corporation recorded share-based compensation of \$429,743 (2018 - \$24,791) for the vested portion of options granted to key management; and
- (e) The Corporation recorded share-based compensation of \$2,517,817 (2018 - \$Nil) for the vested portion of RSUs granted to officers and directors.

Included in accounts payable and accrued liabilities as at December 31, 2019 is \$31,750 (2018 - \$53,592) owed to the CEO and CFO of the Corporation.

During the period ended December 31, 2018, Juva USA had the following related party transactions:

- Juva USA paid an aggregate of \$276,240 in lease payments and \$56,211 in security deposits to Best Leasing Services, Inc., a company owned by Douglas Chloupek, the Chief Executive Officer and a director and shareholder of the Corporation. Juva USA leases the San Juan facility, the Clawiter Road facility and the Enterprise Avenue facility from Best Leasing Services, Inc. pursuant to sublease agreements with Best Leasing Services, Inc. Approximately 90% of the payments under the sublease agreements are passed directly to the landlord of each property pursuant to the master lease agreements between such landlord and Best Leasing Services, Inc.
- In connection with the acquisition of Precision and VG, Juva USA assumed a total of \$249,778 in amounts owed to Douglas Chloupek, the Chief Executive Officer and a director and shareholder of the Corporation, and \$35,000 in amounts owed to our director, Rakesh Patel's father, which amounts were repaid in December 2018.

Review, Approval and Ratification of Related Party Transactions

Given our small size and limited financial resources, we have not adopted formal policies and procedures for the review, approval or ratification of transactions, such as those described above, with our executive officer(s), director(s) and significant shareholders. We intend to establish formal policies and procedures in the future, once we have sufficient resources and have appointed additional directors, so that such transactions will be subject to the review, approval or ratification of our Board, or an appropriate committee thereof. On a moving forward basis, our directors will continue to approve any related party transaction.

AUDITOR, REGISTRAR AND TRANSFER AGENT

Auditor

The Corporation's auditor is Davidson & Company LLP, 609 Granville Street, Suite 1200, Vancouver, British Columbia, V7Y 1G6.

Davidson & Company LLP prepared the auditor's reports for

- (1) the year ended December 31, 2019 on the annual consolidated financial statements of the Corporation included in this Prospectus, and
- (2) the period from incorporation on June 29, 2018 to December 31, 2018 on the annual consolidated financial statements of Juva USA included in this Prospectus

Transfer Agent and Registrar

The registrar and transfer agent of the Corporation is VStock Transfer, LLC, 18 Lafayette Place, Woodmere, NY 11598. The Corporation intends to retain Odyssey Trust Company as its registrar and transfer agent once the Common Shares are listed on the CSE.

MATERIAL CONTRACTS

Other than contracts entered into in the ordinary course of business, the Corporation has not entered into any material contracts not disclosed elsewhere in this Prospectus.

INTEREST OF EXPERTS

The audited consolidated financial statements of the Corporation included with this Prospectus have been subject to audit by Davidson & Company LLP and their audit report is included herein. Davidson & Company LLP have advised it is independent with respect to the Corporation within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of British Columbia.

OTHER MATERIAL FACTS

There are no other material facts about the Corporation which are not otherwise disclosed in this Prospectus.

FINANCIAL STATEMENTS

The following financial statements are attached to this Prospectus:

- (1) the year ended December 31, 2019 on the annual consolidated financial statements of the Corporation; and
- (2) the period from incorporation on June 29, 2018 to December 31, 2018 on the annual consolidated financial statements of Juva USA.

FINANCIAL STATEMENTS

Juva Life Inc.

Consolidated Financial Statements

As at and for the year ended December 31, 2019

(Expressed in US Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Directors of
Juva Life Inc.

Opinion

We have audited the accompanying consolidated financial statements of Juva Life Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of loss and comprehensive loss, cash flows, and changes in shareholders' equity for the year ended December 31, 2019 and the period from incorporation as at June 29, 2018 to December 31, 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the year ended December 31, 2019 and the period from incorporation as at June 29, 2018 to December 31, 2018 in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2 of the consolidated financial statements, which indicates that the Company incurred a net loss of \$8,980,603 during the year ended December 31, 2019 and, as of that date, the Company's accumulated deficit was \$12,350,088. As stated in Note 2, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.



We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Professional Accountants

April 22, 2020

Juva Life Inc.
Consolidated Statements of Financial Position
(Expressed in US dollars)

| | Note | <u>December 31, 2019</u> | <u>December 31, 2018</u> |
|---|------|------------------------------|------------------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash | | \$ 1,276,143 | \$ 2,358,086 |
| Accounts receivable | | 4,905 | - |
| Other receivables | 7 | 181,175 | - |
| Prepaid expenses | | <u>71,871</u> | <u>68,246</u> |
| Total current assets | | <u>1,534,094</u> | <u>2,426,332</u> |
| Non-current assets | | | |
| Deposits | 7 | 76,315 | 260,645 |
| Intangible assets | 9 | 83,541 | 83,541 |
| Right of use assets | 14 | 2,422,029 | - |
| Property and equipment | 8 | <u>2,500,151</u> | <u>328,129</u> |
| Total non-current assets | | <u>5,082,036</u> | <u>672,315</u> |
| Total assets | | <u>6,616,130</u> | <u>3,098,647</u> |
| LIABILITIES | | | |
| Accounts payable and accrued liabilities | 10 | 515,001 | 156,904 |
| Warrant liability | 11 | 3,951,028 | 1,771,393 |
| Current portion of lease liabilities | 14 | <u>971,954</u> | <u>-</u> |
| | | 5,437,983 | 1,928,297 |
| Non-current liability | | | |
| Lease liabilities | 14 | <u>1,795,109</u> | <u>-</u> |
| | | 7,233,092 | 1,928,297 |
| SHAREHOLDERS' EQUITY (DEFICIT) | | | |
| Share capital | 5 | 6,433,175 | 4,490,107 |
| Option exercise proceeds receivable | 5 | (770,677) | - |
| Share subscriptions received in advance | 5 | 3,472,174 | - |
| Reserves | 5 | 2,681,348 | 75,509 |
| Other comprehensive loss | | (82,894) | (25,781) |
| Deficit | | <u>(12,350,088)</u> | <u>(3,369,485)</u> |
| Total shareholders' equity (deficit) | | <u>(616,962)</u> | <u>1,170,350</u> |
| Total liabilities and shareholders' equity (deficit) | | <u>\$ 6,616,130</u> | <u>\$ 3,098,647</u> |

Nature of operations (Note 1)
Going concern (Note 2)
Commitments and contingencies (Note 15)
Subsequent events (Note 18)

These consolidated financial statements were authorized for issue by the Board of Directors on April 21, 2020.

Approved by the Board of Directors:

"Doug Chloupek" Director "Dr. Rakesh Patel" Director
"Norton Singhavon" Director

Juva Life Inc.
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in US dollars)

| | Note | <u>For the year ended December 31, 2019</u> | <u>For the period from incorporation on June 29, 2018 to December 31, 2018</u> |
|---|-------|---|--|
| Expenses | | | |
| Consulting fees | 10 | \$ 131,334 | \$ 173,149 |
| Rent | 10 | 50,765 | 286,826 |
| Professional fees | | 574,151 | 407,529 |
| Salaries and benefits | 10 | 1,154,771 | 236,015 |
| Marketing and promotion | | 223,139 | 186,771 |
| Interest expense on lease liabilities | 8, 14 | 435,103 | - |
| Depreciation | 8, 14 | 730,103 | - |
| Permits | | 61,617 | 49,970 |
| Share-based payments | 5 | 3,159,444 | 52,681 |
| Office and administration | | 415,719 | 90,653 |
| Operating expenses | | <u>6,936,146</u> | <u>1,483,594</u> |
| Other Item: | | | |
| Change in fair value of warrant liability | 11 | 1,987,836 | 1,023,586 |
| Impairment of intangible assets | 6 | - | 690,041 |
| Foreign exchange loss | | 56,621 | 172,264 |
| | | <u>2,044,457</u> | <u>1,885,891</u> |
| Loss for the period | | <u>\$ 8,980,603</u> | <u>\$ 3,369,485</u> |
| Other comprehensive loss | | | |
| Foreign currency translation adjustment | | <u>57,113</u> | <u>25,781</u> |
| Total comprehensive loss for the period | | <u>\$ 9,037,716</u> | <u>\$ 3,395,266</u> |
| Basic and diluted loss per common share | | <u>\$ 0.11</u> | <u>\$ 0.07</u> |
| Weighted average number of common shares outstanding | | <u>84,095,986</u> | <u>51,582,107</u> |

Juva Life Inc.
Consolidated Statements of Cash Flows
(Expressed in US dollars)

| | For the year ended December 31, 2019 | For the period from incorporation on June 29, 2018 to December 31, 2018 |
|--|---|--|
| OPERATING ACTIVITIES | | |
| Loss for the period | \$ (8,980,603) | \$ (3,369,485) |
| Items not involving cash: | | |
| Change in fair value of warrant liability | 1,987,836 | 1,023,586 |
| Depreciation | 730,103 | - |
| Foreign exchange | - | 50,115 |
| Interest expense on lease liabilities | 435,103 | - |
| Share-based payments | 3,159,444 | 52,681 |
| Impairment of intangible assets | - | 690,041 |
| Changes in non-cash working capital items: | | |
| Accounts receivable | (4,905) | - |
| Prepaid expenses | (3,625) | (68,246) |
| Accounts payable and accrued liabilities | (26,832) | 84,905 |
| Cash used in operating activities | (2,703,479) | (1,536,403) |
| INVESTING ACTIVITIES | | |
| Purchase of property and equipment | (1,870,854) | (224,718) |
| Deposits | 3,155 | (39,344) |
| Purchase of intangible assets | - | (16,528) |
| Deposit on acquisition | - | (189,090) |
| Repayment of shareholder loans | - | (282,793) |
| Cash used in investing activities | (1,867,699) | (752,473) |
| FINANCING ACTIVITIES | | |
| Repayment of lease liability | (806,892) | - |
| Proceeds from issuance of shares | 1,543,563 | 4,834,029 |
| Share issuance costs | (673,889) | - |
| Share subscriptions received in advance | 3,472,174 | (111,172) |
| Cash provided by financing activities | 3,534,956 | 4,722,857 |
| Effect of foreign exchange on cash | (45,721) | (75,895) |
| Increase (decrease) in cash | (1,081,943) | 2,358,086 |
| Cash, beginning of the period | 2,358,086 | - |
| Cash, end of the period | \$ 1,276,143 | \$ 2,358,086 |

Supplemental cash flow information (Note 16)

Juva Life Inc.
Consolidated Statements of Changes in Shareholders' Equity
(Expressed in US dollars)

| | | <u>Share Capital</u> | | Share | Share Subscriptions | | Other | | Total |
|--|------|----------------------|------------------|------------------|---------------------|------------------|-----------------|---------------------|------------------|
| | Note | Number | Amount | Proceeds | Received in | Reserves | Comprehensive | Deficit | Shareholders' |
| | | | \$ | \$ | \$ | \$ | Loss | \$ | Equity (Deficit) |
| | | | | | | | | | \$ |
| June 29, 2018 | | | | | | | | | |
| Issuance of founder's shares | 5 | 10 | - | - | - | - | - | - | - |
| Share subscriptions received in advance | 5 | - | - | - | - | - | - | - | - |
| Shares issued for acquisition | 5 | 35,000,000 | 537,885 | - | - | - | - | - | 537,885 |
| Private placements - Juva USA | 5 | 41,103,967 | 4,834,029 | - | - | - | - | - | 4,834,029 |
| Share issuance costs | 5 | - | (134,000) | - | - | 22,828 | - | - | (111,172) |
| Warrant liability | 11 | - | (747,807) | - | - | - | - | - | (747,807) |
| Share-based payments | 5 | - | - | - | - | 52,681 | - | - | 52,681 |
| Foreign currency translation adjustment | | - | - | - | - | - | (25,781) | - | (25,781) |
| Loss and comprehensive loss for the period | | - | - | - | - | - | - | (3,369,485) | (3,369,485) |
| December 31, 2018 | | 76,103,977 | 4,490,107 | - | - | 75,509 | (25,781) | (3,369,485) | 1,170,350 |
| Private placement - Juva USA | 5 | 1,542,867 | 400,376 | - | - | - | - | - | 400,376 |
| Private placement - Juva Canada | 5 | 4,440,535 | 1,143,187 | - | - | - | - | - | 1,143,187 |
| Share issuance costs | 5 | - | (754,888) | - | - | 10,516 | - | - | (744,372) |
| Warrant liability | 11 | - | (180,405) | - | - | - | - | - | (180,405) |
| Share subscriptions received in advance | 5 | - | - | - | 3,472,174 | - | - | - | 3,472,174 |
| Exercise of stock options | 5 | 8,400,000 | 1,368,233 | (804,112) | - | (564,121) | - | - | - |
| Cancellation of shares | 5 | (600,000) | (33,435) | 33,435 | - | - | - | - | - |
| Share-based payments | 5 | - | - | - | - | 3,159,444 | - | - | 3,159,444 |
| Foreign currency translation adjustment | | - | - | - | - | - | (57,113) | - | (57,113) |
| Loss and comprehensive loss for the year | | - | - | - | - | - | - | (8,980,603) | (8,980,603) |
| December 31, 2019 | | 89,887,379 | 6,433,175 | (770,677) | 3,472,174 | 2,681,348 | (82,894) | (12,350,088) | (616,962) |

Juva Life Inc.
Notes to the Consolidated Financial Statements
For the year ended December 31, 2019
(Expressed in US dollars)

1. NATURE OF OPERATIONS

Juva Life Inc. (the “Company”) was incorporated under the laws of British Columbia on April 3, 2019. The principal business of the Company is to acquire, own, and operate various cannabis business in the state of California. The Company’s registered office is 1055 West Georgia Street, 1500 Royal Centre, P.O. Box 11117, Vancouver, BC V6E 4N.

The Company is planning to operate in the medical and recreational cannabis sectors in California, USA. While some states in the United States have authorized the use and sale of marijuana, it remains illegal under federal law and the approach to enforcement of U.S. federal laws against marijuana is subject to change. Because the Company will be engaging in the marijuana-related activities in the US, it assumes certain risks due to conflicting state and federal laws. The federal law relating to marijuana could be enforced at any time and this would put the Company at risk of being prosecuted and having its assets seized when the Company starts operations in the cannabis sector.

On May 30, 2019, the Company entered into an Agreement and Plan of Merger (the “Agreement”) with its wholly owned subsidiary, Juva Holdings (California) Ltd. (“SubCo”), a company incorporated under the laws of the State of California, USA for purposes of the merger, and Juva Life, Inc. (“Juva USA”), a company incorporated under the laws of the State of California, USA. Under the terms of the Agreement, SubCo merged with Juva USA, the legal existence of SubCo ceased and Juva USA was the surviving entity, becoming a wholly owned subsidiary of the Company. After the transaction, the Company will apply for a listing on the Canadian Securities Exchange (“CSE”).

The merger is not a business combination and does not result in any change of economic substance as the shareholders group before and after the merger does not change. Accordingly, the consolidated financial statements of the Company is a continuation of Juva USA.

2. GOING CONCERN

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. The Company incurred a net loss of \$8,980,603 during the year ended December 31, 2019. Management is aware, in making its assessment, of material uncertainties related to events or conditions that casts substantial doubt upon the Company's ability to continue as a going concern.

Juva Life Inc.
Notes to the Consolidated Financial Statements
For the year ended December 31, 2019
(Expressed in US dollars)

3. BASIS OF PRESENTATION

These consolidated financial statements have been prepared on a historical cost basis. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The accounting policies below have been applied to all periods presented in these consolidated financial statements and are based on International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretation Committee (“IFRIC”).

The policies applied in these consolidated financial statements are based on IFRS issued and effective as of December 31, 2019.

3.1. Basis of measurement

These consolidated financial statements have been prepared using the measurement basis specified by IFRS for each type of asset, liability, revenue and expense.

3.2. Significant judgments, estimates and assumptions

The preparation of the Company’s consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continually evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

Critical adjustments exercised in applying accounting polices that have the most significant effect on the amounts recognized in the consolidated statements are as follows:

Determination of functional currency

The Company determines the functional currency through an analysis of several indicators such as expenses and cash flow, financing activities, retention of operating cash flows, and frequency of transactions within the reporting entity.

Assets acquisition

The Company acquired two private companies on July 31, 2018 (Note 6). The process for determining whether the acquisition was an asset purchase versus a business acquisition was performed and primary consideration was given to the stage of operations, among other items. Shares issued for the acquisition were valued on the issue date and the excess of overall acquisition costs over net assets acquired was attributed to the intangible assets acquired.

Going concern

The preparation of the consolidated financial statements requires management to make judgments regarding the going concern of the Company as previously discussed in note 2.

Juva Life Inc.
Notes to the Consolidated Financial Statements
For the year ended December 31, 2019
(Expressed in US dollars)

3. BASIS OF PRESENTATION (continued)

Impairment of long-lived assets

The Company performs impairment testing annually for long-lived assets as well as when circumstances indicate that there may be impairment for these assets. Management judgement is involved in determining if there are circumstances indicating that testing for impairment is required, and in identifying cash generating unit (“CGU”) for the purpose of impairment testing.

The Company assesses impairment by comparing the recoverable amount of a long-lived asset, CGU, or CGU group to its carrying value. The recoverable amount is defined as the higher of: (i) value in use; or (ii) fair value less cost to sell. The determination of the recoverable amount involves management judgement and estimation. These estimates and assumptions could affect the Company’s future results if the current estimates of future performance and fair values change.

Estimation Uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year:

Depreciation and amortization

The Company’s equipment and finite-life intangible assets are depreciated and amortized using straight-line method, taking into account the estimated useful lives of the assets and residual values. Changes to these estimates may affect the carrying value of these assets, net earnings, and comprehensive income (loss) in future periods.

Income taxes

Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were originally recorded, such differences will affect the tax provisions in the period in which such determination is made.

Valuation of share-based compensation

The Company uses the Black-Scholes option pricing model for valuation of share-based. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate, and forfeiture rate. Changes in input assumptions can materially affect the fair value estimate and the Company’s earnings and equity reserves.

Juva Life Inc.
Notes to the Consolidated Financial Statements
For the year ended December 31, 2019
(Expressed in US dollars)

3. BASIS OF PRESENTATION (continued)

3.3 Basis of consolidation

In addition to Juva USA, as mentioned previously, these consolidated financial statements incorporate the financial statements of the Company and its wholly controlled subsidiaries, Precision Apothecary Inc. (“Precision”), VG Enterprises LLC (“VG”), Juva RWC Inc., and Juva Stockton Inc., all of which were incorporated in the state of California and 1177988 B.C. Ltd., a company incorporated in British Columbia, Canada. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The consolidated financial statements include the accounts of the Company and its direct wholly-owned subsidiaries. All significant intercompany transactions and balances have been eliminated.

Where the Company’s interest is less than 100%, the interest attributable to outside shareholders is reflected in non-controlling interest. Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Company’s equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interests’ share of changes in equity since the date of the combination.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Impairment of Non-Financial Assets

At the end of each reporting period, the carrying amounts of the Company’s assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm’s length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

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or assets that generate largely independent cash inflows, which is comprised of intangible assets of the Company, the recoverable amount is determined for the cash generating unit (‘CGU’) to which the asset belongs. Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Juva Life Inc.
Notes to the Consolidated Financial Statements
For the year ended December 31, 2019
(Expressed in US dollars)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Provisions

Liabilities are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. A provision is a liability of uncertain timing or amount.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to the passage of time is recognized as a finance expense.

4.3 Income Taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

Current tax assets and liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit which differs from profit or loss in the consolidated financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects taxable profit or accounting profit. Deferred tax liabilities on temporary differences associated with shares in subsidiaries and joint ventures is not provided for if reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are likely to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss in the period that includes the substantive enactment date. Deferred tax assets are recognized for all temporary differences, carry-forward of unused tax credits and unused tax losses to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same entity or different entities which intend to settle current tax assets and liabilities on a net basis or simultaneously in each future period in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Juva Life Inc.
Notes to the Consolidated Financial Statements
For the year ended December 31, 2019
(Expressed in US dollars)

Changes in deferred tax assets or liabilities are recognized as a component of income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

4.4 Share capital

The Company records proceeds from share issuances net of issue costs and any tax effects in shareholders' equity. Common shares issued for consideration other than cash are valued based on their market value at the date the shares were granted. Common shares held by the Company are classified as treasury stock and recorded as a reduction to shareholders' equity.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The Company considers the fair value of common shares issued in private placements to be the more easily measurable component of unit offerings and the common shares are valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to any attached warrants or other features. Any fair value attributed to warrants is recorded as reserves.

4.5 Share-based Payments

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled transactions and, when determinable, are recorded at the value of the goods and services received. If the value of the goods and services received is not determinable, then the fair value of the share-based payment is used.

The Company uses a fair value-based method (Black-Scholes Option Pricing Model) for all share options granted to directors, employees and non-employees. For directors and employees, the fair value of the share options is measured at the date of grant. For grants to non-employees where the fair value of the goods or services is not determinable, the fair value of the share options is measured on the date the services are received.

The fair value of share-based payments is charged to profit or loss, with the offsetting credit to contributed surplus. For directors, employees and consultants, the share options are recognized over the vesting period based on the best available estimate of the number of share options expected to vest. If options vest immediately, the expense is recognized when the options are issued. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior periods where vested. For non-employees, the share options are recognized over the related service period. When share options are exercised, the amounts previously recognized in reserves are transferred to share capital.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Juva Life Inc.
Notes to the Consolidated Financial Statements
For the year ended December 31, 2019
(Expressed in US dollars)

In the event share options are forfeited prior to vesting, the associated fair value recorded to date is reversed. The fair value of any vested share options that expire remain in reserves.

4.6 Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

4.7 Property and Equipment

Equipment and leasehold improvement items are carried at cost less accumulated depreciation and accumulated impairment losses. In the year of acquisition, depreciation is recorded at one-half the normal rate. Depreciation is recognized using the straight-line method at the following annual rates:

| | | |
|------------------------|---------------|-----------------|
| Equipment | Straight-Line | 10% |
| Leasehold Improvements | Straight-Line | over lease term |

Equipment that is withdrawn from use, or has no reasonable prospect of being recovered through use or sale, are regularly identified and written off.

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Subsequent expenditure relating to an item of property and equipment is capitalized when it is probable that future economic benefits from the use of the assets will be increased. All other subsequent expenditures are recognized as repairs and maintenance expense.

4.8 Intangible assets

Intangible assets are recognized and measured at cost. Intangible assets with finite useful lives are amortized using the straight-line method over the useful life of the asset. The Company conducts an annual assessment of the residual balances, useful lives and amortization methods being used for intangible assets and any changes arising from the assessment are applied by the Company prospectively. Intangible assets with indefinite useful lives are not amortized. An impairment test on intangible assets is performed annually or whenever there is indication that the intangible asset is impaired.

Juva Life Inc.
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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9 Earnings (Loss) per Share

Basic earnings (loss) per share is computed by dividing net income (loss) (the numerator) by the weighted average number of outstanding common shares for the period (denominator). In computing diluted earnings per share, an adjustment is made for the dilutive effect of outstanding share options, warrants and other convertible instruments.

In the periods when the Company reports a net loss, the effect of potential issuances of shares under share options and other convertible instruments is anti-dilutive. Therefore, basic and diluted loss per share are the same. When diluted earnings per share is calculated, only those share options and other convertible instruments with exercise prices below the average trading price of the Company's common shares for the year will be dilutive.

4.10 Financial Instruments

Financial assets

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income.

The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Cash, accounts receivable, and other receivables are measured at amortized cost.

Impairment

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the year.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Juva Life Inc.
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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

Financial liabilities are designated as either: (i) fair value through profit or loss; or (ii) amortized cost. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Accounts payable and accrued liabilities and lease obligations are classified as and measured at amortized cost and carried on the statement of financial position at amortized cost.

Derivative financial instruments

The Company issues warrants exercisable in a currency other than the Company's functional currency and as a result, the warrants are derivative financial instruments.

Derivative financial instruments are initially recognized at fair value and subsequently measured at fair value with changes in fair value recognized in profit or loss. Transaction costs are recognized in profit or loss as incurred.

4.11 Share Issuance Costs

Share issuance costs, which include commissions, facilitation payments, professional fees and regulatory fees, are charged directly to share capital.

4.12 Comprehensive Income (Loss)

Total comprehensive income (loss) comprises all components of profit or loss and other comprehensive income. Other comprehensive income (loss) includes items such as gains and losses on re-measuring FVOCI financial assets and the effective portion of gains and losses on hedging instruments in a cash flow hedge.

4.13 Foreign Currency Translation

The functional currency is the currency of the primary economic environment in which the entity operates. The functional currency for the Company and all of its US subsidiaries is the US dollar. The functional currency of its Canadian subsidiary is the Canadian dollar. The functional currency determination was conducted through an analysis of the consideration factors identified in IAS 21, the Effects of Changes in Foreign Exchange Rates.

Transactions in currencies other than the US dollar are recorded at exchange rates prevailing on the date of the transaction. At the end of each reporting period, monetary assets and liabilities of the Company that are denominated in a foreign currency are translated at the rate of exchange prevailing at the statement of financial position date, while non-monetary assets and liabilities are translated at the exchange rate prevailing on the transaction date. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transaction. Exchange gains and losses arising on translation are included in the consolidated statement of loss and comprehensive loss.

Juva Life Inc.
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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

The results and financial position of all the consolidated entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows: (i) assets and liabilities for each statement of financial position presented are translated at the rate of exchange in effect as at the date of statement of financial position; (ii) income and expense items for each statement of loss and comprehensive loss are translated at the average rates of exchange in effect during the reporting period; and (iii) all resulting exchange differences are recognized in accumulated other comprehensive income (loss).

4.14 Adoption of new accounting policy - leases

Impact of application of IFRS 16 Leases

Effective January 1, 2019, the Company adopted IFRS 16 using the modified retrospective application method, where the 2018 comparatives are not restated and the cumulative effect of initially applying IFRS 16 has been recorded on January 1, 2019 for any differences identified. The Company has determined that the adoption of IFRS 16 resulted in no adjustments to the opening balance of accumulated deficit.

IFRS 16 introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases under IFRS 17 and requiring the recognition of a right-of-use asset (“ROU asset”) and a lease liability at the lease commencement for all leases, except for short-term leases (lease terms of 12 months or less) and leases of low value assets.

In applying IFRS 16 for all leases, except as noted above, the Company (i) recognizes the ROU asset and lease liabilities in the statement of financial position, initially measured at the present value of future lease payments; (ii) recognizes the depreciation of ROU assets and interest on lease liabilities in the consolidated statement of loss and comprehensive loss; and (iii) separates the total amount of cash paid into a principal portion (presented in financing activities) and interest (presented within operating activities) in the consolidated statements of cash flows. For short-term leases and leases of low value assets, the Company has opted to recognize a lease expense on a straight-line basis, and this expense is presented within office and miscellaneous in the consolidated statements of loss and comprehensive loss.

The Company has made use of the following practical expedients available on transition to IFRS 16:

- Measure the ROU assets equal to the lease liability calculated for each lease;
- Apply the recognition exemptions for low value leases and leases that end within 12 months of the date of initial application, and account for them as low value and short-term leases, respectively; and
- Accounting for non-lease components and lease components as a single lease component.

Juva Life Inc.
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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

As at January 1, 2019, the Company recognized \$3,138,853 in right-of-use assets and in lease liabilities as summarized below.

| | \$ |
|---|--------------------|
| Minimum lease payments under operating leases as of December 31, 2018 | 4,346,358 |
| Effect from discounting at the incremental borrowing rate as of January 1, 2019 | <u>(1,207,505)</u> |
| Right-of-use assets and lease liabilities recognized as of January 1, 2019 | <u>3,138,853</u> |

The incremental borrowing rate for lease liabilities initially recognized on adoption of IFRS 16 was 15%.

New accounting policy for leases under IFRS 16

The Company assesses whether a contract is or contains a lease, at the inception of a contract. The Company recognizes a ROU asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, at the commencement of the lease, with the following exceptions: (i) the Company has elected not to recognize ROU assets and liabilities for leases where the total lease term is less than or equal to 12 months, or (ii) for leases of low value. The payments for such leases are recognized in the consolidated statement of loss and comprehensive loss on a straight-line basis over the lease term.

The ROU asset is initially measured based on the present value of lease payments, lease payments made at or before the commencement day, and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. The ROU asset is depreciated over the shorter of the lease term or the useful life of the underlying asset. The ROU asset is subject to testing for impairment if there is an indicator of impairment.

The lease liability is initially measured at the present value of lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. Lease payments include fixed payments less any lease incentives, and any variable lease payments where variability depends on an index or rate. When the lease contains an extension or purchase option that the Company considers reasonably certain to be exercised, the cost of the option is included in the lease payments.

ROU assets are presented separately from property and equipment, and the lease liability is presented as a separate line in the consolidated statement of financial position. Variable lease payments that do not depend on an index or rate are not included in the measurement of the ROU asset and lease liability. The related payments are recognized as an expense in the period in which the triggering event occurs and are included in the consolidated statement of loss and comprehensive loss.

5. EQUITY

Juva Life Inc.
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5.1 Authorized Share Capital

Unlimited number of common shares with no par value.

5.2 Shares Issued

Shares issued and outstanding as at December 31, 2019 are 89,887,379 Class A common shares

During the year ended December 31, 2019, the Company issued:

- a) On April 17, 2019, Juva USA issued 1,542,867 units at a price of CDN \$0.35 per unit for gross proceeds of CDN \$540,003 (USD \$400,376). The units are comprised of one common share and one-half common share purchase warrant. Each warrant is exercisable at CDN \$0.60 for a period of 18 months. In connection with this financing, the Company paid finders' fees of 7% on a portion of the gross proceeds and issued 68,285 finders' warrants, with each warrant entitling the holder to purchase one common share of the Company at a price of CDN \$0.60 for a period of 18 months after issuance.
- b) On July 11, 2019, the Company issued 4,251,964 units at a price of CDN \$0.35 per unit for gross proceeds of CDN \$1,488,187 (USD \$1,143,187). The units are comprised of one common share and one-half common share purchase warrant. Each warrant is exercisable at CDN \$0.60 for a period of 18 months. In connection with this financing, the Company paid finders' fees of 7% on a portion of the gross proceeds and issued 90,125 finders' warrants, with each warrant entitling the holder to purchase one common share of the Company at a price of CDN \$0.60 for a period of 18 months after issuance.
- c) The Company issued 188,571 shares as part of the private placement that closed November 16, 2018.
- d) The Company received subscriptions in advance of \$3,472,174 as part of its current non-brokered private placement (See Note 18).
- e) The Company issued 8,400,000 shares upon the exercise of stock options with exercise prices ranging from CAD 0.02 to CAD 0.35 per share for gross proceeds of \$804,112, which are recorded as share proceeds receivable.
- f) The Company cancelled 600,000 shares with a value of \$33,435. These shares were issued upon the exercise of 600,000 stock options.

During the period ended December 31, 2018, Juva USA issued:

- a) 10 founder common shares at a value of \$0.01;
- b) 35,000,000 common shares with a value of \$537,885 pursuant to the acquisition of Precision and VG (Note 6).

Juva Life Inc.
Notes to the Consolidated Financial Statements
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5. EQUITY (continued)

- c) On August 8, 2018, the Company issued 15,000,000 common shares at a price of CDN \$0.02 per common share for gross proceeds of CDN \$300,000 (USD \$233,295).
- d) On August 31, 2018, the Company issued 10,400,000 units at a price of CDN \$0.05 per unit for gross proceeds of CDN \$520,000 (USD \$404,375). The units are comprised of one common share and one-half common share purchase warrant. Each warrant is exercisable at CDN \$0.05 for a period of one year. See Note 11.
- e) On October 23, 2018, the Company issued 3,631,643 units at a price of CDN \$0.35 per unit for gross proceeds of CDN \$1,271,075 (USD \$970,434). The units are comprised of one common share and one-half common share purchase warrant. Each warrant is exercisable at CDN \$0.60 for a period of 18 months (see Note 11). In connection with this financing, the Company paid finders' fees of 7% on a portion of the gross proceeds and issued 158,620 finders' warrants, with each warrant entitling the holder to purchase one common share of the Company at a price of CDN \$0.60 for a period of 18 months after issuance; and
- f) On November 16, 2018, the Company issued 12,072,324 units at a price of CDN \$0.35 per unit for gross proceeds of CDN \$4,225,313 (USD \$3,225,925). The units are comprised of one common share and one-half common share purchase warrant. Each warrant is exercisable at CDN \$0.60 for a period of 18 months (see Note 11). In connection with this financing, the Company paid finders' fees of 7% on a portion of the gross proceeds and issued 117,985 finders' warrants, with each warrant entitling the holder to purchase one common share of the Company at a price of CDN \$0.60 for a period of 18 months after issuance.

5.3 Stock Options

The Company adopted a Stock Option Plan (the "Plan") whereby the maximum number of shares reserved for issue under the plan shall not exceed 20% of the issued and outstanding shares. Under the Plan, the Board of Directors may from time to time authorize the grant of options to directors, employees, and consultants of the Company. Under the terms of the Plan, options will be exercisable for periods up to ten years and must have an exercise price not less than the fair market value of a share on the grant date. The term of the options granted to a 10% shareholder shall not exceed ten years. Vesting provision is determined by the Board of Directors at the grant date.

During the year ended December 31, 2019, Juva USA:

- a) Granted 2,675,000 stock options to directors, officers, and consultants of the Company. Each option is exercisable at CDN\$0.35 for a period of 10 years. The stock options were valued using the Black-Scholes option pricing model. See Note 5.5
- b) Amended the terms of certain stock options granted during the period ended December 31, 2018 and allowed for early exercise of these stock options, with any unvested shares to be held in trust until such time as shares vest per the terms of the original agreements. The Company issued 8,400,000 common shares pursuant to exercise of stock options with exercise prices ranging from CDN\$0.02 to CDN\$0.35. As at December 31, 2019, 3,140,000 shares out of the 8,400,000 shares were held in trust.

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5. EQUITY (continued)

During the period ended December 31, 2018, Juva USA granted:

- a) 5,125,000 stock options to directors, officers, and consultants of the Company. Each option is exercisable at CDN \$0.02 for a period of 10 years; and
- b) 1,050,000 stock options to directors, officers, and consultants of the Company. Each option is exercisable at prices ranging from CDN \$0.05 to CDN \$0.055 for a period of 10 years.

A summary of the changes in stock options is presented below:

| | Number of options | Weighted average exercise price |
|----------------------------|----------------------|------------------------------------|
| | | CAD \$ |
| Balance, June 29, 2018 | - | - |
| Granted | 6,775,000 | 0.03 |
| Balance, December 31, 2018 | 6,775,000 | 0.03 |
| Granted | 2,675,000 | 0.35 |
| Cancelled | (1,050,000) | 0.04 |
| Exercised | (8,400,000) | 0.13 |
| Balance, December 31, 2019 | - | - |

5.4 Share purchase warrants

During the year ended December 31, 2019, the Company amended the terms of warrants that expired on August 31, 2019. The Company extended the expiry date to the earlier of a) 18 months after the date the Company is listed on the CSE; and b) December 31, 2023. The warrants will vest 25% immediately upon listing with the remaining vesting 25% each quarter thereafter.

A summary of the changes in warrants is presented below:

| | Number of warrants | Weighted average exercise price |
|----------------------------|-----------------------|------------------------------------|
| | | CDN \$ |
| Balance, June 29, 2018 | - | - |
| Granted | 13,505,719 | 0.03 |
| Balance, December 31, 2018 | 13,505,719 | 0.39 |
| Granted | 3,055,826 | 0.60 |
| Balance, December 31, 2019 | 16,561,545 | 0.40 |

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5. EQUITY (continued)

The following share purchase warrants were outstanding as at December 31, 2019:

| <u>Outstanding</u> | <u>Exercisable</u> | <u>Exercise Price</u> | <u>Expiry Date</u> |
|--------------------------|--------------------------|-----------------------|--------------------|
| CDN \$ | | | |
| 1,974,442 | 1,974,442 | 0.60 | 23-Apr-20 |
| 6,331,277 | 6,331,277 | 0.60 | 16-May-20 |
| 839,719 | 839,719 | 0.60 | 17-Oct-20 |
| 2,216,107 | 2,216,107 | 0.60 | 29-Jan-21 |
| <u>5,200,000</u> | <u>-</u> | 0.60 | 31-Dec-23 |
| <u><u>16,561,545</u></u> | <u><u>11,361,545</u></u> | | |

5.5 Restricted Share Unit Award Plan

In 2019, the Company adopted an Equity Incentive Plan (“the Plan”) whereby the aggregate number of common shares issuable pursuant to the Plan combined with all of the Company’s other security based compensation arrangements, including the Company’s Stock Option Plan, shall not exceed 20% of the Company’s outstanding shares.

On July 20, 2019, the Company granted 10,429,881 restricted stock units (“RSUs”) to directors, officers and consultants of the Company. The RSUs have varying vesting terms and expire on July 20, 2029. The RSUs were valued using the fair market value of CDN \$0.35 (USD \$0.27) at the time of grant. Accordingly, an amount of \$2,670,832 was recorded in share-based payment expense in the consolidated statements of loss and comprehensive loss.

5.6 Share-based payment expense and reserves

Pursuant to vesting schedules, the share-based payment expense for the stock options that were granted during the year ended December 31, 2019 was \$488,612 (December 31, 2018 - \$52,681) and was recorded in the consolidated statements of loss and comprehensive loss.

The fair value of the stock options that were granted during the year ended December 31, 2019 was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

| | <u>2019</u> | <u>2018</u> |
|---------------------------------|-------------|-------------|
| Risk-free interest rate | 1.45% | 2.49% |
| Expected stock price volatility | 100% | 100% |
| Expected dividend yield | 0.0% | 0.0% |
| Expected option life in years | 10.0 | 10.0 |

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5. EQUITY (continued)

The fair value of stock option granted was \$0.22 (2018 - \$0.02) per option.

Pursuant to the financings on April 17, 2019 and July 11, 2019, the share-based payment expense for the warrants that were granted was \$10,516. The fair value of the finder's warrants was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

| | | |
|---|----|-------------------|
| Risk-free interest rate | | 1.51% |
| Expected stock price volatility | | 100% |
| Dividend payment during life of warrant | | Nil |
| Expected forfeiture rate | | Nil |
| Expected dividend yield | | 0.0% |
| Expected warrant life in years | | 1.5 |
| Weighted average exercise price | \$ | 0.43 (CDN \$0.60) |
| Weighted average share price | \$ | 0.27 (CDN \$0.35) |

The fair value of warrants granted was \$0.07 (2018 - \$0.08) per warrant.

Pursuant to the financing on October 23, 2018, the share-based payment expense for the 158,600 finder's warrants that were granted was \$13,090. The fair value of the finder's warrants was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

| | | |
|---|----|-------------------|
| Risk-free interest rate | | 2.14% |
| Expected stock price volatility | | 92% |
| Dividend payment during life of warrant | | Nil |
| Expected forfeiture rate | | Nil |
| Expected dividend yield | | 0.0% |
| Expected warrant life in years | | 1.5 |
| Weighted average exercise price | \$ | 0.43 (CDN \$0.60) |
| Weighted average share price | \$ | 0.27 (CDN \$0.35) |

The fair value of the warrants granted was \$0.08 per warrant.

Juva Life Inc.
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5. EQUITY (continued)

Pursuant to the financing on November 16, 2018, the share-based payment expense for the 117,985 finder's warrants that were granted was \$9,738. The fair value of the finder's warrants was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

| | | |
|---|----|-------------------|
| Risk-free interest rate | | 2.14% |
| Expected stock price volatility | | 92% |
| Dividend payment during life of warrant | | Nil |
| Expected forfeiture rate | | Nil |
| Expected dividend yield | | 0.0% |
| Expected warrant life in years | | 1.5 |
| Weighted average exercise price | \$ | 0.43 (CDN \$0.60) |
| Weighted average share price | \$ | 0.27 (CDN \$0.35) |

The fair value of the warrants granted was \$0.08 per warrant.

6. ACQUISITIONS

On July 31, 2018, the Company entered into a Contribution and Equity Exchange Agreement with the shareholders of Precision and VG whereby the Company acquired all of the issued and outstanding shares of Precision and VG for the issuance of 35,000,000 common shares of the Company. The fair value of the common shares issued was \$537,885 and was based on a recent private placement share price completed. The Company has accounted for the acquisitions as purchase of assets and assumption of liabilities. The transaction did not qualify as a business combination under IFRS 3, Business Combination. The acquisition of Precision and VG was treated as asset acquisitions.

The fair value of the assets acquired, and liabilities assumed from Precision as at date of acquisition were as follows:

| | |
|--|-------------------|
| Consideration | |
| Value of 32,425,000 common shares issued | \$ 498,312 |
| Total consideration value: | \$ 498,312 |
| Net assets acquired | |
| Security deposit | \$32,211 |
| Intangible assets | 690,041 |
| Accounts payable and accrued liabilities | (50,924) |
| Due to shareholders | (173,016) |
| Net assets acquired: | \$ 498,312 |

6. ACQUISITIONS (continued)

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Precision holds a trademark and associated copyrights and customer lists, branding and other promotional materials used under this trademark. The excess of consideration over net assets has been allocated to the intangible assets related to the trade name and customer lists. The Company has classified the trademark and customer lists as intangible assets with infinite life. Precision and the Company are related by way of the common director and the acquisition is considered to be a related party transaction. As at December 31, 2018, the Company performed an impairment assessment of these assets and determined that they are impaired. Accordingly, the Company recorded an impairment charge totalling \$690,041.

The fair value of the assets acquired, and liabilities assumed from VG as at date of acquisition were as follows:

| Consideration | |
|---|------------------|
| Value of 2,575,000 common shares issued | \$ 39,573 |
| Total consideration value: | \$ 39,573 |
| Net assets acquired | |
| Property and equipment | \$82,336 |
| Intangible assets | 67,014 |
| Due to shareholders | (109,777) |
| Net assets acquired: | \$ 39,573 |

During the period, VG entered into one lease agreement and the Company entered into one lease agreement to facilities for cannabis cultivation, manufacturing and processing. Amortization on the permits will commence once the facilities are operational. The excess of consideration over net assets has been allocated to the intangible assets related to the future lease rights. During the period, the Company performed an impairment assessment on these assets and determined that no impairment existed.

7. DEPOSITS AND OTHER RECEIVABLES

- a) During the year ended December 31, 2018, the Company entered into a letter of intent (the “LOI”) to acquire KindRub Collective (“Kind”). As part of the LOI, the Company paid \$150,000 on deposit and loaned Kind \$39,090 as part of a separate management agreement. During the year ended December 31, 2019, the LOI was terminated. \$7,915 was repaid by Kind during the period. The Company is pursuing collection of the deposit and loaned funds and accordingly has reclassified \$181,175 as other receivables as at December 31, 2019.
- b) In connection with the acquisition of Precision, the Company assumed security deposits on certain leases totalling \$32,211. In addition, the Company paid a total of \$39,344 on additional leases that it entered into during the period ended December 31, 2018.

8. PROPERTY AND EQUIPMENT

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| Cost | Leasehold | | Total |
|----------------------------|------------|--------------|--------------|
| | Equipment | Improvements | |
| Balance, June 29, 2018 | \$ - | \$ - | \$ - |
| Additions | 74,436 | 253,693 | \$ 328,129 |
| Balance, December 31, 2018 | \$ 74,436 | \$ 253,693 | \$ 328,129 |
| Additions | 696,141 | 1,489,160 | 2,185,301 |
| Balance, December 31, 2019 | \$ 770,577 | \$ 1,742,853 | \$ 2,513,430 |
| Accumulated Amortization | | | |
| Balance, June 29, 2018 | \$ - | \$ - | \$ - |
| Additions | - | - | - |
| Balance, December 31, 2018 | \$ - | \$ - | \$ - |
| Additions | 13,279 | - | 13,279 |
| Balance, December 31, 2019 | \$ 13,279 | \$ - | \$ 13,279 |
| Net Book Value | | | |
| Balance, December 31, 2018 | \$ 74,436 | \$ 253,693 | \$ 328,129 |
| Balance, December 31, 2019 | \$ 757,298 | \$ 1,742,853 | \$ 2,500,151 |

9. INTANGIBLE ASSETS

The Company's intangible assets include lease rights acquired from VG in the amount of \$67,014 and a domain name acquired for \$16,527 for a total of \$83,541.

| Cost | Lease rights | Domain name | Total |
|--|--------------|-------------|-----------|
| Balance, December 31, 2018 and December 31, 2019 | \$ 67,014 | \$ 16,527 | \$ 83,541 |

10. RELATED PARTY TRANSACTIONS AND BALANCES

Relationships

Nature of the relationship

Key management

Key management are those personnel having the authority and responsibility for planning, directing and controlling the Company and include the President and Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, VP Finance, and VP Cultivation.

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10. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

During the year ended December 31, 2019, the Company had the following related party transactions:

- (e) The Company paid \$602,281 (2018 - \$276,469) in lease payments and a \$27,240 (2018 - \$56,211) security deposit to Best Leasing Services, Inc., a company 100% owned by the CEO and a shareholder of the Company;
- (f) The Company paid \$752,837 (2018 - \$83,116) in salaries and consulting fees to key management of the Company;
- (g) In connection with the acquisition of Precision and VG, the Company assumed a total of \$Nil (2018 - \$284,778) in amounts owed to the CEO and director of the Company;
- (h) The Company recorded share-based compensation of \$429,743 (2018 - \$24,791) for the vested portion of options granted to key management; and
- (i) The Company recorded share-based compensation of \$2,517,817 (2018 - \$Nil) for the vested portion of RSUs granted to officers and directors.

Included in accounts payable and accrued liabilities as at December 31, 2019 is \$31,750 (2018 - \$53,592) owed to the CEO and CFO of the Company.

11. WARRANT LIABILITY

In connection with the private placements completed during the periods ended December 31, 2018, the Company issued a total of 13,229,194 warrants exercisable at a price ranging from CDN\$0.05 to CDN\$0.60 per share. These warrants were assigned a fair value of \$747,807 using the Black-Scholes Pricing Model.

In connection with the private placements completed during the year ended December 31, 2019, the Company issued a total of 2,897,416 warrants exercisable at a price of CDN\$0.60 per share. These warrants were assigned a fair value of \$180,405 using the Black-Scholes Pricing Model.

The fair value allocated to these warrants at December 31, 2019 was \$3,951,028 (2018 - \$1,771,393) and is recorded as a derivative financial liability as these warrants are exercisable in Canadian dollars, differing from the Company's functional currency. The change in fair value totalling \$1,987,836 is recognized in the consolidated statements of loss and comprehensive loss for the year ended December 31, 2019.

The fair value of the warrants is calculated using the Black-Scholes Option Pricing Model. Option pricing models require the input of highly speculative assumptions, including the expected future price volatility of a Company's shares. Changes in these assumptions can materially affect the fair value estimate and, therefore, existing models do not necessarily provide a reliable single measure of the fair value of the Company's warrants.

Juva Life Inc.
Notes to the Consolidated Financial Statements
For the year ended December 31, 2019
(Expressed in US dollars)

11. WARRANT LIABILITY (continued)

The Company used the following assumptions to estimate the fair value of the warrant liability of the warrants granted during the year ended December 31, 2019:

| | December 31, 2019 |
|---|------------------------------|
| Expected warrant life | 1.03 years |
| Expected stock price volatility | 100% |
| Dividend payment during life of warrant | Nil |
| Expected forfeiture rate | Nil |
| Risk free interest rate | 2.01% |
| Exercise price | CDN \$0.60 |
| Share price | CDN \$0.46 |

The Company used the following assumptions to estimate the fair value of the warrant liability of the warrants granted during the period ended December 31, 2018:

| Expected warrant life | 1.01 years |
|---|------------|
| Expected stock price volatility | 100% |
| Dividend payment during life of warrant | Nil |
| Expected forfeiture rate | Nil |
| Risk free interest rate | 2.01% |
| Exercise price | CDN \$0.49 |
| Share price | CDN \$0.85 |

12. MANAGEMENT OF CAPITAL

The Company defines the capital that it manages as its shareholders' equity.

The Company's objective when managing capital is to maintain corporate and administrative functions necessary to support the Company's operations and corporate functions; and to seek out and acquire new projects of merit.

The Company manages its capital structure in a manner that provides sufficient funding for operational and capital expenditure activities. Funds are secured, when necessary, through debt funding or equity capital raised by means of private placements. There can be no assurances that the Company will be able to obtain debt or equity capital in the case of working capital deficits.

The Company does not pay dividends and has no long-term debt or bank credit facility. The Company is not subject to any externally imposed capital requirements.

Juva Life Inc.
Notes to the Consolidated Financial Statements
For the year ended December 31, 2019
(Expressed in US dollars)

13. RISK MANAGEMENT

13.1 Financial Risk Management

The Company may be exposed to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives. The main objectives of the Company's risk management processes are to ensure that risks are properly identified and that the capital base is adequate in relation to those risks. The principal risks to which the Company is exposed are described below.

a) Capital Risk

The Company manages its capital to ensure that there are adequate capital resources for the Company to maintain operations. The capital structure of the Company consists of items in shareholders' equity.

b) Credit Risk

Credit risk is the risk that a counter party will be unable to pay any amounts owed to the Company. Management's assessment of the Company's exposure to credit risk is low.

c) Liquidity Risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. As at December 31, 2019 the Company has working capital of \$47,139 (excluding the warrant liability) (2018 – \$2,269,428), and it does not have any long-term monetary liabilities. The Company may seek additional financing through debt or equity offerings, but there can be no assurance that such financing will be available on terms acceptable to the Company or at all. Any equity offering will result in dilution to the ownership interests of the Company's shareholders and may result in dilution to the value of such interests. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2019, the Company had cash of \$1,276,143 (2018 – \$2,358,086) and accounts payable and accrued liabilities of \$515,001 (2018 - \$156,904).

d) Market Risk

Market risk incorporates a range of risks. Movements in risk factors, such as market price risk and currency risk, affect the fair values of financial assets and liabilities. The Company is not exposed to these risks.

13.2 Fair Values

The carrying values of cash, and accounts payable and accrued liabilities approximate their fair values due to their short-term to maturity.

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Juva Life Inc.
Notes to the Consolidated Financial Statements
For the year ended December 31, 2019
(Expressed in US dollars)

13. RISK MANAGEMENT (continued)

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices in markets that are not active, or inputs that are not observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

The fair value of warrant liability is based on level 3 inputs of the fair value hierarchy.

14. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Right-of-Use Assets

| | Property Leases |
|--|------------------------|
| Cost: | \$ |
| At December 31, 2018 | - |
| Adjustment on initial adoption of IFRS 16 (Note 3) | 3,138,853 |
| At December 31, 2019 | 3,138,853 |
| Depreciation: | |
| At December 31, 2018 | - |
| Charge for the period | 716,824 |
| At December 31, 2019 | 716,824 |
| Net Book Value: | |
| At December 31, 2018 | - |
| At December 31, 2019 | 2,422,029 |

Depreciation of right-of-use assets is calculated using the straight-line method of the remaining lease term.

Juva Life Inc.
Notes to the Consolidated Financial Statements
For the year ended December 31, 2019
(Expressed in US dollars)

14. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

Lease Liabilities

| | |
|--|-----------|
| | \$ |
| Lease liabilities recognized as of January 1, 2019 | 3,138,853 |
| Lease payments made | (806,893) |
| Interest expense on lease liabilities | 435,103 |
| | 2,767,063 |
| Less: current portion | (971,954) |
| At December 31, 2019 | 1,795,109 |

The Company has a facility lease which is considered a short-term lease and as such is included in the statement of loss and comprehensive loss and not the statement of financial position. The expense relating to the short-term lease amounted to \$27,350 for the year ended December 31, 2019.

15. COMMITMENTS AND CONTINGENCIES

a) The Company has entered into the following agreements:

The commercial premises from which the Company carries out its operations are leased from multiple groups, all of which are related parties (see note 10). These lease agreements are classified as operating leases since there is no transfer of risks and rewards inherent to ownership. The minimum rent payable under the leases are as follows:

| | Total |
|----------------------------|--------------|
| Within one year | \$ 971,954 |
| Between two and five years | 2,622,246 |
| | \$ 3,594,200 |

b) The Company is involved in various claims and legal actions in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company.

Juva Life Inc.
Notes to the Consolidated Financial Statements
For the year ended December 31, 2019
(Expressed in US dollars)

16. SUPPLEMENTAL CASH FLOW INFORMATION

| | December 31, 2019 | December 31, 2018 |
|---|------------------------------|------------------------------|
| Non-cash transactions | \$ | \$ |
| Warrants issued for finders' fees | 10,516 | - |
| Recognition of warrant liability | 180,405 | - |
| Cashless option exercise | 770,677 | - |
| Reclassification of KIND deposit | 181,175 | - |
| Share issue costs in accounts payable | 70,483 | - |
| Property and equipment expenditures in accounts payable | 314,446 | 21,075 |
| Recognition of right-of-use asset upon adoption of IFRS 16* | 3,138,853 | - |
| Reversal of reserves upon exercise of stock options | 564,121 | - |

*Of this amount, \$971,954 is attributed to the current lease liability, and \$2,166,899 to the non-current lease liability

17. INCOME TAX

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

| | 2019 | 2018 |
|---|----------------|----------------|
| Loss for the year | \$ (8,980,603) | \$ (3,369,485) |
| Expected income tax (recovery) | \$ (2,425,000) | \$ (943,000) |
| Change in statutory, foreign tax, foreign exchange rates and other | (413,000) | 4,000 |
| Permanent differences | 1,412,000 | 290,000 |
| Impact of flow through share | - | - |
| Share issue cost | (21,000) | - |
| Adjustment to prior years provision versus statutory tax returns and expiry of non-capital losses | 286,000 | - |
| Expiry of non-capital losses | - | - |
| Change in unrecognized deductible temporary differences | 1,161,000 | 649,000 |
| Total income tax expense (recovery) | \$ - | \$ - |

Juva Life Inc.
Notes to the Consolidated Financial Statements
For the year ended December 31, 2019
(Expressed in US dollars)

17. INCOME TAX (continued)

The significant components of the Company's deferred tax assets that have not been included on the consolidated statement of financial position are as follows:

| | 2019 | 2018 |
|--|-------------|-------------|
| Deferred tax assets (liabilities) | | |
| Lease obligations | \$ 774,000 | \$ - |
| Property and equipment | (48,000) | - |
| Warrant liability | 981,000 | - |
| Right of use assets | (678,000) | - |
| Intangible assets | (19,000) | 193,000 |
| Non-capital losses available for future period | 1,123,000 | 456,000 |
| | 2,133,000 | 649,000 |
| Unrecognized deferred tax assets | (2,133,000) | (649,000) |
| Net deferred tax assets | \$ - | \$ - |

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

| | 2019 | Expiry Date Range | 2018 | Expiry Date Range |
|---|-------------|------------------------------|-------------|----------------------------------|
| Temporary Differences | | | | |
| Lease obligations | \$ 345,000 | No expiry date | \$ - | NA |
| Share issue costs | 64,000 | 2038 to 2041 | - | NA |
| Warrant liability | 3,951,000 | No expiry date | - | NA |
| Non-capital losses available for future periods | 3,918,000 | 2038 - 2039 | 1,637,000 | 2038 |

18. SUBSEQUENT EVENTS

- a) The Company intends to complete a non-brokered private placement of 57,000,000 units at a price of \$0.50 per unit for gross proceeds of \$28,500,000. Each unit is comprised of one share of Common Stock, with no par value per share, and one-half of a warrant. Each whole warrant enables the holder to purchase one additional share of Warrant Share at an exercise price of \$0.75 per share, subject to certain adjustments, over an 18-month exercise period following the date of issuance of the Warrant.

Subsequent to year end, the Company closed the first tranche of the non-brokered private placement with the issuance of 30,222,872 units for gross proceeds of \$15,111,436. Of this amount, \$1,500,000 has been released to the Company, with the remaining \$13,611,436 held in trust.

Juva Life Inc.
Notes to the Consolidated Financial Statements
For the year ended December 31, 2019
(Expressed in US dollars)

18. SUBSEQUENT EVENTS (continued)

- b) On January 20, 2020, the Company granted 600,000 RSUs to directors and officers of the Company.
- c) On January 20, 2020, the Company granted 350,000 stock options to an employee of the Company. The stock options have an exercise price of USD \$0.50 and expire January 20, 2030.
- d) On February 13, 2020, the Company entered into a consulting agreement with TME Consulting, LLC (“TME”), a company controlled by a director of the Company. Pursuant to the terms of the agreement, TME will receive \$10,000 per month and receive 450,000 common shares, subject to regulatory approval.
- e) On March 2, 2020, the Company entered into a consulting agreement with Model 4771, LLC (“Model 4771”), for advisory services in relation to best scientific practices for medically based research. Pursuant to the terms of the agreement, Model 4771 will receive \$15,000 per month and receive 10,000,000 share purchase warrants, subject to regulatory approval. The warrants will vest quarterly over 4 years and will expire March 1, 2030.
- f) On April 1, 2020, the Company extended the expiry dates of warrants expiring on April 23, 2020 and May 16, 2020. The new expiry dates are April 23, 2021, and May 16, 2021, respectively.
- g) In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or results of operations at this time.

Juva Life, Inc.

Consolidated Financial Statements

For the period from incorporation on June 29, 2018 to December 31, 2018

(Expressed in US Dollars)

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Juva Life, Inc.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Juva Life, Inc. ("the Company"), which comprise the consolidated statement of financial position as of December 31, 2018, and the consolidated statements of loss and comprehensive loss, cash flows and changes in shareholders' deficiency for the period from incorporation on June 29, 2018 to December 31, 2018 and the related notes to the financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2018, and the results of its operations and its cash flows for the period from incorporation on June 29, 2018 to December 31, 2018 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter Regarding Going Concern

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 financial statements, the Company incurred a net loss of \$3,369,485 during the period ended December 31, 2018 and has stated that substantial doubt exists about its ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Professional Accountants

July 24, 2019



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Telephone (604) 687-0947 Davidson-co.com

Juva Life, Inc.
Consolidated Statement of Financial Position
As at December 31, 2018
(Expressed in US dollars)

| | <u>Note</u> | <u>December 31, 2018</u> |
|---|-------------|------------------------------|
| ASSETS | | |
| Current assets | | |
| Cash | | \$ 2,358,086 |
| Prepaid expenses | | 68,246 |
| Total current assets | | 2,426,332 |
| Non-current assets | | |
| Deposits | 6, 7 | 260,645 |
| Property and equipment | 8 | 328,129 |
| Intangible assets | 6, 9 | 83,541 |
| Total non-current assets | | 672,315 |
| Total assets | | 3,098,647 |
| LIABILITIES | | |
| Accounts payable and accrued liabilities | | 156,904 |
| Warrant liability | 11 | 1,771,393 |
| | | 1,928,297 |
| SHAREHOLDERS' EQUITY | | |
| Share capital | 5 | 4,490,107 |
| Reserves | 5 | 75,509 |
| Other comprehensive loss | | (25,781) |
| Deficit | | (3,369,485) |
| Total shareholders' equity | | 1,170,350 |
| Total liabilities and shareholders' equity | | \$ 3,098,647 |
| Going concern | 2 | |
| Subsequent events | 16 | |

These consolidated financial statements were authorized for issue by the Board of Directors on July 24, 2019.

Approved by the Board of Directors:

"Doug Chloupek"
 Director

"Dr. Rakesh Patel"
 Director

"Norton Singhavon"
 Director

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

Juva Life, Inc.
Consolidated Statement of Loss and Comprehensive Loss
For the period from incorporation on June 29, 2018 to December 31, 2018
(Expressed in US dollars)

| | <u>Note</u> | <u>For the period from incorporation on June 29, 2018 to December 31, 2018</u> |
|---|-------------|--|
| Expenses | | |
| Consulting fees | 10 | \$ 173,149 |
| Share-based payments | 5, 10 | 52,681 |
| Rent | 10 | 286,826 |
| Professional fees | | 407,529 |
| Salaries and benefits | | 236,015 |
| Marketing and promotion | | 186,771 |
| Permits | | 49,970 |
| Office and administration | | 90,653 |
| Operating expenses | | 1,483,594 |
| Other Items | | |
| Change in fair value of warrant liability | 11 | 1,023,586 |
| Impairment of intangible assets | 6 | 690,041 |
| Foreign exchange loss | | 172,264 |
| | | 1,885,891 |
| Loss for the period | | \$ (3,369,485) |
| Other comprehensive loss | | |
| Foreign currency translation adjustment | | (25,781) |
| Total comprehensive loss for the period | | \$ (3,395,266) |
| Basic and diluted loss per common share | | \$ (0.07) |
| Weighted average number of common shares outstanding | | 51,582,107 |

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

Juva Life, Inc.
Consolidated Statement of Cash Flows
For the period from incorporation on June 29, 2018 to December 31, 2018
(Expressed in US dollars)

| | For the period from incorporation on June 29, 2018 to December 31, 2018 |
|--|--|
| | <u>2018</u> |
| OPERATING ACTIVITIES | |
| Loss for the period | \$ (3,369,485) |
| Items not involving cash: | |
| Share-based payments | 52,681 |
| Impairment of intangible assets | 690,041 |
| Change in warrant liability | 1,023,586 |
| Unrealized foreign exchange | 50,115 |
| Changes in non-cash working capital items: | |
| Prepaid expenses | (68,246) |
| Accounts payable and accrued liabilities | 84,905 |
| Cash used in operating activities | (1,536,403) |
| INVESTING ACTIVITIES | |
| Purchase of property and equipment | (224,718) |
| Purchase of intangible assets | (16,528) |
| Deposits | (39,344) |
| Repayment of shareholder loans | (282,793) |
| Deposit on acquisition | (189,090) |
| Cash used in investing activities | (752,473) |

Juva Life, Inc.
Consolidated Statement of Cash Flows
For the period from incorporation on June 29, 2018 to December 31, 2018
(Expressed in US dollars)

FINANCING ACTIVITY

| | |
|--|---------------------|
| Proceeds received from private placement | 4,834,029 |
| Share issue costs | (111,172) |
| Cash provided by financing activities | 4,722,857 |
| | |
| Effect of foreign exchange on cash | (75,895) |
| | |
| Increase in cash | 2,358,086 |
| Cash, beginning of period | - |
| Cash, end of period | \$ 2,358,086 |

Non-cash investing activities:

| | |
|---|------------------|
| Property and equipment included in accounts payable and accrued liabilities | <u>\$ 21,075</u> |
|---|------------------|

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

Juva Life, Inc.

Consolidated Statement of Changes in Shareholders' Equity

For the period from incorporation on June 29, 2018 to December 31, 2018

(Expressed in US dollars)

| | <u>Share Capital</u> | | Reserves | Other Comprehensive Loss | Deficit | Total Shareholders' Equity |
|--|----------------------|------------------|---------------|--------------------------------|--------------------|----------------------------------|
| | Number | Amount | | | | |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| June 29, 2018 | - | - | - | - | - | - |
| Issuance of founders shares | 10 | - | - | - | - | - |
| Shares issued for acquisition | 35,000,000 | 537,885 | - | - | - | 537,885 |
| Private placements | 41,103,967 | 4,834,029 | - | - | - | 4,834,029 |
| Share issuance costs | - | (134,000) | 22,828 | - | - | (111,172) |
| Warrant liability (note 11) | - | (747,807) | - | - | - | (747,807) |
| Share-based payments | - | - | 52,681 | - | - | 52,681 |
| Foreign currency translation adjustment | - | - | - | (25,781) | - | (25,781) |
| Loss and comprehensive loss for the period | - | - | - | - | (3,369,485) | (3,369,485) |
| December 31, 2018 | <u>76,103,977</u> | <u>4,490,107</u> | <u>75,509</u> | <u>(25,781)</u> | <u>(3,369,485)</u> | <u>1,170,350</u> |

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

Juva Life, Inc.
Notes to the Consolidated Financial Statements
For the period from incorporation on June 29, 2018 to December 31, 2018
(Expressed in US dollars)

1. NATURE OF OPERATIONS

Juva Life, Inc. (the "Company") was incorporated under the laws of California on June 29, 2018. The principal business of the Company is to acquire, own, and operate various cannabis businesses in the state of California. The Company's registered office is 177 Park Avenue, Suite 200, San Jose, California 95113.

On July 31, 2018, the Company acquired Precision Apothecary Inc ("Precision") and VG Enterprises LLC ("VG"), both of which were incorporated in the state of California. VG has a license that allows it to cultivate cannabis in the state of California for the medical and recreational markets. Precision is in the process of obtaining such a license.

The Company is planning to operate in the medical and recreational cannabis sectors in California, USA. While some states in the United States have authorized the use and sale of marijuana, it remains illegal under federal law and the approach to enforcement of U.S. federal laws against marijuana is subject to change. Because the Company will be engaging in the marijuana-related activities in the US, it assumes certain risks due to conflicting state and federal laws. The federal law relating to marijuana could be enforced at any time and this would put the Company at risk of being prosecuted and having its assets seized when the Company starts operations in the cannabis sector.

On February 7, 2019, the Company entered into a Merger Agreement (the "Agreement") with East West Petroleum Corp. ("East West"). Under the terms of the Agreement, East West was to acquire from the shareholders of the Company all of the common shares of the Company which are issued and outstanding as of the closing and East West was to apply to voluntarily delist from the TSX-Venture Exchange and apply for a listing on the Canadian Securities Exchange ("CSE").

Subsequent to December 31, 2018, the Company was notified by East West that East West will not be able to secure enough shareholder votes to approve the Merger Agreement.

On May 15, 2019, the Company entered into an Agreement and Plan of Merger (the "Agreement") with Juva Life Inc. ("Juva Canada"), a company incorporated under the laws of British Columbia, Canada, and Juva Holdings (California) Ltd. ("SubCo"), a company incorporated under the laws of the State of California as a wholly owned subsidiary of Juva Canada for the purpose of the merger. Under the terms of the Agreement, SubCo merged with the Company, the legal existence of SubCo ceased, and the Company was the surviving entity, becoming a wholly owned subsidiary of Juva Canada (the registrant). After the transaction, Juva Canada will apply for a listing on the CSE .

Juva Life, Inc.
Notes to the Consolidated Financial Statements
For the period from incorporation on June 29, 2018 to December 31, 2018
(Expressed in US dollars)

2. GOING CONCERN

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. The Company incurred a net loss of \$3,369,485 during the period ended December 31, 2018. Management assessed that substantial doubt exists about the Company's ability to continue as a going concern.

3. BASIS OF PRESENTATION

These consolidated financial statements have been prepared on a historical cost basis. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. The accounting policies below have been applied to all periods presented in these consolidated financial statements and are based on International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretation Committee ("IFRIC").

The policies applied in these consolidated financial statements are based on IFRS issued and effective as of December 31, 2018.

3.1. Basis of measurement

These consolidated financial statements have been prepared using the measurement basis specified by IFRS for each type of asset, liability, revenue and expense.

3.2. Significant judgments, estimates and assumptions

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

Critical adjustments exercised in applying accounting polices that have the most significant effect on the amounts recognized in the consolidated statements are as follows:

Determination of functional currency

The Company determines the functional currency through an analysis of several indicators such as expenses and cash flow, financing activities, retention of operating cash flows, and frequency of transactions within the reporting entity.

Juva Life, Inc.
Notes to the Consolidated Financial Statements
For the period from incorporation on June 29, 2018 to December 31, 2018
(Expressed in US dollars)

Assets acquisition

The Company acquired two private companies on July 31, 2018 (Note 6). The process for determining whether the acquisition was an asset purchase versus a business acquisition was performed and primary consideration was given to the stage of operations, among other items. Shares issued for the acquisition were valued on the issue date and the excess of overall acquisition costs over net assets acquired was attributed to the intangible assets acquired.

Going concern

The preparation of the consolidated financial statements requires management to make judgments regarding the going concern of the Company as previously discussed in note 2.

Impairment of long-lived assets

The Company performs impairment testing annually for long-lived assets as well as when circumstances indicate that there may be impairment for these assets. Management judgement is involved in determining if there are circumstances indicating that testing for impairment is required, and in identifying cash generating unit ("CGU") for the purpose of impairment testing.

The Company assesses impairment by comparing the recoverable amount of a long-lived asset, CGU, or CGU group to its carrying value. The recoverable amount is defined as the higher of: (i) value in use; or (ii) fair value less cost to sell. The determination of the recoverable amount involves management judgement and estimation. These estimates and assumptions could affect the Company's future results if the current estimates of future performance and fair values change.

Estimation Uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year:

Depreciation and amortization

The Company's equipment and finite-life intangible assets are depreciated and amortized using straight-line method, taking into account the estimated useful lives of the assets and residual values. Changes to these estimates may affect the carrying value of these assets, net earnings, and comprehensive income (loss) in future periods.

Income taxes

Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were originally recorded, such differences will affect the tax provisions in the period in which such determination is made.

Juva Life, Inc.
Notes to the Consolidated Financial Statements
For the period from incorporation on June 29, 2018 to December 31, 2018
(Expressed in US dollars)

3.3. Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Company and its wholly controlled subsidiaries, Precision and VG, both of which were incorporated in the state of California and 1177988 B.C. Ltd., a company incorporated in British Columbia, Canada. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The consolidated financial statements include the accounts of the Company and its direct wholly-owned subsidiaries. All significant intercompany transactions and balances have been eliminated.

Where the Company's interest is less than 100%, the interest attributable to outside shareholders is reflected in non-controlling interest. Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Company's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interests' share of changes in equity since the date of the combination.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Impairment of Non-Financial Assets

At the end of each reporting period, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

For assets that generate largely independent cash inflows, which is comprised of intangible assets of the Company, the recoverable amount is determined for the cash generating unit ('CGU') to which the asset belongs. Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

4.2 Provisions

Liabilities are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. A provision is a liability of uncertain timing or amount.

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Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to the passage of time is recognized as a finance expense.

4.3 Income Taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

Current tax assets and liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit which differs from profit or loss in the consolidated financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects taxable profit or accounting profit. Deferred tax liabilities on temporary differences associated with shares in subsidiaries and joint ventures is not provided for if reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are likely to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss in the period that includes the substantive enactment date. Deferred tax assets are recognized for all temporary differences, carry-forward of unused tax credits and unused tax losses to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same entity or different entities which intend to settle current tax assets and liabilities on a net basis or simultaneously in each future period in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Changes in deferred tax assets or liabilities are recognized as a component of income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

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4.4 Share capital

The Company records proceeds from share issuances net of issue costs and any tax effects in shareholders' equity. Common shares issued for consideration other than cash are valued based on their market value at the date the shares were granted. Common shares held by the Company are classified as treasury stock and recorded as a reduction to shareholders' equity.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component. The Company considers the fair value of common shares issued in private placements to be the more easily measurable component of unit offerings and the common shares are valued at their fair value, as determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to any attached warrants or other features. Any fair value attributed to warrants is recorded as reserves.

4.5 Share-based Payments

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled transactions and, when determinable, are recorded at the value of the goods and services received. If the value of the goods and services received is not determinable, then the fair value of the share-based payment is used.

The Company uses a fair value-based method (Black-Scholes Option Pricing Model) for all share options granted to directors, employees and non-employees. For directors and employees, the fair value of the share options is measured at the date of grant. For grants to non-employees where the fair value of the goods or services is not determinable, the fair value of the share options is measured on the date the services are received.

The fair value of share-based payments is charged to profit or loss, with the offsetting credit to contributed surplus. For directors, employees and consultants, the share options are recognized over the vesting period based on the best available estimate of the number of share options expected to vest. If options vest immediately, the expense is recognized when the options are issued. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior periods where vested. For non-employees, the share options are recognized over the related service period. When share options are exercised, the amounts previously recognized in reserves are transferred to share capital.

In the event share options are forfeited prior to vesting, the associated fair value recorded to date is reversed. The fair value of any vested share options that expire remain in reserves.

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4.6 Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

4.7 Property and Equipment

Equipment and leasehold improvement items are carried at cost less accumulated depreciation and accumulated impairment losses. In the year of acquisition, depreciation is recorded at one-half the normal rate. Depreciation is recognized using the straight-line method at the following annual rates:

Equipment Straight-Line 10%

Leasehold Improvements Straight-Line over lease term

Equipment that is withdrawn from use, or has no reasonable prospect of being recovered through use or sale, are regularly identified and written off.

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Subsequent expenditure relating to an item of property and equipment is capitalized when it is probable that future economic benefits from the use of the assets will be increased. All other subsequent expenditures are recognized as repairs and maintenance expense.

4.8 Intangible assets

Intangible assets are recognized and measured at cost. Intangible assets with finite useful lives are amortized using the straight-line method over the useful life of the asset. The Company conducts an annual assessment of the residual balances, useful lives and amortization methods being used for intangible assets and any changes arising from the assessment are applied by the Company prospectively. Intangible assets with indefinite useful lives are not amortized. An impairment test on intangible assets is performed annually or whenever there is indication that the intangible asset is impaired.

4.9 Earnings (Loss) per Share

Basic earnings (loss) per share is computed by dividing net income (loss) (the numerator) by the weighted average number of outstanding common shares for the period (denominator). In computing diluted earnings per share, an adjustment is made for the dilutive effect of outstanding share options, warrants and other convertible instruments.

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In the periods when the Company reports a net loss, the effect of potential issuances of shares under share options and other convertible instruments is anti-dilutive. Therefore, basic and diluted loss per share are the same. When diluted earnings per share is calculated, only those share options and other convertible instruments with exercise prices below the average trading price of the Company's common shares for the period will be dilutive.

4.10 Financial Instruments

Financial assets

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income.

The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Cash is measured at amortized cost.

Impairment

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities

Financial liabilities are designated as either: (i) fair value through profit or loss; or (ii) other financial liabilities. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Accounts payable and accrued liabilities are classified as other financial liabilities and carried on the statement of financial position at amortized cost.

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Derivative financial instruments

The Company issues warrants exercisable in a currency other than the Company's functional currency and as a result, the warrants are derivative financial instruments.

Derivative financial instruments are initially recognized at fair value and subsequently measured at fair value with changes in fair value recognized in profit or loss. Transaction costs are recognized in profit or loss as incurred.

4.11 Share Issuance Costs

Share issuance costs, which include commissions, facilitation payments, professional fees and regulatory fees, are charged directly to share capital.

4.12 Comprehensive Income (Loss)

Total comprehensive income (loss) comprises all components of profit or loss and other comprehensive income. Other comprehensive income (loss) includes items such as gains and losses on re-measuring FVOCI financial assets and the effective portion of gains and losses on hedging instruments in a cash flow hedge.

4.13 Foreign Currency Translation

The functional currency is the currency of the primary economic environment in which the entity operates. The functional currency for the Company and all of its US subsidiaries is the US dollar. The functional currency of its Canadian subsidiary is the Canadian dollar. The functional currency determination was conducted through an analysis of the consideration factors identified in IAS 21, the Effects of Changes in Foreign Exchange Rates.

Transactions in currencies other than the US dollar are recorded at exchange rates prevailing on the date of the transaction. At the end of each reporting period, monetary assets and liabilities of the Company that are denominated in a foreign currency are translated at the rate of exchange prevailing at the statement of financial position date, while non-monetary assets and liabilities are translated at the exchange rate prevailing on the transaction date. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transaction. Exchange gains and losses arising on translation are included in the consolidated statement of loss and comprehensive loss.

The results and financial position of all the consolidated entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows: (i) assets and liabilities for each statement of financial position presented are translated at the rate of exchange in effect as at the date of statement of financial position; (ii) income and expense items for each statement of loss and comprehensive loss are translated at the average rates of exchange in effect during the reporting period; and (iii) all resulting exchange differences are recognized in accumulated other comprehensive income (loss).

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4.14 New Accounting Standards and Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the December 31, 2018 reporting period. The Company has not early adopted the following new and revised standards, amendments and interpretations that have been issued but are not yet effective:

- IFRS 16 – Leases: On January 13, 2016, the IASB issued the final version of IFRS 16 Leases. The new standard will replace IAS 17 Leases and is effective for annual periods beginning on or after January 1, 2019. IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead, all leases are treated in a similar way to finance leases applying IAS 17. IFRS 16 does not require a lessee to recognize assets and liabilities for short-term leases (i.e. leases of 12 months or less) and leases of low-value assets.

The Company plans to apply IFRS 16 effective January 1, 2019 using the modified retrospective method. Under this method, financial information will not be restated and will continue to be reported under the accounting standards in effect for those periods. The Company will recognize lease obligations related to its lease commitment. It will be measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as at January 1, 2019. The associated right of use asset will be measured at the lease obligation amount, less prepaid lease payments, resulting in no adjustment to the opening balance of deficit. The Company intends to apply the following practical expedients permitted under the new standard:

- leases of low dollar value will continue to be expensed as incurred; and
- the Company will not apply any grandfathering practical expedients.

As at January 1, 2019 the Company expects to recognize approximately \$2,606,828 in right-of-use assets and \$2,606,828 of incremental lease obligations.

5. EQUITY

5.1 Authorized Share Capital

150,000,000 common shares with no par value.

5.2 Shares Issued

Shares issued and outstanding as at December 31, 2018 are 76,103,977 Class A common shares

During the period ended December 31, 2018, the Company issued:

- (a) 10 founder common shares at a value of \$0.01;
- (b) 35,000,000 common shares with a value of \$537,885 pursuant to the acquisition of Precision and VG (Note 6).

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- (c)
- (d) On August 8, 2018, the Company issued 15,000,000 common shares at a price of CAD \$0.02 per common share for gross proceeds of CDN\$300,000 (USD \$233,295).
- (e) On August 31, 2018, the Company issued 10,400,000 units at a price of CDN\$0.05 per unit for gross proceeds of CDN\$520,000 (USD \$404,375). The units are comprised of one common share and one-half common share purchase warrant. Each warrant is exercisable at CDN\$0.05 for a period of one year. See Note 11.
- (f) On October 23, 2018, the Company issued 3,631,643 units at a price of CDN\$0.35 per unit for gross proceeds of CDN\$1,271,075 (USD \$970,434). The units are comprised of one common share and one-half common share purchase warrant. Each warrant is exercisable at CDN\$0.60 for a period of 18 months (see Note 11). In connection with this financing, the Company paid finders' fees of 7% on a portion of the gross proceeds and issued 158,620 finders' warrants, with each warrant entitling the holder to purchase one common share of the Company at a price of CAD \$0.60 for a period of 18 months after issuance; and
- (g) On November 16, 2018, the Company issued 12,072,324 units at a price of CDN\$0.35 per unit for gross proceeds of CDN\$4,225,313 (USD \$3,225,925). The units are comprised of one common share and one-half common share purchase warrant. Each warrant is exercisable at CDN\$0.60 for a period of 18 months (see Note 11). In connection with this financing, the Company paid finders' fees of 7% on a portion of the gross proceeds and issued 117,985 finders' warrants, with each warrant entitling the holder to purchase one common share of the Company at a price of CDN\$0.60 for a period of 18 months after issuance.

5.2 Stock Options

During the period ended December 31, 2018 the Company adopted a Stock Option Plan (the "Plan") whereby the maximum number of shares reserved for issue under the plan shall not exceed 9,100,000 shares. Under the Plan, the Board of Directors may from time to time authorize the grant of options to directors, employees, and consultants of the Company. Under the terms of the Plan, options will be exercisable for periods up to ten years and must have an exercise price not less than the fair market value of a share on the grant date. The term of the options granted to a 10% shareholder shall not exceed five years. Vesting provision is determined by the Board of Directors at the grant date.

During the period ended December 31, 2018, the Company granted:

- (a) 5,125,000 stock options to directors, officers, and consultants of the Company. Each option is exercisable at CDN\$0.02 for a period of 10 years; and
- (b) 1,650,000 stock options to directors, officers, and consultants of the Company. Each option is exercisable at prices ranging from CDN\$0.05 to CDN\$0.055 for a period of 10 years.

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A summary of the changes in stock options is presented below:

| | <u>Number of options</u> | <u>Weighted average exercise price CDN\$</u> |
|-----------------------------------|------------------------------|--|
| Balance, June 29, 2018 | - | - |
| Granted | 6,775,000 | 0.03 |
| Balance, December 31, 2018 | <u>6,775,000</u> | <u>0.03</u> |

The following stock options were outstanding as at December 31, 2018:

| <u>Outstanding</u> | <u>Exercisable</u> | <u>Exercise Price CDN\$</u> | <u>Expiry date</u> | <u>Weighted average remaining life (in years)</u> |
|--------------------|--------------------|-----------------------------|--------------------|---|
| 5,125,000 | 1,003,667 | 0.02 | August 7, 2028 | 9.61 |
| 1,350,000 | 337,500 | 0.05 | August 30, 2028 | 9.67 |
| 300,000 | 75,000 | 0.055 | August 30, 2028 | 9.92 |
| <u>6,775,000</u> | <u>1,416,167</u> | <u>0.03</u> | | |

5.3 Share purchase warrants

A summary of the changes in warrants is presented below:

| | <u>Number of warrants</u> | <u>Weighted average exercise price (CDN\$)</u> |
|-----------------------------------|-------------------------------|--|
| | | \$ |
| Balance, June 29, 2018 | - | - |
| Issued | 13,505,719 | 0.39 |
| Balance, December 31, 2018 | <u>13,505,719</u> | <u>0.39</u> |

The following share purchase warrants were outstanding as at December 31, 2018:

| <u>Outstanding</u> | <u>Exercisable</u> | <u>Exercise Price</u> | <u>Expiry Date</u> |
|--------------------|--------------------|-----------------------|--------------------|
| | | CDN \$ | |
| 5,200,000 | 5,200,000 | 0.05 | 31-Aug-19 |
| 1,974,442 | 1,974,442 | 0.60 | 23-Apr-20 |
| <u>6,331,277</u> | <u>6,331,277</u> | 0.60 | 16-May-20 |
| <u>13,505,719</u> | <u>13,505,719</u> | | |

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5.4 Share-based payment expense and reserves

Pursuant to vesting schedules, the share-based payment expense for the stock options that were granted during the period ended December 31, 2018, was \$52,681 and was recorded in the consolidated statement of loss and comprehensive loss.

The fair value of the stock options that were granted during the period ended December 31, 2018 was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

| | |
|---------------------------------|-------|
| Risk-free interest rate | 2.49% |
| Expected stock price volatility | 100% |
| Expected dividend yield | 0.0% |
| Expected option life in years | 10.0 |

The fair value of stock option granted was \$0.02 per option.

Pursuant to the financing on October 23, 2018, the share-based payment expense for the 158,600 finder's warrants that were granted was \$13,090. The fair value of the finder's warrants was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

| | |
|---|---------------------|
| Risk-free interest rate | 2.14% |
| Expected stock price volatility | 92% |
| Dividend payment during life of warrant | Nil |
| Expected forfeiture rate | Nil |
| Expected dividend yield | 0.0% |
| Expected warrant life in years | 1.5 |
| Weighted average exercise price | \$ 0.43(CDN \$0.60) |
| Weighted average share price | \$ 0.27(CDN \$0.35) |

The fair value of the warrants granted was \$0.08 per warrant.

Pursuant to the financing on November 16, 2018, the share-based payment expense for the 117,985 finder's warrants that were granted was \$9,738. The fair value of the finder's warrants was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

| | |
|---|---------------------|
| Risk-free interest rate | 2.14% |
| Expected stock price volatility | 92% |
| Dividend payment during life of warrant | Nil |
| Expected forfeiture rate | Nil |
| Expected dividend yield | 0.0% |
| Expected warrant life in years | 1.5 |
| Weighted average exercise price | \$ 0.43(CDN \$0.60) |
| Weighted average share price | \$ 0.27(CDN \$0.35) |

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The fair value of the warrants granted was \$0.08 per warrant.

6. ACQUISITIONS

On July 31, 2018, the Company entered into a Contribution and Equity Exchange Agreement with the shareholders of Precision and VG whereby the Company acquired all of the issued and outstanding shares of Precision and VG for the issuance of 35,000,000 common shares of the Company. The fair value of the common shares issued was \$537,885 and was based on the private placement share price completed at the time of the acquisition. The Company has accounted for the acquisitions as purchase of assets and assumption of liabilities. The transaction did not qualify as a business combination under IFRS 3, Business Combination. The acquisition of Precision and VG was treated as asset acquisitions.

The fair value of the assets acquired, and liabilities assumed from Precision as at date of acquisition were as follows:

| | |
|--|-------------------|
| Consideration | |
| Value of 32,425,000 common shares issued | \$ 498,312 |
| Total consideration value: | <u>\$ 498,312</u> |
| Net assets acquired | |
| Security deposit | \$ 32,211 |
| Intangible assets | 690,041 |
| Accounts payable and accrued liabilities | (50,924) |
| Due to shareholders | (173,016) |
| Net assets acquired: | <u>\$ 498,312</u> |

Precision holds a trademark and associated copyrights and customer lists, branding and other promotional materials used under this trade mark. The excess of consideration over net assets has been allocated to the intangible assets related to the trade name and customer lists. The Company has classified the trade mark and customer lists as intangible assets with infinite life. Precision and the Company are related by way of the common director and the acquisition is considered to be a related party transaction. During the period, the Company performed an impairment assessment on these assets and determined that an impairment existed; accordingly, the Company recorded an impairment charge of \$690,041.

The fair value of the assets acquired, and liabilities assumed from VG as at date of acquisition were as follows:

| | |
|---|------------------|
| Consideration | |
| Value of 2,575,000 common shares issued | \$ 39,573 |
| Total consideration value: | <u>\$ 39,573</u> |

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| | |
|-----------------------------|------------------|
| Net assets acquired | |
| Property and equipment | \$ 82,336 |
| Intangible assets | 67,014 |
| Due to shareholders | (109,777) |
| Net assets acquired: | \$ 39,573 |

During the period, VG entered into one lease agreement and the Company entered into one lease agreement to facilities for cannabis cultivation, manufacturing and processing. Amortization on the permits will commence once the facilities are ready for use. The excess of consideration over net assets has been allocated to the intangible assets related to the future lease rights. During the period, the Company performed an impairment assessment on these assets and determined that no impairment existed at the reporting date.

7. DEPOSITS

- (a) During the period ended December 31, 2018, the Company entered into a letter of intent (the "LOI") to acquire KindRub Collective ("Kind"). As part of the LOI, the Company paid \$150,000 on deposit and loaned Kind \$39,090 as part of a separate management agreement. Subsequent to December 31, 2018, the LOI was terminated. The Company is expecting to recover the deposit and loaned funds.
- (b) In connection with the acquisition of Precision, the Company assumed security deposits on certain leases totalling \$32,211. In addition, the Company paid a total of \$39,344 on additional leases that it entered into during the period ended December 31, 2018.

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8. EQUIPMENT AND LEASEHOLD IMPROVEMENTS

| Cost | Equipment | Leasehold Improvements | Total |
|----------------------------|------------------|------------------------|-------------------|
| Balance, opening | \$ - | \$ - | \$ - |
| Additions | 74,436 | 253,693 | 328,129 |
| Balance, December 31, 2018 | <u>\$ 74,436</u> | <u>\$ 253,693</u> | <u>\$ 328,129</u> |

No amortization was taken during the period because the assets were not ready for use.

9. INTANGIBLE ASSETS

The Company's intangible assets include future lease rights acquired from VG in the amount of \$67,014 and a domain name acquired for \$16,527 for a total of \$83,541.

| Cost | Trademark | Future lease rights | Domain name | Total |
|----------------------------|-------------|---------------------|------------------|------------------|
| Balance, opening | \$ - | \$ - | \$ - | \$ - |
| Additions | 690,041 | 67,014 | 16,527 | 773,582 |
| Impairment | (690,041) | - | - | (690,041) |
| Balance, December 31, 2018 | <u>\$ -</u> | <u>\$ 67,014</u> | <u>\$ 16,527</u> | <u>\$ 83,541</u> |

10. RELATED PARTY TRANSACTIONS AND BALANCES

| Relationships | Nature of the relationship |
|----------------|--|
| Key management | Key management are those personnel having the authority and responsibility for planning, directing and controlling the Company and include the President and Chief Executive Officer, and Chief Financial Officer. |

During the period ended December 31, 2018, the Company had the following related party transactions:

- (a) The Company paid \$276,469 in lease payments and a \$56,211 security deposit to Best Leasing Services, Inc., a company 100% owned by the CEO and a shareholder of the Company;
- (b) The Company paid \$83,116 in consulting fees to the CEO and CFO of the Company; and
- (c) In connection with the acquisition of Precision and VG, the Company assumed a total of \$284,778 in amounts owed to the CEO and director of the Company.

Included in accounts payable and accrued liabilities is \$53,592 owed to the CEO and CFO of the Company.

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Amounts owed to shareholders are non-interest bearing and have no fixed term of repayment.

11. WARRANT LIABILITY

In connection with the private placements completed during the period ended December 31, 2018, the Company issued a total of 13,229,194 warrants exercisable at a price ranging from CDN\$0.05 to CDN\$0.60 per share. These warrants were assigned a fair value of \$747,807 using the Black-Scholes Pricing Model. The fair value allocated to the warrants at December 31, 2018 was \$1,771,393 and is recorded as a derivative financial liability as these warrants are exercisable in Canadian dollars, differing from the Company's functional currency. The change in fair value totalling \$1,023,586 is recognized in the statement of loss and comprehensive loss for the period ended December 31, 2018.

The fair value of the warrants is calculated using the Black-Scholes Option Pricing Model. Option pricing models require the input of highly speculative assumptions, including the expected future price volatility of a Company's shares. Changes in these assumptions can materially affect the fair value estimate and, therefore, existing models do not necessarily provide a reliable single measure of the fair value of the Company's warrants.

The Company used the following assumptions to estimate the fair value of the warrant liability:

| | December 31, 2018 |
|---|----------------------|
| Expected warrant life | 1.30 years |
| Expected stock price volatility | 100% |
| Dividend payment during life of warrant | Nil |
| Expected forfeiture rate | Nil |
| Risk free interest rate | 2.14% |
| Exercise price | CAD \$0.38 |
| Share price | CAD \$0.35 |

12. MANAGEMENT OF CAPITAL

The Company defines the capital that it manages as its shareholders' equity.

The Company's objective when managing capital is to maintain corporate and administrative functions necessary to support the Company's operations and corporate functions; and to seek out and acquire new projects of merit.

The Company manages its capital structure in a manner that provides sufficient funding for operational and capital expenditure activities. Funds are secured, when necessary, through debt funding or equity capital raised by means of private placements. There can be no assurances that the Company will be able to obtain debt or equity capital in the case of working capital deficits.

The Company does not pay dividends and has no long-term debt or bank credit facility. The Company is not subject to any externally imposed capital requirements.

Juva Life, Inc.
Notes to the Consolidated Financial Statements
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13. RISK MANAGEMENT

13.1 Financial Risk Management

The Company may be exposed to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives. The main objectives of the Company's risk management processes are to ensure that risks are properly identified and that the capital base is adequate in relation to those risks. The principal risks to which the Company is exposed are described below.

a. Capital Risk

The Company manages its capital to ensure that there are adequate capital resources for the Company to maintain operations. The capital structure of the Company consists of items in shareholders' equity.

b. Credit Risk

Credit risk is the risk that a counter party will be unable to pay any amounts owed to the Company. Management's assessment of the Company's exposure to credit risk is low.

c. Liquidity Risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. As at December 31, 2018, the Company has working capital of \$2,269,428 (excluding the warrant liability), and it does not have any long-term monetary liabilities. The Company may seek additional financing through debt or equity offerings, but there can be no assurance that such financing will be available on terms acceptable to the Company or at all. Any equity offering will result in dilution to the ownership interests of the Company's shareholders and may result in dilution to the value of such interests. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2018, the Company had cash of \$2,358,086 and total liabilities of \$156,904 (excluding the warrant liability).

d. Market Risk

Market risk incorporates a range of risks. Movements in risk factors, such as market price risk and currency risk, affect the fair values of financial assets and liabilities. The Company is not exposed to these risks.

13.2 Fair Values

The carrying values of cash, accounts payable and accrued liabilities and shareholders' loan approximate their fair values due to their short-term to maturity.

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices in markets that are not active, or inputs that are not observable, either directly or indirectly, for substantially the full term of the asset or liability.

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Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

The fair value of warrant liability is based on level 3 inputs of the fair value hierarchy.

14. COMMITMENT

The Company has entered into the following agreements:

The commercial premises from which the Company carries out its operations are leased from multiple groups, all of which are related parties (see note 10). These lease agreements are classified as operating leases since there is no transfer of risks and rewards inherent to ownership. The minimum rent payable under the leases are as follows:

| | <u>Total</u> |
|----------------------------|--------------------|
| Within one year | \$ 826,451 |
| Between two and five years | <u>3,519,907</u> |
| | <u>\$4,346,358</u> |

15. INCOME TAXES

A reconciliation of income taxes at statutory rates is as follows:

| | 2018 |
|--|---------------|
| Loss for the period | \$(3,369,485) |
| Expected income tax expense (recovery) | (943,000) |
| Change in statutory, foreign tax, foreign exchange rates and other | (13,000) |
| Permanent differences | 290,000 |
| Change in unrecognized temporary tax differences | 649,000 |
| Income tax expense (recovery) | <u>\$ -</u> |

The significant components of the Company's deferred tax assets that have not been included on the consolidated statement of financial position are as follows:

| | 2018 |
|---|-------------|
| Deferred income tax asset: | |
| Property and equipment | \$ - |
| Intangible assets | 193,000 |
| Non-capital losses available for future periods | 456,000 |
| | 649,000 |
| Unrecognized deferred tax assets | (649,000) |
| Net deferred tax assets | <u>\$ -</u> |

Juva Life, Inc.
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The Company did not recognize the deferred tax assets for the period ended December 31, 2018 as future taxable profits are uncertain.

Juva Life, Inc.
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The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

| | 2018 | Expiry |
|---|------------|----------------|
| Temporary Differences: | | |
| Intangible assets | \$ 690,000 | No expiry date |
| Non-capital losses available for future periods | 1,637,000 | 2038 |

Tax attributes are subject to review, and potential adjustment, by tax authorities.

16. SUBSEQUENT EVENTS

- (a) Subsequent to December 31, 2018, the Company completed a non-brokered private placement of 1,542,581 units ("Units") at a price of CAD \$0.35 per Unit for gross proceeds of CDN\$539,903. Each Unit is comprised of one share of common stock and one-half of a warrant ("Warrant"). Each Warrant enables the holder to purchase one additional share at an exercise price of CAD \$0.60 per share, subject to certain adjustments, over an 18-month exercise period following the date of issuance.
- (b) The merger transaction between the Company and Juva Canada was completed on May 30, 2019.
- (c) Concurrent with the merger with Juva Canada as outlined in Note 1, Juva Canada intends to complete a non-brokered private placement of 57,000,000 Juva Canada Units (each a "Concurrent Offering Unit") at a price of \$0.50 per Concurrent Offering Unit for gross proceeds of \$28,500,000 from the sale of Concurrent Offering Units (the "Concurrent Offering"). Each Concurrent Offering Unit is comprised of one common share of Juva Canada's capital stock, with no par value per share, and one-half of a Warrant. Each whole Warrant enables the holder to purchase one additional common share of Juva Canada (a "Warrant Share") at an exercise price of \$0.75 per Warrant Share, subject to certain adjustments, over an 18-month exercise period following the date of issuance of the Warrant (for additional potential proceeds of \$21,375,000 from the sale of Warrant Shares upon exercise of the Warrants issued in the Concurrent Offering).
- (d) The Company granted 2,675,000 stock options with an exercise price of CDN\$0.35 and an expiry date of ten years from the date of grant.
- (e) Subsequent to December 31, 2018, the Company amended the terms of certain stock options granted during the period ended December 31, 2018 and allowed for early exercise of these stock options, with any unvested shares to be held in trust until such time as shares vest per the terms of the original agreements.
- (f) The Company issued 8,400,000 common shares pursuant to exercise of stock options with exercise prices ranging from CDN\$0.02 to CDN\$0.055

APPENDIX "A"
AUDIT COMMITTEE CHARTER

JUVA LIFE INC.

AUDIT COMMITTEE CHARTER

I. GENERAL

1. Organization

There shall be a committee of the board of directors (the “**Board**”) of Juva Life Inc. (the “**Company**”) known as the Audit Committee (the “**Committee**”). This charter shall govern the operations of the Committee.

2. Purpose and Role of the Committee

The Committee assists the Board in fulfilling its responsibility for oversight of the quality and integrity of the accounting, auditing, reporting practices, systems of internal accounting and financial controls, the annual independent audit of the Company’s financial statements, and the legal compliance and ethics programs of the Company as established by management, and the Board shall also perform any other related duties as directed by the Board. In fulfilling this role, the Committee is expected to maintain free and open communications with the independent auditor and management of the Company and shall meet at least once each quarter.

While the Committee has the responsibilities and powers set forth below in this charter under the headings “Authority” and “Responsibilities and Processes”, it is not the duty of the Committee to conduct audits or to determine that the Company’s financial statements are fairly presented and are in accordance with generally accepted accounting principles. Management is responsible for the preparation of financial statements in accordance with generally accepted accounting principles. It is the role of the independent auditor to audit the financial statements.

II. PROCEDURAL MATTERS

1. Composition

The membership of the Committee shall be appointed by the Board and shall consist of at least three directors, the majority of whom will not be not be executive officers, employees or control persons of the Company or an affiliate of the Company (an “**Independent Member**”).

2. Member Qualifications

Each Independent Member of the Committee shall be, while at all times a member of the Committee, free of any relationship that, in the opinion of the Board, would interfere with the Independent Member’s individual exercise of independent judgment.

Each member of the Committee shall be, while at all times a member of the Committee, generally knowledgeable in financial and auditing matters, specifically possessing the ability to read and understand fundamental financial statements including the Company’s balance sheet, statement of operations and statement of cash flows.

The Board shall appoint one member of the Committee as chair. The chair shall be responsible for leadership of the Committee, including preparing the agenda, presiding over the meetings, making committee assignments and reporting to the Board. The chair will also maintain regular liaison with the Company’s Chief Executive Officer, Chief Financial Officer and lead independent audit partner.

III. AUTHORITY

The Committee is granted the authority to investigate any matter brought to its attention, with full access to all books, records, facilities and personnel of the Company. The Committee has the power to engage and determine funding for outside counsel or other experts or advisors as the Committee deems necessary for these purposes and as otherwise necessary or appropriate to carry out its duties. The Company shall provide appropriate funding, as determined by the Committee, for payment of compensation to any registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company and for any advisors employed by the Committee as well as for the payment of ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

IV. RESPONSIBILITIES

1. Primary Responsibilities

The Committee's primary responsibilities include:

- a) Overseeing the Company's financial reporting process on behalf of the Board and reporting the results or findings of its oversight activities to the Board.
- b) Having sole authority to appoint, retain and oversee the work of the Company's independent auditor and establishing the compensation to be paid to the independent auditor. The Company's independent auditor shall report directly to the Committee.
- c) Establishing procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls and/or auditing matters for the confidential, anonymous submission by the Company's employees of concerns regarding questionable accounting or auditing matters.
- d) Pre-approving all audit services and permissible non-audit services as may be amended from time to time.
- e) Overseeing the Company's system to monitor and manage risk, and legal and ethical compliance programs, including the establishment and administration (including the grant of any waiver from) a written code of ethics applicable to each of the Company's chief executive officer, chief financial officer, principal accounting officer or controller, or persons performing similar functions.

The Committee, in carrying out its responsibilities, believes its policies and procedures should remain flexible in order to react more effectively to changing conditions and circumstances. The Committee shall take the appropriate actions to set the overall corporate "tone" for quality financial reporting, sound business risk practices and ethical behaviour.

2. Recurring Responsibilities

The following shall be the principal recurring processes of the Committee relating to its oversight responsibilities. These processes are set forth as a guide, with the understanding that the Committee may supplement them as appropriate and is not intended be a comprehensive list of all the actions that the Committee will take in discharging its duties. These processes are:

- a) Discussing with the independent auditor the objectivity and independence of the auditor and any relationships that may impact the auditor's objectivity or independence and receiving from the independent auditor disclosures regarding its independence and written affirmation that the

independent auditor is in fact independent, and taking any action, or recommending that the Board take appropriate action to oversee the independence of the independent auditor.

- b) Overseeing the independent auditor relationship by discussing with the auditor the nature and scope of the audit process, receiving and reviewing audit reports, and providing the auditor full access to the Committee to report on any and all appropriate matters. The Committee has the sole authority to resolve disagreements, if any, between management and the independent auditor.
- c) Discussing with the independent auditor and the Company's financial and accounting personnel, together and in separate sessions, the adequacy and effectiveness of the accounting and financial controls of the Company and eliciting recommendations for the improvement of such internal control procedures or particular areas where new or more detailed controls or procedures may be desirable.
- d) Providing sufficient opportunity for the independent auditor to meet with the members of the Committee without members of management present. Among the items to be discussed in these meetings are the independent auditor's evaluation of the Company's financial and accounting personnel and the cooperation that the independent auditor received during the course of the audit.
- e) Discussing with management their review of the adequacy of the Company's disclosure controls and procedures, the effectiveness of such controls and procedures and any findings following such review.
- f) Reviewing the Company's system to monitor, assess and manage risk and legal and ethical compliance program.
- g) Reviewing and discussing with management and the independent auditor prior to the filing of the Company's annual report:
 - 1. The Company's annual financial statements and related footnotes and other financial information, including the information in the "Management's Discussion and Analysis".
 - 2. The selection, application and effects of the Company's critical accounting policies, practices and the reasonableness of significant judgments and estimates made by management.
 - 3. Alternative and preferred treatment of financial information under generally accepted accounting principles.
 - 4. All material arrangements, off-balance sheet transactions and relationship with any unconsolidated entities or any other persons which may have a material, current or future, effect on the financial condition of the Company.
 - 5. Any material written communications between the independent auditor and management.
 - 6. The independent auditor's audit of the financial statements and its report thereon.
 - 7. Any significant finding and recommendations of the independent auditor and management's responses thereto.
 - 8. Any significant changes in the independent auditor's audit plan.
 - 9. Any serious difficulties or disputes with management encountered during the course of the audit.

10. Any related significant findings and recommendations of the independent auditor together with management's responses thereto.
 11. Other matters related to the conduct of the audit, which are to be communicated to the Committee under generally accepted auditing standards.
- h) Preparing a report to be included in the Company's annual Management Information Circular that states the Committee has:
1. Analyzed and discussed the audited financial statements with management.
 2. discussed with the independent auditor the auditor's independence.
 3. Considered the audit and non-audit services provided by the independent auditor, and the fees paid for such services.
- i) Reviewing in advance all announcements of interim and annual financial results, as well as any periodic guidance to be publicly released by the Company and discussing such announcements with management and the independent auditors.
- j) Reviewing and discussing with management and the independent auditor prior to the filing of the Company's Quarterly Report:
1. The Company's interim financial statements and related footnotes and other financial information, including the information in the "Management's Discussion and Analysis".
 2. The selection, application and effects of the Company's critical accounting policies, practices and the reasonableness of significant judgments and estimates made by management.
 3. Alternative and preferred treatment of financial information under generally accepted accounting principles.
 4. All material arrangements, off-balance sheet transactions and relationship with any unconsolidated entities or any other persons which may have a material current or future effect on the financial condition of the Company.
- k) Reviewing and either approving or disapproving all related party transactions.
- l) Submitting the minutes of all meetings of the Committee to, or discussing the matters discussed at each committee meeting with, the Board.
- m) Reviewing and assessing the adequacy of this charter annually and recommend any proposed changes to the Board for its approval.
- n) The chair of the Committee, or another Committee member designated by the chair of the Committee, is authorized to act on behalf of the Committee with respect to required Committee responsibilities which arise between regularly scheduled Committee meetings, with the independent auditors and management, as well as the pre-approval of non-audit services provided by the independent auditors, as necessary, as contemplated by the Committee's policies. Any such pre-filing discussions and pre-approvals shall be reported to the Committee at a subsequent meeting.

APPENDIX "B"
OPTION PLAN

**JUVA LIFE INC.
2019 EQUITY INCENTIVE PLAN**

ADOPTED BY THE BOARD OF DIRECTORS: JULY 20, 2019

1. GENERAL.

- (a) **Eligible Award Recipients.** Employees, Officers, Directors and Consultants are eligible to receive Awards.
- (b) **Available Awards.** The Plan provides for the grant of the following types of Awards: (i) Stock Options, and (ii) Restricted Share Unit Awards.
- (c) **Purpose.** The Plan, through the grant of Awards, is intended to help the Corporation secure and retain the services of eligible award recipients, provide incentives for such persons to exert maximum efforts for the success of the Corporation and any Affiliate and provide a means by which the eligible recipients may benefit from increases in value of the Common Shares.

2. ADMINISTRATION.

- (a) **Administration by the Board.** The Board will administer the Plan. The Board may delegate administration of the Plan to a Committee or Committees, as provided in Section 2(c).
- (b) **Powers of the Board.** The Board will have the power, subject to, and within the limitations of, the express provisions of the Plan:
- (i) To determine (A) who will be granted Awards; (B) when and how each Award will be granted; (C) what type of Award will be granted; (D) the provisions of each Award (which need not be identical), including when a person will be permitted to exercise or otherwise receive cash or Common Shares under the Award; (E) the number of Common Shares subject to, or the cash value of, an Award.
 - (ii) To construe and interpret the Plan and Awards granted under it, and to establish, amend and revoke rules and regulations for administration of the Plan and Awards. The Board, in the exercise of these powers, may correct any defect, omission or inconsistency in the Plan or in any Award Agreement, in a manner and to the extent it will deem necessary or expedient to make the Plan or Award fully effective.
 - (iii) To settle all controversies regarding the Plan and Awards granted under it.
 - (iv) To accelerate, in whole or in part, the time at which an Award may be exercised or vest (or the time at which cash or Common Shares may be issued in settlement thereof).
 - (v) To suspend or terminate the Plan at any time. Except as otherwise provided in the Plan or an Award Agreement, suspension or termination of the Plan will not impair a Participant's rights under the Participant's then-outstanding Award without the Participant's written consent except as provided in subsection (viii) below.
 - (vi) To amend the Plan in any respect the Board deems necessary or advisable, including, without limitation, by adopting amendments relating to Incentive Stock Options and certain nonqualified deferred compensation under Section 409A of the Code and/or bringing the Plan or Awards granted under the Plan into compliance with the requirements for Incentive Stock Options or ensuring that they are exempt from, or compliant with, the requirements for nonqualified deferred compensation under Section 409A of the Code, subject to the limitations, if any, of applicable law. If required by applicable law or listing requirements, and except as provided in Section 9(a) relating to Capitalization Adjustments, the Corporation will seek shareholder approval of any amendment of the Plan that (A) materially increases the number of Common Shares available for issuance under the Plan, (B) materially expands the class of individuals

eligible to receive Awards under the Plan, (C) materially increases the benefits accruing to Participants under the Plan, (D) materially reduces the price at which Common Shares may be issued or purchased under the Plan, (E) materially extends the term of the Plan, or (F) materially expands the types of Awards available for issuance under the Plan. Except as otherwise provided in the Plan or an Award Agreement, no amendment of the Plan will materially impair a Participant's rights under an outstanding Award without the Participant's written consent.

(vii) To submit any amendment to the Plan for shareholder approval, including, but not limited to, amendments to the Plan intended to satisfy the requirements of (A) Section 422 of the Code regarding Incentive Stock Options.

(viii) To approve forms of Award Agreements for use under the Plan and to amend the terms of any one or more Awards, including, but not limited to, amendments to provide terms more favorable to the Participant than previously provided in the Award Agreement, subject to any specified limits in the Plan that are not subject to Board discretion; *provided however*, that a Participant's rights under any Award will not be impaired by any such amendment unless (A) the Corporation requests the consent of the affected Participant, and (B) such Participant consents in writing. Notwithstanding the foregoing, (1) a Participant's rights will not be deemed to have been impaired by any such amendment if the Board, in its sole discretion, determines that the amendment, taken as a whole, does not materially impair the Participant's rights, and (2) subject to the limitations of applicable law, if any, the Board may amend the terms of any one or more Awards without the affected Participant's consent (A) to maintain the qualified status of the Award as an Incentive Stock Option under Section 422 of the Code; (B) to change the terms of an Incentive Stock Option, if such change results in impairment of the Award solely because it impairs the qualified status of the Award as an Incentive Stock Option under Section 422 of the Code; (C) to clarify the manner of exemption from, or to bring the Award into compliance with, Section 409A of the Code; or (D) to comply with other applicable laws or listing requirements.

(ix) Generally, to exercise such powers and to perform such acts as the Board deems necessary or expedient to promote the best interests of the Corporation and that are not in conflict with the provisions of the Plan or Awards.

(x) To adopt such procedures and sub-plans as are necessary or appropriate to permit participation in the Plan by Employees, Officers, Directors or Consultants who are foreign nationals or employed outside the United States (provided that Board approval will not be necessary for immaterial modifications to the Plan or any Award Agreement that are required for compliance with the laws of the relevant foreign jurisdiction).

(xi) To effect, with the consent of any adversely affected Participant, (A) the reduction of the exercise, purchase or strike price of any outstanding Award; (B) the cancellation of any outstanding Award and the grant in substitution therefor of a new (1) Option, (2) Restricted Share Unit Award, and/or (3) Other Award, determined by the Board, in its sole discretion, with any such substituted award (x) covering the same or a different number of Common Shares as the cancelled Award and (y) granted under the Plan or another equity or compensatory plan of the Corporation; or (C) any other action that is treated as a repricing under generally accepted accounting principles.

(c) Delegation to Committee.

(i) **General.** The Board may delegate some or all of the administration of the Plan to a Committee or Committees. If administration of the Plan is delegated to a Committee, the Committee will have, in connection with the administration of the Plan, the powers theretofore possessed by the Board that have been delegated to the Committee, including the power to delegate to a subcommittee of the Committee any of the administrative powers the Committee is authorized to exercise (and references in this Plan to the Board will thereafter be to the Committee or subcommittee, as applicable). Any delegation of administrative powers will be reflected in resolutions, not inconsistent with the provisions of the Plan, adopted from time

to time by the Board or Committee (as applicable). The Committee may, at any time, abolish the subcommittee and/or reconstitute in the Committee any powers delegated to the subcommittee. The Board may retain the authority to concurrently administer the Plan with the Committee and may, at any time, reconstitute in the Board some or all of the powers previously delegated.

(ii) **Delegation to an Officer.** The Board may delegate to one or more Officers the authority to do one or both of the following: (i) designate Employees who are not Officers to be recipients of Options and SARs (and, to the extent permitted by applicable law, other Awards) and, to the extent permitted by applicable law, the terms of such Awards, and (ii) determine the number of Common Shares to be subject to such Awards granted to such Employees; *provided, however*, that the Board resolutions regarding such delegation will specify the total number of Common Shares that may be subject to the Awards granted by such Officer and that such Officer may not grant an Award to himself or herself. Any such Awards will be granted on the form of Award Agreement most recently approved for use by the Committee or the Board, unless otherwise provided in the resolutions approving the delegation authority. The Board may not delegate authority to an Officer who is acting solely in the capacity of an Officer (and not also as a Director) to determine the Market Value pursuant to Section 13(w)(ii) below.

(iii) **Effect of Board's Decision.** All determinations, interpretations and constructions made by the Board in good faith will not be subject to review by any person and will be final, binding and conclusive on all persons.

3. SHARES SUBJECT TO THE PLAN.

(a) **Share Reserve.** Subject to Section 9(a) relating to Capitalization Adjustments and any subsequent amendment to this Plan, the aggregate number of shares reserved for issuance pursuant to Awards granted under this Plan, including any options granted under previous stock option plans outstanding as of the date of this Plan, shall not exceed 20% of the Corporation's total issued and outstanding Common Shares from time to time. This Plan is considered an "evergreen" plan, since the shares covered by Awards which have been exercised or terminated shall be available for subsequent grants under the Plan and the number of Awards available to grant increases as the number of issued and outstanding Shares increases.

(b) To the extent any Awards (or portion(s) thereof) under this Plan are exercised, terminate or are cancelled for any reason prior to exercise in full, any shares subject to such Awards (or portion(s) thereof) shall be added back to the number of shares reserved for issuance under this Plan and will again become available for issuance pursuant to the exercise of Awards granted under this Plan.

(c) Any shares issued by the Corporation through the assumption or substitution of outstanding stock options or other equity-based awards from an acquired company shall not reduce the number of Shares available for issuance pursuant to the exercise of Awards granted under this Plan.

(d) For clarity, the Share Reserve in this Section 3(a) is a limitation on the number of Common Shares that may be issued pursuant to the Plan. Accordingly, this Section 3(a) does not limit the granting of SAR Awards or any Other Award not involving, whether by election or otherwise, the issuance of Common Shares to the Participant.

(e) **Reversion of Shares to the Share Reserve.** If an Award or any portion thereof (i) expires or otherwise terminates without all of the shares covered by such Award having been issued or (ii) is settled in cash (*i.e.*, the Participant receives cash rather than stock), such expiration, termination or settlement will not reduce (or otherwise offset) the number of Common Shares that may be available for issuance under the Plan. If any Common Shares issued pursuant to an Award are forfeited back to or repurchased by the Corporation because of the failure to meet a contingency or condition required to vest such shares in the Participant, then the shares that are forfeited or repurchased will revert to and again become available for issuance under the Plan. Any shares reacquired by the Corporation in satisfaction of tax withholding

obligations on an Award or as consideration for the exercise or purchase price of an Award will again become available for issuance under the Plan.

(f) **Source of Shares.** The shares issuable under the Plan will be shares of authorized but unissued Common Shares.

4. ELIGIBILITY.

(a) **Eligibility for Specific Awards.** Incentive Stock Options may be granted only to applicable employees of the Corporation or a “parent corporation” or “subsidiary corporation” thereof (as such terms are defined in Sections 424(e) and 424(f) of the Code). Awards other than Incentive Stock Options may be granted to Employees, Officers, Directors and Consultants.

(b) **Ten Percent Shareholders.** A Ten Percent Shareholder will not be granted an Incentive Stock Option unless the exercise price of such Option is at least 110% of the Market Value on the date of grant and the Option is not exercisable after the expiration of five years from the date of grant.

5. PROVISIONS RELATING TO OPTIONS AND STOCK APPRECIATION RIGHTS.

Each Option or SAR will be in such form and will contain such terms and conditions as the Board deems appropriate. All Options will be separately designated Incentive Stock Options or Non-Incentive Stock Options at the time of grant, and, if certificates are issued, a separate certificate or certificates will be issued for Common Shares purchased on exercise of each type of Option. If an Option is not specifically designated as an Incentive Stock Option, or if an Option is designated as an Incentive Stock Option but some portion or all of the Option fails to qualify as an Incentive Stock Option under the applicable rules, then the Option (or portion thereof) will be a Non-Incentive Stock Option. The provisions of separate Options or SARs need not be identical; *provided, however*, that each Award Agreement will conform to (through incorporation of provisions hereof by reference in the applicable Award Agreement or otherwise) the substance of each of the following provisions:

(a) **Term.** Subject to the provisions of Section 4(b) regarding Ten Percent Shareholders, no Option or SAR will be exercisable after the expiration of 10 years from the date of its grant or such shorter period specified in the Award Agreement.

(b) **Exercise Price.** Subject to the provisions of Section 4(b) regarding Ten Percent Shareholders, the exercise or strike price of each Option or SAR will be not less than 100% of the Market Value of the Common Shares subject to the Option or SAR on the date the Award is granted. Notwithstanding the foregoing, an Option or SAR may be granted with an exercise or strike price lower than 100% of the Market Value of the Common Shares subject to the Award if such Award is granted pursuant to an assumption of or substitution for another option or stock appreciation right pursuant to a Corporate Transaction; provided that such grant is permitted under applicable Securities Laws and Stock Exchange Rules and, to the extent relevant to the Participant, is made in a manner consistent with the provisions of Section 409A of the Code and, if applicable, Section 424(a) of the Code. Each SAR will be denominated in Common Share equivalents.

(c) **Purchase Price for Options.** The purchase price of Common Shares acquired pursuant to the exercise of an Option may be paid, to the extent permitted by applicable law and as determined by the Board in its sole discretion, by any combination of the methods of payment set forth below. The Board will have the authority to grant Options that do not permit all of the following methods of payment (or otherwise restrict the ability to use certain methods) and to grant Options that require the consent of the Corporation to use a particular method of payment. The permitted methods of payment are as follows:

- (i) by cash, cheque, bank draft or money order payable to the Corporation;

(ii) if an Option is a Non-Incentive Stock Option, by a “net exercise” arrangement pursuant to which the Corporation will reduce the number of Common Shares issuable upon exercise by the largest whole number of shares with a Market Value that does not exceed the aggregate exercise price; *provided, however,* that the Corporation will accept a cash or other payment from the Participant to the extent of any remaining balance of the aggregate exercise price not satisfied by such reduction in the number of whole shares to be issued. Common Shares will no longer be subject to an Option and will not be exercisable thereafter to the extent that (A) shares issuable upon exercise are used to pay the exercise price pursuant to the “net exercise,” (B) shares are delivered to the Participant as a result of such exercise, and (C) shares are withheld to satisfy tax withholding obligations; or

(iii) in any other form of legal consideration that may be acceptable to the Board and specified in the applicable Award Agreement.

(d) **Exercise and Payment of a SAR.** To exercise any outstanding SAR, the Participant must provide written notice of exercise to the Corporation in compliance with the provisions of the Stock Appreciation Right Agreement evidencing such SAR. The appreciation distribution payable on the exercise of a SAR will be not greater than an amount equal to the excess of (A) the aggregate Market Value (on the date of the exercise of the SAR) of a number of Common Shares equal to the number of Common Share equivalents in which the Participant is vested under such SAR, and with respect to which the Participant is exercising the SAR on such date, over (B) the aggregate strike price of the number of Common Share equivalents with respect to which the Participant is exercising the SAR on such date. The appreciation distribution may be paid in Common Shares, in cash, in any combination of the two or in any other form of consideration, as determined by the Board and contained in the Award Agreement evidencing such SAR.

(e) **Transferability of Options and SARs.** Except as otherwise provided in the applicable Award Agreement or other agreement between the Participant and the Corporation or as otherwise expressly consented to by the Board, Options and SARs shall not be assignable, transferable or negotiable (whether by operation of law or otherwise) and may not be assigned or transferred other than by will or the laws of descent and distribution.

(f) **Vesting Generally.** The total number of Common Shares subject to an Option or SAR may vest and therefore become exercisable in periodic installments that may or may not be equal. The Option or SAR may be subject to such other terms and conditions on the time or times when it may or may not be exercised (which may be based on the satisfaction of performance goals or other criteria) as the Board may deem appropriate. The vesting provisions of individual Options or SARs may vary. The provisions of this Section 5(f) are subject to any Option or SAR provisions governing the minimum number of Common Shares as to which an Option or SAR may be exercised.

(g) **Termination of Continuous Service.** Except as otherwise provided in the applicable Award Agreement or other agreement between the Participant and the Corporation, if a Participant’s Continuous Service terminates (other than for Cause and other than upon the Participant’s death or Disability), the Participant may exercise his or her Option or SAR (to the extent that the Participant was entitled to exercise such Award as of the date of termination of Continuous Service) within the period of time ending on the earlier of (i) the date ninety (90) days following the termination of the Participant’s Continuous Service (or such longer or shorter period specified in the applicable Award Agreement, which period will not be less than 30 days if necessary to comply with applicable laws unless such termination is for Cause) and (ii) the expiration of the term of the Option or SAR as set forth in the Award Agreement. If, after termination of Continuous Service, the Participant does not exercise his or her Option or SAR (as applicable) within the applicable time frame, the Option or SAR will terminate.

(h) **Disability of Participant.** Except as otherwise provided in the applicable Award Agreement or other agreement between the Participant and the Corporation, if a Participant’s Continuous Service terminates as a result of the Participant’s Disability, the Participant may exercise his or her Option or SAR (to the extent that the Participant was entitled to exercise such Option or SAR as of the date of termination

of Continuous Service), but only within such period of time ending on the earlier of (i) the date 12 months following such termination of Continuous Service (or such longer or shorter period specified in the Award Agreement, which period will not be less than six months if necessary to comply with applicable laws unless such termination is for Cause), and (ii) the expiration of the term of the Option or SAR as set forth in the Award Agreement. If, after termination of Continuous Service, the Participant does not exercise his or her Option or SAR within the applicable time frame, the Option or SAR (as applicable) will terminate.

(i) **Death of Participant.** Except as otherwise provided in the applicable Award Agreement or other agreement between the Participant and the Corporation, if (i) a Participant's Continuous Service terminates as a result of the Participant's death, or (ii) the Participant dies within the period (if any) specified in the Award Agreement for exercisability after the termination of the Participant's Continuous Service (for a reason other than death), then the Option or SAR may be exercised (to the extent the Participant was entitled to exercise such Option or SAR as of the date of death) by the Participant's estate, by a person who acquired the right to exercise the Option or SAR by bequest or inheritance or by a person designated to exercise the Option or SAR upon the Participant's death, but only within the period ending on the earlier of (i) the date 12 months following the date of death (or such longer or shorter period specified in the Award Agreement, which period will not be less than six months if necessary to comply with applicable laws unless such termination is for Cause), and (ii) the expiration of the term of such Option or SAR as set forth in the Award Agreement. If, after the Participant's death, the Option or SAR is not exercised within the applicable time frame, the Option or SAR (as applicable) will terminate.

(j) **Termination for Cause.** Except as explicitly provided otherwise in a Participant's Award Agreement or other individual written agreement between the Corporation or any Affiliate and the Participant, if a Participant's Continuous Service is terminated for Cause, the Option or SAR will terminate immediately upon such Participant's termination of Continuous Service, and the Participant will be prohibited from exercising his or her Option or SAR from and after the date of such termination of Continuous Service.

(k) **Non-Exempt Employees.** If an Option or SAR is granted to an Employee who is a non-exempt employee for purposes of the Fair Labor Standards Act of 1938, as amended, the Option or SAR will not be first exercisable for any Common Shares until at least six months following the date of grant of the Option or SAR (although the Award may vest prior to such date). Consistent with the provisions of the Worker Economic Opportunity Act, (i) if such non-exempt Employee dies or suffers a Disability, (ii) upon a Corporate Transaction in which such Option or SAR is not assumed, continued, or substituted, (iii) upon a Change in Control, or (iv) upon the Participant's retirement (as such term may be defined in the Participant's Award Agreement, in another agreement between the Participant and the Corporation, or, if no such definition, in accordance with the Corporation's then current employment policies and guidelines), the vested portion of any Options and SARs may be exercised earlier than six months following the date of grant. The foregoing provision is intended to operate so that any income derived by a non-exempt employee in connection with the exercise or vesting of an Option or SAR will be exempt from his or her regular rate of pay. To the extent permitted and/or required for compliance with the Worker Economic Opportunity Act to ensure that any income derived by a non-exempt employee in connection with the exercise, vesting or issuance of any shares under any other Award will be exempt from the employee's regular rate of pay, the provisions of this Section will apply to all Awards and are hereby incorporated by reference into such Award Agreements.

(l) **Right of Repurchase.** Subject to the "Repurchase Limitation," the Option or SAR may include a provision whereby the Corporation may elect to repurchase all or any part of the vested Common Shares acquired by the Participant pursuant to the exercise of the Option or SAR.

(m) **Right of First Refusal.** The Option or SAR may include a provision whereby the Corporation may elect to exercise a right of first refusal following receipt of notice from the Participant of the intent to transfer all or any part of the Common Shares received upon the exercise of the Option. Such right of first

refusal will be subject to the “Repurchase Limitation”. Except as expressly provided in this Section or in the Award Agreement, such right of first refusal will otherwise comply with any applicable provisions of the bylaws of the Corporation.

6. PROVISIONS OF AWARDS OTHER THAN OPTIONS AND SARS.

(a) **Restricted Share Unit Awards.** Each Restricted Share Unit Award Agreement will be in such form and will contain such terms and conditions as the will Board deem appropriate. The terms and conditions of Restricted Share Unit Award Agreements may change from time to time, and the terms and conditions of separate Restricted Share Unit Award Agreements need not be identical. Each Restricted Share Unit Award Agreement will conform to (through incorporation of the provisions hereof by reference in the Agreement or otherwise) the substance of each of the following provisions:

Consideration. At the time of grant of a Restricted Share Unit Award, the Board will determine the consideration, if any, to be paid by the Participant upon delivery of each Common Share subject to the Restricted Share Unit Award. The consideration to be paid (if any) by the Participant for each Common Share subject to a Restricted Share Unit Award may be paid in any form of legal consideration that may be acceptable to the Board, in its sole discretion, and permissible under applicable law.

(i) **Vesting.** At the time of the grant of a Restricted Share Unit Award, the Board may impose such restrictions on or conditions to the vesting of the Restricted Share Unit Award as it, in its sole discretion, deems appropriate.

(ii) **Payment.** A Restricted Share Unit Award may be settled by the delivery of Common Shares, their cash equivalent, any combination thereof or in any other form of consideration, as determined by the Board and contained in the Restricted Share Unit Award Agreement.

(iii) **Additional Restrictions.** At the time of the grant of a Restricted Share Unit Award, the Board, as it deems appropriate, may impose such restrictions or conditions that delay the delivery of the Common Shares (or their cash equivalent) subject to a Restricted Share Unit Award to a time after the vesting of such Restricted Share Unit Award.

(iv) **Dividend Equivalents.** Dividend equivalents may be credited in respect of Common Shares covered by a Restricted Share Unit Award, as determined by the Board and contained in the Restricted Share Unit Award Agreement. At the sole discretion of the Board, such dividend equivalents may be converted into additional Common Shares covered by the Restricted Share Unit Award in such manner as determined by the Board. Any additional shares covered by the Restricted Share Unit Award credited by reason of such dividend equivalents will be subject to all of the same terms and conditions of the underlying Restricted Share Unit Award Agreement to which they relate.

(v) **Termination of Participant’s Continuous Service.** Except as otherwise provided in the applicable Restricted Share Unit Award Agreement, such portion of the Restricted Share Unit Award that has not vested will be forfeited upon the Participant’s termination of Continuous Service.

(vi) **Compliance with Section 409A of the Code.** Notwithstanding anything to the contrary set forth herein, any Restricted Share Unit Award granted under the Plan that is not exempt from the requirements of Section 409A of the Code shall contain such provisions so that such Restricted Share Unit Award will comply with the requirements of Section 409A of the Code. Such restrictions, if any, shall be determined by the Board and contained in the Restricted Share Unit Award Agreement evidencing such Restricted Share Unit Award. For example, such restrictions may include, without limitation, a requirement that any Common Share that is to be issued in a year following the year in which the Restricted Share Unit Award vests must be issued in accordance with a fixed pre-determined schedule.

(b) **Other Awards.** Other forms of Awards valued in whole or in part by reference to, or otherwise based on, Common Shares, including the appreciation in value thereof may be granted either alone or in addition to Awards provided for under Section 5 and the preceding provisions of this Section 6. Subject to the provisions of the Plan, the Board will have sole and complete authority to determine the persons to whom and the time or times at which such Other Awards will be granted, the number of Common Shares (or the cash equivalent thereof) to be granted pursuant to such Other Awards and all other terms and conditions of such Other Awards.

7. COVENANTS OF THE COMPANY.

(a) **Availability of Shares.** The Corporation will keep available at all times the number of Common Shares reasonably required to satisfy then-outstanding Awards.

(b) **Securities Law Compliance.** The Corporation will seek to obtain from each securities commission or other regulatory body having jurisdiction over the Plan, as necessary, such authority as may be required to grant Awards and to issue and sell Common Shares upon exercise or vesting of the Awards; *provided, however,* that this undertaking will not require the Corporation to register or qualify by prospectus under applicable Securities Laws, the Plan, any Award or any Common Shares issued or issuable pursuant to any such Award. If, after reasonable efforts and at a reasonable cost, the Corporation is unable to obtain from any such regulatory commission or agency the authority that counsel for the Corporation deems necessary or advisable for the lawful issuance and sale of Common Shares under the Plan, the Corporation will be relieved from any liability for failure to issue and sell Common Shares upon exercise or vesting of such Awards unless and until such authority is obtained. A Participant will not be eligible for the grant of an Award or the subsequent issuance of cash or Common Shares pursuant to the Award if such grant or issuance would be in violation of any applicable securities law.

(c) **No Obligation to Notify or Minimize Taxes.** The Corporation will have no duty or obligation to any Participant to advise such holder as to the tax treatment or time or manner of exercising such Award. Furthermore, the Corporation will have no duty or obligation to warn or otherwise advise such holder of a pending termination or expiration of an Award or a possible period in which the Award may not be exercised. The Corporation has no duty or obligation to minimize the tax consequences of an Award to the holder of such Award.

8. MISCELLANEOUS.

(a) **Use of Proceeds from Sales of Common Shares.** Proceeds from the sale of Common Shares pursuant to Awards will constitute general funds of the Corporation.

(b) **Corporate Action Constituting Grant of Awards.** Corporate action constituting a grant by the Corporation of an Award to any Participant will be deemed completed as of the date of such corporate action, unless otherwise determined by the Board, regardless of when the instrument, certificate, or letter evidencing the Award is communicated to, or actually received or accepted by, the Participant. In the event that the corporate records (e.g., Board consents, resolutions or minutes) documenting the corporate action constituting the grant contain terms (e.g., exercise price, vesting schedule or number of shares) that are inconsistent with those in the Award Agreement or related grant documents as a result of a clerical error in the papering of the Award Agreement or related grant documents, the corporate records will control and the Participant will have no legally binding right to the incorrect term in the Award Agreement or related grant documents.

(c) **Shareholder Rights.** No Participant will be deemed to be the holder of, or to have any of the rights of a holder with respect to, any Common Shares subject to an Award unless and until (i) such Participant has satisfied all requirements for exercise of, or the issuance of Common Shares under, the Award pursuant to its terms, and (ii) the issuance of the Common Shares subject to the Award has been entered into the books and records of the Corporation.

(d) **No Employment or Other Service Rights.** Nothing in the Plan, any Award Agreement or any other instrument executed thereunder or in connection with any Award granted pursuant thereto will confer upon any Participant any right to continue to serve the Corporation or an Affiliate in the capacity in effect at the time the Award was granted or will affect the right of the Corporation or an Affiliate to terminate (i) the employment of an Employee with or without notice and with or without cause, (ii) the service of a Consultant pursuant to the terms of such Consultant's agreement with the Corporation or an Affiliate, or (iii) the service of a Director pursuant to the bylaws of the Corporation or an Affiliate, and any applicable provisions of the corporate law of the state of foreign jurisdiction in which the Corporation or the Affiliate is domiciled or incorporated, as the case may be.

(e) **Change in Time Commitment.** In the event a Participant's regular level of time commitment in the performance of his or her services for the Corporation and any Affiliates is reduced (for example, and without limitation, if the Participant is an Employee of the Corporation and the Employee has a change in status from a full-time Employee to a part-time Employee or takes an extended leave of absence) after the date of grant of any Award to the Participant, the Board has the right in its sole discretion to (x) make a corresponding reduction in the number of shares or cash amount subject to any portion of such Award that is scheduled to vest or become payable after the date of such change in time commitment, and (y) in lieu of or in combination with such a reduction, extend the vesting or payment schedule applicable to such Award. In the event of any such reduction, the Participant will have no right with respect to any portion of the Award that is so reduced or extended.

(f) **Incentive Stock Option Limitations.** To the extent that the aggregate Market Value (determined at the time of grant) of Common Shares with respect to which Incentive Stock Options are exercisable for the first time by any Optionholder during any calendar year (under all plans of the Corporation and any Affiliates) exceeds \$100,000 (or such other limit established in the Code) or otherwise does not comply with the rules governing Incentive Stock Options, the Options or portions thereof that exceed such limit (according to the order in which they were granted) or otherwise do not comply with such rules will be treated as Non-Incentive Stock Options, notwithstanding any contrary provision of the applicable Option Agreement(s).

(g) **Investment Assurances.** The Corporation may require a Participant, as a condition of exercising or acquiring Common Shares under any Award, (i) to give written assurances satisfactory to the Corporation as to the Participant's knowledge and experience in financial and business matters and/or to employ a purchaser representative reasonably satisfactory to the Corporation who is knowledgeable and experienced in financial and business matters and that the Participant is capable of evaluating, alone or together with the purchaser representative, the merits and risks of exercising the Award; and (ii) to give written assurances satisfactory to the Corporation stating that the Participant is acquiring Common Shares subject to the Award for the Participant's own account and not with any present intention of selling or otherwise distributing the Common Shares. The foregoing requirements, and any assurances given pursuant to such requirements, will be inoperative if as to any particular requirement, a determination is made by counsel for the Corporation that such requirement need not be met in the circumstances under the then applicable Securities Laws. The Corporation may, upon advice of counsel to the Corporation, place legends on stock certificates issued under the Plan as such counsel deems necessary or appropriate in order to comply with applicable Securities Laws, including, but not limited to, legends restricting the transfer of the Common Shares.

(h) **Withholding Obligations.** Unless prohibited by the terms of an Award Agreement, the Corporation may, in its sole discretion, satisfy any federal, state or local tax withholding obligation relating to an Award by any of the following means or by a combination of such means: (i) causing the Participant to tender a cash payment; (ii) withholding Common Shares from the Common Shares issued or otherwise issuable to the Participant in connection with the Award; *provided, however*, that no Common Shares are withheld with a value exceeding the maximum amount of tax required to be withheld by law (or such lesser amount as may be necessary to avoid classification of the Award as a liability for financial accounting

purposes); (iii) withholding cash from an Award settled in cash; (iv) withholding payment from any amounts otherwise payable to the Participant; or (v) by such other method as may be set forth in the Award Agreement.

(i) **Deferrals.** To the extent permitted by applicable law, the Board, in its sole discretion, may determine that the delivery of Common Shares or the payment of cash, upon the exercise, vesting or settlement of all or a portion of any Award may be deferred and may establish programs and procedures for deferral elections to be made by Participants. Deferrals by Participants will be made in accordance with Section 409A of the Code. Consistent with Section 409A of the Code, the Board may provide for distributions while a Participant is still an employee or otherwise providing services to the Corporation. The Board is authorized to make deferrals of Awards and determine when, and in what annual percentages, Participants may receive payments, including lump sum payments, following the Participant's termination of Continuous Service, and implement such other terms and conditions consistent with the provisions of the Plan and in accordance with applicable law.

(j) **Clawback/Recovery.** All Awards granted under the Plan will be subject to recoupment in accordance with any clawback policy that the Corporation is required to adopt pursuant to the listing standards of any national securities exchange or association on which the Corporation's securities are listed or as is otherwise required by the Dodd-Frank Wall Street Reform and Consumer Protection Act or other applicable law. In addition, the Board may impose such other clawback, recovery or recoupment provisions in an Award Agreement as the Board determines necessary or appropriate, including but not limited to a reacquisition right in respect of previously acquired Common Shares or other cash or property upon the occurrence of Cause. No recovery of compensation under such a clawback policy will be an event giving rise to a right to voluntarily terminate employment upon a "resignation for good reason," or for a "constructive termination" or any similar term under any plan of or agreement with the Corporation.

(k) **Compliance with Section 409A of the Code.** Unless otherwise expressly provided for in an Award Agreement, the Plan and Award Agreements will be interpreted to the greatest extent possible in a manner that makes the Plan and the Awards granted hereunder exempt from Section 409A of the Code, and, to the extent not so exempt, in compliance with Section 409A of the Code. If the Board determines that any Award granted hereunder is not exempt from and is therefore subject to Section 409A of the Code, the Award Agreement evidencing such Award will incorporate the terms and conditions necessary to avoid the consequences specified in Section 409A(a)(1) of the Code, and to the extent an Award Agreement is silent on terms necessary for compliance, such terms are hereby incorporated by reference into the Award Agreement. Notwithstanding anything to the contrary in this Plan (and unless the Award Agreement specifically provides otherwise), if the Common Shares are publicly traded, and if a Participant holding an Award that constitutes "deferred compensation" under Section 409A of the Code is a "specified employee" for purposes of Section 409A of the Code, no distribution or payment of any amount that is due because of a "separation from service" (as defined in Section 409A of the Code without regard to alternative definitions thereunder) will be issued or paid before the date that is six months following the date of such Participant's "separation from service" or, if earlier, the date of the Participant's death, unless such distribution or payment can be made in a manner that complies with Section 409A of the Code, and any amounts so deferred will be paid in a lump-sum on the day after such six month period elapses, with the balance paid thereafter on the original schedule.

(l) **Repurchase Limitation.** The terms of any repurchase right will be specified in the Award Agreement. The repurchase price for vested Common Shares will be the Market Value of the Common Shares on the date of repurchase. The repurchase price for unvested Common Shares will be the lower of (i) the Market Value of the Common Shares on the date of repurchase or (ii) their original purchase price. However, the Corporation will not exercise its repurchase right until at least six months (or such longer or shorter period of time necessary to avoid classification of the Award as a liability for financial accounting purposes) have elapsed following delivery of Common Shares subject to the Award, unless otherwise specifically provided by the Board.

9. ADJUSTMENTS UPON CHANGES IN COMMON SHARES; OTHER CORPORATE EVENTS.

(a) **Capitalization Adjustments.** In the event of a Capitalization Adjustment, the Board will appropriately and proportionately adjust: (i) the class(es) and maximum number of securities subject to the Plan pursuant to Section 3(a), (ii) the class(es) and maximum number of securities that may be issued pursuant to the exercise of Incentive Stock Options pursuant to Section 3(c), and (iii) the class(es) and number of securities and price per share subject to outstanding Awards. The Board will make such adjustments, and its determination will be final, binding and conclusive.

(b) **Dissolution or Liquidation.** Except as otherwise provided in the Award Agreement, in the event of a dissolution or liquidation of the Corporation, all outstanding Awards (other than Awards consisting of vested and outstanding Common Shares not subject to a forfeiture condition or the Corporation's right of repurchase) will terminate immediately prior to the completion of such dissolution or liquidation, and the Common Shares subject to the Corporation's repurchase rights or subject to a forfeiture condition may be repurchased or reacquired by the Corporation notwithstanding the fact that the holder of such Award is providing Continuous Service, *provided, however*, that the Board may, in its sole discretion, cause some or all Awards to become fully vested, exercisable and/or no longer subject to repurchase or forfeiture (to the extent such Awards have not previously expired or terminated) before the dissolution or liquidation is completed but contingent on its completion.

(c) **Corporate Transaction.** The following provisions will apply to Awards in the event of a Corporate Transaction unless otherwise provided in the instrument evidencing the Award or any other written agreement between the Corporation or any Affiliate and the Participant or unless otherwise expressly provided by the Board at the time of grant of an Award. In the event of a Corporate Transaction, then, notwithstanding any other provision of the Plan, the Board may take one or more of the following actions with respect to Awards, contingent upon the closing or completion of the Corporate Transaction:

(i) arrange for the surviving corporation or acquiring corporation (or the surviving or acquiring corporation's parent company) to assume or continue the Award or to substitute a similar stock award for the Award (including, but not limited to, an award to acquire the same consideration paid to the shareholders of the Corporation pursuant to the Corporate Transaction);

(ii) arrange for the assignment of any reacquisition or repurchase rights held by the Corporation in respect of Common Shares issued pursuant to the Award to the surviving corporation or acquiring corporation (or the surviving or acquiring corporation's parent company);

(iii) accelerate the vesting, in whole or in part, of the Award (and, if applicable, the time at which the Award may be exercised) to a date prior to the effective time of such Corporate Transaction as the Board determines (or, if the Board does not determine such a date, to the date that is five days prior to the effective date of the Corporate Transaction), with such Award terminating if not exercised (if applicable) at or prior to the effective time of the Corporate Transaction; *provided, however*, that the Board may require Participants to complete and deliver to the Corporation a notice of exercise before the effective date of a Corporate Transaction, which exercise is contingent upon the effectiveness of such Corporate Transaction;

(iv) arrange for the lapse, in whole or in part, of any reacquisition or repurchase rights held by the Corporation with respect to the Award;

(v) cancel or arrange for the cancellation of the Award, to the extent not vested or not exercised prior to the effective time of the Corporate Transaction, in exchange for such cash consideration (including no consideration) as the Board, in its sole discretion, may consider appropriate; and

(vi) make a payment, in such form as may be determined by the Board equal to the excess, if any, of (A) the value of the property the Participant would have received upon the exercise of the Award

immediately prior to the effective time of the Corporate Transaction, over (B) any exercise price payable by such holder in connection with such exercise. For clarity, this payment may be zero (\$0) if the value of the property is equal to or less than the exercise price. Payments under this provision may be delayed to the same extent that payment of consideration to the holders of the Corporation's Common Shares in connection with the Corporate Transaction is delayed as a result of escrows, earn outs, holdbacks or any other contingencies.

The Board need not take the same action or actions with respect to all Awards or portions thereof or with respect to all Participants. The Board may take different actions with respect to the vested and unvested portions of an Award.

(d) **Change in Control.** An Award may be subject to additional acceleration of vesting and exercisability upon or after a Change in Control as may be provided in the Award Agreement for such Award or as may be provided in any other written agreement between the Corporation or any Affiliate and the Participant, but in the absence of such provision, no such acceleration will occur.

10. PLAN TERM; EARLIER TERMINATION OR SUSPENSION OF THE PLAN.

(a) **Plan Term.** The Board may suspend or terminate the Plan at any time. No Incentive Stock Option will be granted after the tenth anniversary of the earlier of (i) the Adoption Date, or (ii) the date the Plan is approved by the shareholders of the Corporation. No Awards may be granted under the Plan while the Plan is suspended or after it is terminated.

(b) **No Impairment of Rights.** Suspension or termination of the Plan will not impair rights and obligations under any Award granted while the Plan is in effect except with the written consent of the affected Participant or as otherwise permitted in the Plan.

11. ASSIGNMENT OF RIGHTS.

Any and all rights under Award and Award Agreement shall not be assignable, transferable or negotiable (whether by operation of law or otherwise) by the Participant and may not be assigned or transferred other than by transmission by will or the laws of descent and distribution.

12. EFFECTIVE DATE OF PLAN.

This Plan, as amended and restated, will become effective on the Effective Date.

13. CHOICE OF LAW.

The laws of the State of Delaware will govern all questions concerning the construction, validity and interpretation of this Plan, without regard to that state's conflict of laws rules.

14. DEFINITIONS.

As used in the Plan, the following definitions will apply to the capitalized terms indicated below:

(a) **"Adoption Date"** means July 20, 2019, which is the date the Plan, as amended and restated, was adopted by the Board.

(b) **"Affiliate"** means, at the time of determination, any "affiliate" of the Corporation, as such term is defined in the Business Corporations Act (British Columbia).

(c) **"Award"** means any right to receive Common Shares granted under the Plan, including an Incentive Stock Option, a Non-Incentive Stock Option, a Restricted Share Unit Award or any Other Award.

(d) “**Award Agreement**” means a written agreement between the Corporation and a Participant evidencing the terms and conditions of an Award.

(e) “**Award Agreement**” means a written agreement between the Corporation and a Participant evidencing the terms and conditions of an Award grant. Each Award Agreement will be subject to the terms and conditions of the Plan.

(f) “**Board**” means the Board of Directors of the Corporation.

(g) “**Capital Stock**” means each and every class of common stock of the Corporation, regardless of the number of votes per share.

(h) “**Capitalization Adjustment**” means any change that is made in, or other events that occur with respect to, the Common Shares subject to the Plan or subject to any Award after the Adoption Date without the receipt of consideration by the Corporation through merger, consolidation, reorganization, recapitalization, reincorporation, stock dividend, dividend in property other than cash, large nonrecurring cash dividend, stock split, reverse stock split, liquidating dividend, combination of shares, exchange of shares, change in corporate structure, or any similar equity restructuring transaction, as that term is used in Statement of Financial Accounting Standards Board Accounting Standards Codification Topic 718 (or any successor thereto). Notwithstanding the foregoing, the conversion of any convertible securities of the Corporation will not be treated as a Capitalization Adjustment.

(i) “**Cause**” will have the meaning ascribed to such term in any written agreement between the Participant and the Corporation defining such term and, in the absence of such agreement, such term means, with respect to a Participant, the occurrence of any of the following events: (i) such Participant’s commission of any felony or any crime involving fraud, dishonesty or moral turpitude under the laws of the United States or any state thereof; (ii) such Participant’s attempted commission of, or participation in, a fraud or act of dishonesty against the Corporation; (iii) such Participant’s intentional, material violation of any contract or agreement between the Participant and the Corporation or of any statutory duty owed to the Corporation; (iv) such Participant’s unauthorized use or disclosure of the Corporation’s confidential information or trade secrets; or (v) such Participant’s gross misconduct. The determination that a termination of the Participant’s Continuous Service is either for Cause or without Cause will be made by the Corporation, in its sole discretion. Any determination by the Corporation that the Continuous Service of a Participant was terminated with or without Cause for the purposes of outstanding Awards held by such Participant will have no effect upon any determination of the rights or obligations of the Corporation or such Participant for any other purpose.

(j) “**Change of Control**” means the occurrence of one or more of the following events:

(i) individuals who, as of the date on which Restricted Share Units are granted to the relevant Designated Participant, constitute the Board (the “**Incumbent Directors**”) cease for any reason to constitute at least a majority of such Board, provided that any person becoming a director after such date and whose election or nomination for election was approved by a vote of at least a majority of the Incumbent Directors then on the Board shall be an Incumbent Director; provided, however, that no individual initially elected as a director of the Company as a result of an actual or threatened election contest with respect to the election or removal of directors (“**Election Contest**”) or other actual or threatened solicitation of proxies or consents by or on behalf of any person other than the Board, including by reason of any agreement intended to avoid or settle any Election Contest or proxy contest, shall be deemed an Incumbent Director;

(ii) any change in the holding, direct or indirect, of shares in the capital of the Company as a result of which a person or group of persons acting jointly or in concert, or person associated or affiliated with any such person or group within the meaning of the Securities Act (British Columbia), becomes the beneficial owner, directly or indirectly, of shares and/or other securities in excess of the number which, directly or following conversion thereof, would entitle the holders thereof to cast more than 50% of the

votes attaching to all shares of the Company which may be cast to elect directors of the Company (the “**Company Voting Securities**”); provided, however, that the event described in this paragraph (ii) shall not be deemed to be a Change of Control by virtue of any of the following acquisitions of Company Voting Securities:

- A. by the Company or any subsidiary;
- B. by any employee benefit plan sponsored or maintained by the Company or any subsidiary;
- C. by any underwriter temporarily holding securities pursuant to an offering of such securities;
- D. pursuant to a Non-Qualifying Transaction (as defined in paragraph (ii)); or
- E. from the Company pursuant to a transaction (other than one described in paragraph (iii), if a majority of the Incumbent Directors approve a resolution providing expressly that the acquisition pursuant to this clause E shall not constitute a Change of Control under this paragraph (ii);

(iii) the consummation of a merger, consolidation, share exchange or similar form of corporate transaction involving the Company or any of its subsidiaries (a “**Business Combination**”), unless immediately following such Business Combination:

A. Company Voting Securities that were outstanding immediately prior to the consummation of such Business Combination (or, if applicable, securities into or for which such Company Voting Securities were converted or exchanged pursuant to such Business Combination) represent more than 50% of the combined voting power of the then outstanding securities eligible to vote for the election of directors or trustees (“**voting power**”) of (1) the entity resulting from such Business Combination (the “**Surviving Entity**”), or (2) if applicable, the ultimate parent entity that directly or indirectly has beneficial ownership of 100% of the voting securities eligible to elect directors of the Surviving Entity (the “**Parent Entity**”);

B. no person (other than any employee benefit plan sponsored or maintained by the Surviving Entity or the Parent Entity) is the beneficial owner, directly or indirectly, of 50% or more of the voting power of the Parent Entity (or, if there is no Parent Entity, the Surviving Entity); or

C. at least a majority of the members of the board of directors of the Parent Entity (or, if there is no Parent Entity, the Surviving Entity) were Incumbent Directors at the time of the Board’s approval of the execution of the initial agreement providing for such Business Combination;

(any Business Combination which satisfies all of the criteria specified in A,B and C above shall be deemed to be a “**Non-Qualifying Transaction**”);

(iv) the approval by the Board or shareholders of the Company of a complete liquidation or dissolution of the Company;

(v) a sale or other disposition of all or substantially all of the property or assets of the Company, other than to an affiliate within the meaning of the Securities Act (British Columbia) or pursuant to a Non-Qualifying Transaction; or

(k) “**Code**” means the Internal Revenue Code of 1986, as amended, including any applicable regulations and guidance thereunder.

(l) “**Committee**” means a committee of one or more Directors to whom authority has been delegated by the Board in accordance with Section 2(c).

(m) “**Common Shares**” means the class of Common Shares of the Corporation.

(n) “**Consultant**” means any person, including an advisor, who is engaged by the Corporation or an Affiliate to render consulting or advisory services pursuant to a written consulting agreement, and is compensated for such services. However, service solely as a Director, or payment of a fee for such service, will not cause a Director to be considered a “Consultant” for purposes of the Plan.

(o) “**Continuous Service**” means that the Participant’s service with the Corporation or an Affiliate, whether as an Employee, Officer, Director or Consultant, is not interrupted or terminated. A change in the capacity in which the Participant renders service to the Corporation or an Affiliate as an Employee, Officer, Director or Consultant or a change in the Entity for which the Participant renders such service, provided that there is no interruption or termination of the Participant’s service with the Corporation or an Affiliate, will not terminate a Participant’s Continuous Service; *provided, however*, that if the Entity for which a Participant is rendering services ceases to qualify as an Affiliate, as determined by the Board in its sole discretion, such Participant’s Continuous Service will be considered to have terminated on the date such Entity ceases to qualify as an Affiliate. To the extent permitted by law, the Board or the chief executive officer of the Corporation, in that party’s sole discretion, may determine whether Continuous Service will be considered interrupted in the case of (i) any leave of absence approved by the Board or chief executive officer, including sick leave, military leave or any other personal leave, or (ii) transfers between the Corporation, an Affiliate, or their successors. In addition, to the extent required for exemption from or compliance with Section 409A of the Code, the determination of whether there has been a termination of Continuous Service will be made, and such term will be construed, in a manner that is consistent with the definition of “separation from service” as defined under Treasury Regulation Section 1.409A-1(h) (without regard to any alternative definition thereunder).

(p) “**Corporate Transaction**” means the consummation, in a single transaction or in a series of related transactions, of any one or more of the following events:

(i) a sale or other disposition of all or substantially all, as determined by the Board in its sole discretion, of the consolidated assets of the Corporation and its Subsidiaries;

(ii) a sale or other disposition of more than 50% of the outstanding securities of the Corporation;

(iii) a merger, consolidation or similar transaction following which the Corporation is not the surviving corporation; or

(iv) a merger, consolidation or similar transaction following which the Corporation is the surviving corporation but the Common Shares outstanding immediately preceding the merger, consolidation or similar transaction are converted or exchanged by virtue of the merger, consolidation or similar transaction into other property, whether in the form of securities, cash or otherwise.

(q) “**Corporation**” means Juva Life Inc., a British Columbia business corporation.

(r) “**Director**” means a member of the Board.

(s) “**Disability**” means, with respect to a Participant, the inability of such Participant to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or that has lasted or can be expected to last for a continuous period of not less than twelve (12) months, and will be determined by the Board on the basis of such medical evidence as the Board deems reasonable under the circumstances.

- (t) “**Effective Date**” means the effective date of this Plan, which is the earlier of (i) the date that this Plan is first approved by the Corporation’s shareholders, and (ii) the date this Plan is adopted by the Board.
- (u) “**Employee**” means any person employed by the Corporation or an Affiliate.
- (v) “**Entity**” means a corporation, partnership, limited liability company or other entity.
- (w) “**Market Value**” means,
- (i) as of the date of grant of an Award, the value of the Common Shares determined as follows:
- A. If the Common Shares are listed on the Stock Exchange or traded on any other established market, the Market Value of a Common Share will be, unless otherwise determined by the Board, the greater of the closing market prices of the underlying securities on (a) the trading day prior to the date of grant of the Award; and (b) the date of grant of the stock options, and
- B. In the absence of such markets for the Common Shares, the Market Value will be determined by the Board in good faith and in a manner that complies with Section 409A of the Code or, in the case of Incentive Stock Options, in compliance with Section 422 of the Code; and
- (ii) as of any other relevant date, the value of the Common Shares determined as follows:
- A. If the Common Shares are listed on the Stock Exchange or traded on any other established market, the Market Value of a Common Share will be, unless otherwise determined by the Board, the closing market price of the underlying securities on the trading day prior to such relevant date, and
- B. In the absence of such markets for the Common Shares, the Market Value will be determined by the Board in good faith and in a manner that complies with Section 409A of the Code or, in the case of Incentive Stock Options, in compliance with Section 422 of the Code.
- (x) “**Incentive Stock Option**” means an option granted pursuant to Section 5 of the Plan that is intended to be, and that qualifies as, an “incentive stock option” within the meaning of Section 422 of the Code.
- (y) “**Insider**” has the meaning given to such term in the Stock Exchange Rules, or if the Common Shares are not listed or posted for trading on the Stock Exchange, the meaning given under Securities Laws.
- (z) “**Non-Incentive Stock Option**” means an option granted pursuant to Section 5 of the Plan that does not qualify as an Incentive Stock Option, including an Incentive Stock Option granted to a person not subject to taxation on income under the laws of the United States.
- (aa) “**Officer**” means a person who is an officer of the Corporation within the meaning of the Act.
- (bb) “**Option**” means an Incentive Stock Option or a Non-Incentive Stock Option to purchase Common Shares granted pursuant to the Plan.
- (cc) “**Option Agreement**” means a written agreement between the Corporation and an Optionholder evidencing the terms and conditions of an Option grant. Each Option Agreement will be subject to the terms and conditions of the Plan.
- (dd) “**Optionholder**” means a person to whom an Option is granted pursuant to the Plan or, if applicable, such other person who holds an outstanding Option.
- (ee) “**Other Award**” means an award based in whole or in part by reference to the Common Shares which is granted pursuant to the terms and conditions of Section 6(c).

- (ff) **“Other Award Agreement”** means a written agreement between the Corporation and a holder of an Other Award evidencing the terms and conditions of an Other Award grant. Each Other Award Agreement will be subject to the terms and conditions of the Plan.
- (gg) **“Own,” “Owned,” “Owner,” “Ownership”** A person or Entity will be deemed to “Own,” to have “Owned,” to be the “Owner” of, or to have acquired “Ownership” of securities if such person or Entity, directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has or shares voting power, which includes the power to vote or to direct the voting, with respect to such securities.
- (hh) **“Participant”** means a person to whom an Award is granted pursuant to the Plan or, if applicable, such other person who holds an outstanding Award.
- (ii) **“Plan”** means this Juva Life Inc. 2019 Equity Incentive Plan.
- (jj) **“Restricted Share Unit Award”** means a right to receive Common Shares which is granted pursuant to the terms and conditions of Section 6(b).
- (kk) **“Restricted Share Unit Award Agreement”** means a written agreement between the Corporation and a holder of a Restricted Share Unit Award evidencing the terms and conditions of a Restricted Share Unit Award grant. Each Restricted Share Unit Award Agreement will be subject to the terms and conditions of the Plan.
- (ll) **“Securities Laws”** means securities legislation, securities regulation and securities rules, as amended, and the policies, notices, instruments and blanket orders in force from time to time that govern or are applicable to the Corporation or to which it is subject;
- (mm) **“Stock Appreciation Right”** or **“SAR”** means a right to receive the appreciation on Common Shares that is granted pursuant to the terms and conditions of Section 5.
- (nn) **“Stock Appreciation Right Agreement”** means a written agreement between the Corporation and a holder of a Stock Appreciation Right evidencing the terms and conditions of a Stock Appreciation Right grant. Each Stock Appreciation Right Agreement will be subject to the terms and conditions of the Plan.
- (oo) **“Stock Exchange”** means the Canadian Stock Exchange.
- (pp) **“Stock Exchange Rules”** means the applicable rules and policies of the Stock Exchange, as such rules and policies may be amended, supplemented or replaced from time to time
- (qq) **“Subsidiary”** has the meaning given to it under the Business Corporations Act (British Columbia).
- (rr) **“Ten Percent Shareholder”** means a person, who is subject to taxation on income under the laws of the United States, and who Owns (or is deemed to Own pursuant to Section 424(d) of the Code) stock possessing more than 10% of the total combined voting power of all classes of shares of the Corporation or any Affiliate.

CERTIFICATE OF THE CORPORATION

Dated: April 22, 2020

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities previously issued by the Corporation as required by the securities legislation of British Columbia.

(Signed) "Douglas Chloupek"

Chief Executive Officer

(Signed) "Mathew Lee"

Chief Financial Officer

On behalf of the Board of Directors

(Signed) "Rakesh Patel"

Director

(Signed) "Norton Singhavon"

Director

CERTIFICATE OF THE PROMOTER

April 22, 2020

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities previously issued by the Company as required by the securities legislation of British Columbia.

(signed) *Douglas Chloupek*

Douglas Chloupek
Promoter