

*This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. The securities offered hereby have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), or any state securities laws, and therefore may not be offered or sold within the United States except pursuant to exemptions from the registration requirements of the U.S. Securities Act and applicable state securities laws. This prospectus does not constitute an offer to sell or a solicitation to buy any of such securities in the United States. See "Plan of Distribution".*

*Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in each of the provinces of British Columbia, Alberta, Manitoba and Ontario. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Chief Financial Officer of Engagement Labs Inc., at 5605 avenue de Gaspé, Suite 201, Montreal, Quebec H2T 2A4, telephone: (514) 317-6448 and are also available electronically at [www.sedar.com](http://www.sedar.com).*

## SHORT FORM PROSPECTUS

New Issue

August 10, 2018



**\$2,000,000**

**40,000,000 Units comprised of 40,000,000 Common Shares and 20,000,000 Warrants at a price of \$0.05 per Unit**

This short form prospectus (the "**Prospectus**") qualifies the distribution (the "**Offering**") of up to 40,000,000 units (the "**Units**") of Engagement Labs Inc. ("**Engagement Labs**" or the "**Company**"), at a price of \$0.05 per Unit (the "**Offering Price**") for gross proceeds of up to \$2,000,000. Each Unit consists of one common share in the capital of the Company (a "**Common Share**", and each Common Share comprising part of a Unit, an "**Offered Share**") and one-half of one Common Share purchase warrant (each whole Common Share purchase warrant, a "**Warrant**"). Each Warrant will entitle the holder thereof to purchase one Common Share (a "**Warrant Share**") at an exercise price of \$0.08 per Warrant Share, subject to adjustment in certain circumstances, at any time prior to 5:00 p.m. (Toronto time) on the date that is twenty-four months following the first Closing Date (as defined below) (the "**Warrant Expiry Date**"). The Warrants will be subject to an acceleration right (the "**Warrant Acceleration Right**") if in any twenty (20) consecutive trading days, beginning on the date following the Closing Date, the daily volume weighted average trading price of the Company's common shares on the TSX Venture Exchange (the "**TSX-V**") is greater than \$0.25 per share. If the Company exercises its Warrant Acceleration Right, the new expiry date of the Warrants will be the 30th day following the notice of such exercise.

The Units will immediately separate on issuance into Offered Shares and Warrants. This Prospectus qualifies the distribution of Offered Shares and the Warrants comprising the Units and the Broker Warrants (as defined below).

The issued and outstanding Common Shares of the Company are listed on the TSX-V under the symbol "EL" and are also quoted on the international tier of the OTCQX market in the United States (the "**OTCQX**") under the symbol "ELBSF". On August 9, 2018, the last day the Common Shares traded prior to the date of this Prospectus on the TSX-V, the closing price of the Common Shares on the TSX-V was \$0.05 and on OTCQX was US\$0.038.

The Units are being offered and sold on a "best efforts" basis pursuant to the terms of an engagement letter (the "**Engagement Agreement**") entered into between the Company, Gravitas Securities Inc. and Echelon Wealth Partners Inc. (collectively, the "**Agents**") on June 27, 2018. The terms of the Offering, including the offering price of the Units, were determined by arm's length negotiations between the Company and the Agents based upon several factors, including the policies of the TSX-V, and may bear no relationship to the price that will prevail in the public marketplace. Certain insiders of the Company may purchase Units. The Engagement Letter will be superseded by a customary agency agreement on substantially the same commercial terms (the "**Agency Agreement**") to be negotiated by the Company and the Agents

prior to filing of a Final Short Form Prospectus. See "Plan of Distribution".

**An investment in the Units is subject to a number of risks that should be considered by a prospective purchaser. See "Risk Factors".**

	<b>Price to the Public</b>	<b>Agents' Fee</b> <sup>(1)(2)((3)(4)(5)</sup>	<b>Net Proceeds to the Company</b> <sup>(2)(3)</sup>
Per Unit	\$0.05	\$0.004	\$0.046
Total	\$2,000,000	\$160,000	\$1,840,000

Notes:

- (1) The Agents will receive a cash commission of 8% of the gross proceeds of the Offering including any proceeds received pursuant to the Over-Allotment Option (the "**Agents' Fee**"), of which amount sub-agents will be allocated up to 6% of the gross proceeds of the Offering. In addition, the Company will grant to the Agents on each Closing Date non-transferable broker warrants (the "**Broker Warrants**") to purchase up to that number of Common Shares (each, a "**Broker Warrant Share**") that is equal to 8% of the aggregate number of Units sold on that Closing Date (excluding Units sold pursuant to the President's List (as defined herein), for which no Agents' Fee will be payable or Broker Warrants issuable in respect of such purchases), including the Additional Units (defined below), of which amount sub-agents will be allocated up to 6% of the total number of Units sold in the Offering. Each Broker Warrant, whether issued on the first Closing Date or any subsequent Closing Date, will entitle the holder to acquire one Broker Warrant Share at a price of \$0.05 per Broker Warrant Share at any time prior to 5:00 p.m. (Toronto time) on the date that is 24 months after the first Closing Date. This Prospectus also qualifies the distribution of Broker Warrants. See "Plan of Distribution".
- (2) The Company has agreed to grant to the Agents an over-allotment option (the "**Over-Allotment Option**") exercisable, in whole or in part, at the Agents' sole discretion, to offer and sell up to an additional number of Units that is equal to 15% of the number of Units sold hereunder at a price equal to the Offering Price (the "**Additional Units**"), to cover over-allocation, if any, and for market stabilization purposes. The Over-Allotment Option is exercisable, in whole or in part by the Agents, at any time or times during the 30-day period immediately following the final Closing Date into (i) Additional Units, if any, at a price of \$0.05 per Unit, each Unit comprised of one Common Share (an "**Additional Share**") and one-half of one Warrant (each whole such Warrant, an "**Additional Warrant**", and each Common Share issuable upon exercise of an Additional Warrant, an "**Additional Warrant Share**"); (ii) Additional Shares at a price of \$0.0475 per Additional Share; Additional half-Warrants at a price of \$0.00125 each, and each whole Warrant at a price of \$0.0025 per Additional Warrant; or (iv) any combination of Units, Additional Shares and Additional Warrants (collectively with the Additional Units, the "**Additional Securities**"), so long as the aggregate number of Additional Shares and Additional Warrants which may be issued under the Over-Allotment Option does not exceed 6,000,000 Additional Shares and 3,000,000 Additional Warrants. If the Offering is completed and the Agents exercise the Over-Allotment Option in full, the cumulative gross proceeds of the Offering will be \$2,300,000, the total Agents' Fee will be \$184,000 and the total net proceeds to the Company will be \$2,116,000 (before deducting the expenses of the Offering which are estimated to be approximately \$221,500). This Prospectus qualifies the grant of the Over-Allotment Option and the distribution of the Additional Securities issuable upon exercise of the Over-Allotment Option. A purchaser who acquires Additional Units forming part of the Agents' over-allocation position acquires such Additional Units under this Prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.
- (3) The Company has also agreed to grant to the Agents a corporate finance fee (the "**Corporate Finance Fee**") equal to 5% of the aggregate number of Units sold pursuant to the Offering, payable in Units (each, a "**Corporate Finance Unit**"), which fee shall be reduced to 1.5% of the aggregate number of Units sold pursuant to the President's List. Each Corporate Finance Unit is comprised of one Common Share (each, a "**Corporate Finance Share**") and one-half of one Warrant (each whole Warrant, a "**Corporate Finance Warrant**"), each Corporate Finance Warrant exercisable into a Common Share (each, a "**Corporate Finance Warrant Share**") at a price of \$0.08 per Corporate Finance Warrant Share at any time prior to 5:00 p.m. (Toronto time) on the date that is 24 months after the first Closing Date. The Corporate Finance Units will be issued as fully paid and for no additional consideration on the first Closing Date and on any subsequent Closing Date. This Prospectus qualifies the distribution of the Corporate Finance Units, the Corporate Finance Warrants and the Corporate Finance Warrant Shares. See "Plan of Distribution".
- (4) Before deducting expenses of the Offering, estimated to be approximately \$221,500, which will, together with the Agents' Fee, be paid by the Company from the gross proceeds of the Offering. See "Use of Proceeds".
- (5) The Company is entitled to include investors known to the Company and identified to the Agents on a president's list for an aggregate amount of up to 20,000,000 Units (the "**President's List**"). In the above table and elsewhere in this document, it is assumed that no Units are sold pursuant to the President's List.

The following table sets forth the number of securities issuable under the Over-Allotment Option, the Broker Warrants and the Corporate Finance Units:

<b>Agents' Position</b>	<b>Maximum Size or Number of Securities Available</b>	<b>Exercise Period</b>	<b>Exercise Price</b>
Over-Allotment Option	6,000,000 Units	Exercisable during the 30-day period immediately following the final Closing Date	\$0.05 per Additional Unit
Broker Warrants	3,200,000 Broker Warrants <sup>1</sup>	Exercisable for a period of 24 months following the first Closing Date	\$0.05 per Broker Warrant Share
Corporate Finance Units	2,000,000 Units <sup>2</sup>		

<sup>1</sup> If the Over-Allotment Option is exercised in full, the total Number of Securities Available will be 3,680,000 Broker Warrants.

<sup>2</sup> If the Over-Allotment Option is exercised in full, the total Number of Securities Available will be 2,300,000 Corporate Finance Units.

Unless the context otherwise requires, when used in this Prospectus, all references to "Units" includes the Additional Units issuable upon exercise of the Over-Allotment Option and all references to "Offered Shares", "Warrants" and the "Warrant Shares" assumes the exercise of the Over-Allotment Option and includes all securities issuable thereunder.

**There is no minimum amount of funds that must be raised under this offering. This means that the issuer could complete this offering raising only a small proportion of the offering amount set out above. Unless otherwise specified herein, it is assumed that the Offering is completed in full for aggregate gross proceeds to the Company of \$2,000,000.**

**This Offering is not underwritten or guaranteed by any person.** The Agents, on behalf of the Company, conditionally offer the Units on a "best efforts" agency basis, subject to prior sale, if, as and when issued by the Company and accepted by the Agents in accordance with the terms and conditions contained in the Agency Agreement and subject to the approval of certain legal matters on the Company's behalf by its counsel, Stikeman Keeley Spiegel LLP, and on behalf of the Agents by their counsel, Wildeboer Dellelce LLP. The Agents have agreed to act, and the Company has appointed the Agents as agents to the Company to offer the Units for sale. The Agents shall be permitted to appoint a soliciting dealer group of other registered dealers acceptable to the Company as sub-agents for the purpose of arranging for purchases of Units under the Offering. In connection with this Offering, the Agents may over-allot or effect transactions that stabilize or maintain the price of the Units at levels other than those which otherwise might prevail on the open market. **Such transactions, if commenced may be discontinued at any time. The Agents may offer the Units at a price lower than that stated above.** See "Plan of Distribution".

Subscriptions for Units will be received subject to rejection or allotment, in whole or in part, and the right is reserved to close the subscription books at any time without notice. The closing of the Offering may occur in one or more tranches on one or more closing dates (each, a "**Closing Date**") as the Company and the Agents may agree. The first Closing Date is expected to take place on or about August 15, 2018 or such other date or dates as may be agreed upon by the Company and the Agents, but in any event no later than ninety (90) days following the receipt for the (final) short form prospectus by the applicable securities commissions. See "Plan of Distribution".

No certificates will be issued in respect of the Units, Offered Shares, Warrants or Warrant Shares. The Offering will be conducted under the book-based system in the Canadian jurisdictions where the Units are being sold. A subscriber in a Canadian jurisdiction where the Units are being sold who purchases Units will receive a customer confirmation from the registered dealers through which Units are purchased and who is a CDS Clearing and Depository Services Inc. ("**CDS**") depository-service participant. CDS will record the CDS participants who hold Offered Shares and Warrants on behalf of owners who have purchased them in accordance with the book-based system. See "Plan of Distribution".

This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the Offered Shares or Warrants comprising Units in the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the *United States Securities Act of 1933*, as amended (the "**U.S. Securities Act**")). The Common Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the U.S. Securities Act) except in transactions exempt from the registration requirements of the U.S. Securities Act and all applicable state securities laws. See "Plan of Distribution".

The Company has applied to list the following securities on the TSX-V: (i) the Offered Shares (including any Additional Shares issuable upon exercise of the Over-Allotment Option); (ii) the Warrant Shares (including any Additional Warrant Shares issuable upon exercise of the Warrants, upon exercise of the Over-Allotment Option); (iii) the Broker Warrant Shares issuable upon exercise of the Broker Warrants; the Corporate Finance Shares and the Corporate Finance Warrant Shares. Listing is subject to the Company fulfilling all of the listing requirements of the TSX-V within the time period required by the TSX-V. The Company has not applied and does not intend to apply to list the Warrants on any securities exchange. **There is no market through which the Warrants may be sold, and purchasers may not be able to resell the Warrants purchased under this Prospectus. This may affect the pricing of the Warrants in the secondary market, the transparency and availability of trading prices, the liquidity of the securities, and the extent of issuer regulation.** See "Risk Factors".

In this Prospectus, references to "Engagement Labs ", the "Company", "we", "us" and "our" refer to Engagement Labs Inc. and/or, as applicable, one or more of its subsidiaries on a consolidated basis.

**An investment in the Units is speculative and involves a high degree of risk that should be considered by potential purchasers. The Company is subject to risks due to the nature of the Company's business and its stage of development. An investment in the Units is suitable only for those purchasers who are willing to risk a loss of some or all of their investment and who can afford to lose some or all of their investment. See "Risk Factors" and "Forward-Looking Information".**

**Prospective purchasers are advised to consult their own tax advisors regarding the application of Canadian federal income tax laws to their particular circumstances as well as any other provincial, foreign and other tax consequences of acquiring, holding or disposing of Offered Shares and Warrants.**

All dollar amounts in this Prospectus are in Canadian dollars unless otherwise stated.

The registered office and head office of the Company is located at 5605 avenue de Gaspé, Suite 201, Montreal, Quebec H2T 2A4.

The Company has received commitments from two United States residents, one of which is an insider of the Company, to each purchase on a non-brokered basis, US\$250,000 in Units of the Company, totalling in the aggregate US\$500,000, on the Closing Date based on the then prevailing CAD-U.S. exchange rate (the "Concurrent U.S. Private Placement"). These subscribers, as non-Canadian residents, are not eligible to purchase Units under the Offering and will therefore be subject to a four month hold period on first trades in Canada and a minimum six month hold period on trades in the United States. Assuming completion of the proposed private placement for aggregate total proceeds of US\$500,000, at the current CAD-U.S. exchange rate of 1.33, the total number of Common Shares and Warrants issuable on a private placement basis will be 13,300,000 Common Shares and 6,650,000 Warrants, respectively. Proceeds of the Concurrent U.S. Private Placement will be used for general working capital.

Participation by the insider in the Concurrent U.S. Private Placement is exempt from the valuation and minority shareholder approval requirements of Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions ("MI 61-101") by virtue of the exemptions contained in Sections 5.5(b) and 5.7(1)(b) of MI 61-101.

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## ABOUT THIS PROSPECTUS

You should rely only on the information contained or incorporated by reference in this Prospectus and are not entitled to rely on only certain parts of the information contained or incorporated by reference in this Prospectus to the exclusion of the remainder. The Company and the Agents have not authorized anyone to provide investors with different or additional information. If anyone provides you with different or additional information, you should not rely on it. The Company and the Agents are not making an offer to sell or seeking an offer to buy the Units in any jurisdiction where the offer or sale is not permitted. Prospective investors should assume that the information contained in this Prospectus is accurate only as of the date on the front of this Prospectus and that information contained in any document incorporated by reference is accurate only as of the date of that document, regardless of the time of delivery of this Prospectus or of any sale of Units pursuant hereto. The Company's business, financial condition, results of operations and prospects may have changed since those dates.

The Company has not done anything that would permit the offering or distribution of our securities under this Prospectus in any jurisdiction in which such offer is not permitted. Investors are required to inform themselves about, and to observe any restrictions relating to, any offering or distribution of our securities under this Prospectus.

This Prospectus contains and incorporates by reference documents that contain market data, scientific data, industry data and forecasts. This information is based on the Company's management estimates or expectations. In arriving to their estimates or expectations, the Company's management relies on third-party market and industry data and forecasts, industry publications and other publicly available information. While these third-party sources are believed to be reliable, neither the Company nor the Agents have independently verified the information that they contain, and neither the Company nor the Agents make any representation as to the accuracy of such information.

## ELIGIBILITY FOR INVESTMENT

In the opinion of Stikeman Keeley Spiegel LLP, counsel to the Company, and Wildeboer Dellelce LLP, counsel to the Agents, based on the provisions of the *Income Tax Act* (Canada) and the regulations thereunder (collectively, the "**Tax Act**"), as of the date hereof, the Offered Shares, Warrants and Warrant Shares, if issued on the date hereof, would be "qualified investments" under the Tax Act for trusts governed by registered retirement savings plans ("**RRSP**"), registered retirement income funds ("**RRIF**"), registered disability savings plans ("**RDSP**"), deferred profit sharing plans, registered education savings plans ("**RESP**") and tax-free savings accounts ("**TFSA**") each as defined in the Tax Act (each, a "**Plan**") at the time of the acquisition of such Offered Shares, Warrants and Warrant Shares by the Plan, provided that, at the time the acquisition by the Plan:

- a) in the case of the Offered Shares and Warrant Shares, such Offered Shares and Warrant Shares are listed on a "designated stock exchange" for purpose of the Tax Act (which currently includes Tiers 1 and 2 of the TSX-V) at the particular time; and
- b) in the case of the Warrants, the Warrant Shares are listed on a "designated stock exchange" for purposes of the Tax Act (which currently includes Tiers 1 and 2 of the TSX-V) at the particular time and the Company is not and deals at arm's length with each person who is, an annuitant, a beneficiary, an employer or a subscriber under, or a holder of, the Plan.

Notwithstanding the foregoing, if the Offered Shares, Warrants and Warrant Shares held by a TFSA, RDSP, RESP, RRSP or RRIF are prohibited investments for the purposes of the Tax Act, the holder of the TFSA or RDSP, or the annuitant of a RRSP or RRIF, or the subscriber of the RESP, as the case may be, will be subject to a penalty tax as set out in the Tax Act. The Offered Shares, Warrants and Warrant Shares will generally not be prohibited investments for a TFSA, RDSP, RESP, RRSP or RRIF if: (i) the holder, annuitant or subscriber, as the case may be, of the particular Plan does not have a "significant interest" (within the meaning of the Tax Act) in the Company, and (ii) the Company deals at arm's length (within the meaning of the Tax Act) with the holder, annuitant or subscriber, as the case may be. In addition, the Offered Shares and Warrant Shares will not be a "prohibited investment" if they are "excluded property" as defined in the Tax Act for a TFSA, RDSP, RESP, RRSP or RRIF. Potential investors should consult their own tax advisors to ensure that the Offered Shares, Warrants and Warrant Shares would not be a prohibited investment for a TFSA, RRSP, or RRIF, RESP or RDSP in their particular circumstances.

## FORWARD-LOOKING INFORMATION

This Prospectus, including the documents incorporated herein by reference, contains forward-looking statements and forward-looking information as such terms are defined under applicable Canadian securities laws. These forward-looking statements and forward-looking information include, but are not limited to, statements with respect to management's expectations regarding the future growth, results of operations, performance and business prospects of the Company, and relate to, without limitation:

- the Offering, including the use of proceeds from the Offering;
- the closing of the Offering and the timing thereof, including the approval of the TSX-V for the listing of the Offered Shares, Warrant Shares and Broker Warrant Shares;
- the Company's business model, strategic objectives and growth strategy;
- the Company's product potential, product market/profile and size;
- sourcing, licensing and launching new products, co-development and partnership plans and objectives;
- the Company's intellectual property;
- the Company's current and future capital requirements and the need for additional financing;
- the benefits and risks of the Company's products as compared to others;
- the Company's future growth plans;
- the Company's estimate of the size of the potential markets for its products;
- anticipated trends and challenges in the Company's business and the markets in which it operates;
- the continuation of the Company as a going concern;
- the payment of dividends;
- the Company's use of unallocated proceeds from the Offering;
- the estimated cost of the Offering;
- the Company's expectations regarding net losses and revenue generation;
- the Company's expectations regarding increases in research and development costs and general and administrative expenses; and
- the Company's liability under indemnification provisions.

These forward-looking statements and forward-looking information may also include other statements that are predictive in nature, or that depend upon or refer to future events or conditions. Without limitation, the words "may", "will", "would", "should", "could", "expect", "plan", "intend", "trend", "indication", "assume", "anticipate", "believe", "estimate", "predict", "likely" or "potential", or the negative or other variations of these words or other comparable words or phrases, are intended to identify forward-looking statements. In addition, any statements that

refer to expectations, projections or other characterizations of future events or circumstances contain forward-looking information. Forward-looking statements and forward-looking information are not historical facts but instead represent management's expectations, estimates and projections regarding future events.

With respect to forward-looking statements and forward-looking information contained in this Prospectus, assumptions have been made regarding, among other things: future research and development plans for the Company's proceeding substantially as currently envisioned, expected research and development tax credits, future expenditures to be incurred by the Company, research and development and operating costs, the Company's ability to find partners in its industry, additional sources of funding, including the Company's ability to obtain funding from partners, the impact of competition on the Company and the Company being able to obtain financing on acceptable terms.

Although management believes the expectations reflected in such forward-looking statements and forward-looking information are reasonable, forward-looking statements and forward-looking information are based on the opinions, assumptions and estimates of management at the date the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements and forward-looking information. These factors include, but are not limited to: Engagement Labs' ability to develop and successfully commercialize its product offering, profitable pricing and the ability to license its products on acceptable terms and conditions, Engagement Labs' ability to obtain additional capital in the future to conduct operations, research and development activities and develop its products, the ability of Engagement Labs to take advantage of business opportunities in its industry, the ability to successfully compete with industry participants that have greater resources, Engagement Labs' reliance on key personnel, collaborative partners, suppliers and third parties, Engagement Labs' ability to attract and retain key personnel, Engagement Labs' ability to secure and maintain adequate protection for its intellectual property, Engagement Labs' ability to find partners in its industry, Engagement Labs' ability to expand its business into additional products and markets, Engagement Labs' history of operating losses, currency fluctuations, the value of its intangible assets, negative operating cash flow, legal proceedings and other risks related to Engagement Labs' industry. These factors are not intended to represent a complete list of the factors that could affect the Company; however, these factors should be considered carefully by prospective purchasers of Units. More detailed assessment of the risks that could cause actual events or results to materially differ from our current expectations can be found in the AIF (as defined below) under the heading "Risk Factors" filed with the Canadian securities authorities (on SEDAR at [www.sedar.com](http://www.sedar.com)) and under the heading "Risk Factors" in this Prospectus.

In addition, if any of the assumptions or estimates made by management prove to be incorrect, actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in, or incorporated by reference into, this Prospectus. Accordingly, prospective purchasers are cautioned not to place undue reliance on such statements.

All of the forward-looking statements and forward-looking information in this Prospectus and the documents incorporated herein by reference, are qualified by these cautionary statements. Statements containing forward-looking statements and/or forward-looking information contained herein and in the documents incorporated herein by reference are made only as of the date of such document. The Company and the Agents expressly disclaim any obligation to update, revise or alter statements containing any forward-looking statements or forward-looking information, or the factors or assumptions underlying them, whether as a result of new information, future events or otherwise, except as required by law. New factors emerge from time to time, and it is not possible for the Company to predict which factors may arise. In addition, the Company cannot assess the impact of each factor on the Company's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements or forward-looking information.

## DOCUMENTS INCORPORATED BY REFERENCE

**Information has been incorporated by reference in this Prospectus from documents filed with securities regulatory authorities in certain of the provinces of Canada. Copies of the documents incorporated herein are available electronically at [www.sedar.com](http://www.sedar.com).**

The following documents of the Company filed with securities commissions or similar regulatory authorities in each of the provinces of British Columbia, Alberta, Manitoba and Ontario are incorporated by reference into this Prospectus:

- a) the annual information form of the Company dated June 25, 2018 for the year ended December 31, 2017 (the "**AIF**") and revised and filed on SEDAR on August 10, 2018;
- b) the audited consolidated financial statements of the Company for the years ended December 31, 2017 and 2016 together with the notes thereto, and the independent auditors' report thereon dated April 26, 2018 (the "**Annual Financial Statements**");
- c) management's discussion and analysis of the Company for the quarter and the year ended December 31, 2017;
- d) the unaudited condensed interim consolidated financial statements of the Company for each of the three-month periods ended March 31, 2018 and March 31, 2017, which have been reviewed by the Auditor's in preparation for filing of this Prospectus (the "**Interim Financial Statements**");
- e) management's discussion and analysis of the Company for each of the three-month periods ended March 31, 2018 and March 31, 2017;
- f) the management information circular of the Company dated January 22, 2018 for the annual and special meeting of shareholders held on February 21, 2018;
- g) the Term Sheet filed on SEDAR on July 25, 2018, the Investor Presentation dated as of July 26, 2018 and filed on SEDAR on July 27, 2018 and the Corrigendum filed on SEDAR on July 27, 2018 ("**Marketing Materials**");
- h) the Material Change Report filed on SEDAR on August 8, 2018.

Any document of the type referred to in Section 11.1 of Form 44-101 F1 – *Short Form Prospectus* filed by the Company with a securities commission or similar regulatory authority Canada after the date of this Prospectus and before the completion or termination of the Offering is deemed to be incorporated by reference into this Prospectus.

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

## MARKETING MATERIALS

Neither the Marketing Materials, nor any "template version" of any "marketing materials" (as such terms are defined under applicable Canadian securities laws) that is used by the Agents in connection with the Offering, form a part of this Prospectus to the extent that the contents of the Marketing Materials or the template version of the marketing materials, as applicable, have been modified or superseded by a statement contained in the final short form prospectus. Any template version of any marketing materials that has been, or will be, filed under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com) before the termination of the Offering (including any amendments to, or an amended version of, any template version of any marketing materials) is deemed to be incorporated by reference into the final short form prospectus.

## SUMMARY DESCRIPTION OF THE BUSINESS

*The following description of the Company is derived from selected information about the Company contained in the documents incorporated by reference in this Prospectus and does not contain all of the information about the Company and its business that should be considered in full before investing in the Units. This Prospectus and the documents incorporated by reference herein should be reviewed and considered by prospective purchasers in connection with their investment in the Units.*

*This "Summary Description of the Business" contains forward-looking statements and forward-looking information and is therefore qualified in its entirety by, and prospective purchasers should review, the section of this Prospectus titled "Forward-Looking Information".*

Engagement Labs Inc. ("Engagement Labs" or the "Company") is an innovative data and analytics firm that provides businesses with comprehensive data, analytics and intelligence on brand performance both in social media and offline. Our key clients are principally Fortune 500 brands and companies and the media and agencies that serve these brands. Our TotalSocial® platform to our knowledge is the only platform that combines powerful online (social media) and offline (Word of Mouth) data with predictive analytics. We have a proprietary ten-year database of unique brand, industry and competitive intelligence, both online and offline. Our predictive analytics uses machine learning to identify the social metrics most likely to impact marketing return on investment (ROI). Our team consists of recognized industry experts with deep knowledge and experience in social media (online) and Word of Mouth (offline) marketing. TotalSocial provides marketers with the ability to track brand performance, diagnose areas of brand weakness and opportunity and identify specific strategies and tactics to increase sales and improve marketing ROI. TotalSocial is an "always-on" proprietary scoring system, based on the most important drivers of brand social performance: Volume, Sentiment, Brand Sharing and Influence.

The consumer survey that is used to collect offline Word of Mouth data is conducted via an online survey among approximately 3,000 persons per month aged 13-69 in the United States and approximately 2,200 persons per month aged 16-69 in the United Kingdom. Similar surveys are conducted for specific clients in additional countries. Quotas and statistical weights are used to ensure respondents are representative of the relevant population based on age, gender, educational attainment, race/ethnicity, and geographic region. Engagement Labs owns the design and methodology. It has a contract with a survey research vendor, Toluna USA, Inc., to program and manage the survey, and to provide survey respondents. Survey respondents report "yesterday's" category and brand conversations using a well established "day-after recall" method, and the study has been validated by statistical analyses that find strong correlations between conversation trends as measured by the survey and actual consumer purchases reported through independent data sources.

The TotalSocial platform is powered by Engagement Labs' proprietary machine learning algorithms that use Big Data technologies to intelligently derive analytics that can predict actual business outcomes. These algorithms' raw material

is the extensive, unique and proprietary data set that is collected in real-time by Engagement Labs against third party providers using proprietary data collection, cross-referencing and enrichment technologies.

Engagement Labs primarily serves the US market from its New York metro area office (in New Brunswick, NJ) where its CEO, President/CRO, and sales, client service, and product management staff are located. The Company's registered office, where financial and technology leadership is located, is in Montreal, Canada.

The Company has had an active PR program to create awareness of TotalSocial among the marketing community, including publicity in The New York Times and The Wall Street Journal, among other leading publications. Further, the Company has an actively managed outbound email marketing program targeted to a database of more than 5000 people to identify engaged prospects. Sales have traditionally been conducted by one full time sales person in the US, along with the CEO and the Chief Commercial Officer. A Chief Revenue Officer was hired in December 2017 to lead the Company's sales and marketing efforts, to engage directly in sales as well as to build and manage a professional sales team that will sell TotalSocial.

Engagement Labs' data and technology solution is based on empirical proof that consumer decisions are highly influenced by social factors—the recommendations and experiences of friends, family members, coworkers, and acquaintances. Advanced statistical modeling undertaken by Engagement Labs with the assistance of one of the world's most esteemed marketing scientists, Koen Pauwels of Northeastern University, estimates that 19% of all consumer purchases—about \$7 to \$10 trillion annually in the United States alone—can be attributed to consumer conversations. About half of this impact on sales comes from offline conversations and the other half from Social Media. Our data, research and experience demonstrate that the analysis of online conversations and offline conversations often yield very different information about the consumer conversation about a brand, and there is often almost no correlation between what is said online and what is said offline, making a complete understanding of the whole consumer conversation (offline and online) critical.

TotalSocial enables brand marketers to optimize their marketing ROI by accessing the complete consumer conversation. This is a unique value that TotalSocial provides and is the basis for Management's view that the opportunity to grow and expand our business is significant.

TotalSocial is built with proprietary data and patent-pending technology. The provisional TotalSocial patent application filed in the United States in December 2016 was completed in December 2017 and all pending applications are in good standing as of the date of this Prospectus. The Company's patent application is entitled "SYSTEM AND METHOD FOR MEASURING SOCIAL INFLUENCE OF A BRAND FOR IMPROVING THE BRAND'S PERFORMANCE."

The application details unique methods of data collection, data extracting, metric definitions, data smoothing, data scoring, and data analysis. The Company has also filed an application pursuant to the International Patent Cooperation Treaty. The International Searching Authority issued a written opinion dated March 29, 2018 prepared by the Canadian Patent Office which indicates that the application is novel and that no pertinent prior art was found.

The duration of any patent that may issue will be 20 years from the date of filing which was made in December 2017.

The protection currently provided is provisional only, to the extent that it only guarantees that the same concept if filed by a third party after the filing date of the Company will not result in a patent being granted to that third party. Any third party applications of the same concept filed subsequent to the Company's application will not be used against the Company's applications. (See "**Risk Factors – Protection of Intellectual Property**").

The product's findings are displayed in the form of a flexible dashboard that supports senior-level decision making, and the "always on", real-time actionable online and offline data allows companies to make quicker, faster and better decisions. Predictive analytics, which integrate the TotalSocial data with artificial intelligence/machine learning, makes TotalSocial the only social platform that tells clients not only what is being said, but estimates increase or decreases in future product sales based on current online and offline conversations.

The key client needs that TotalSocial addresses are:

- Better insights into what is being said about a particular brand, with quicker and faster data to make decisions
- Marketing: helping marketers to significantly improve the efficacy and efficiency of their investment by optimizing for social impact
- Sales: TotalSocial identifies the conversational metrics that lead to sales, starting 8 weeks in advance, and can model the sales impact that will come from performance improvement.

Including and referencing millions of online consumer conversations from various sources, the uniqueness of Engagement Labs' data set is indeed further underpinned by our database compiled of over 10 years of weekly surveys on offline word-of-mouth conversations about brands.

Our TotalSocial data and analytics platform is offered to our customers through 3 primary service offerings:

- Self-served: Conversation insights about brands are accessed through a Software-As-A-Service (SaaS) web application, presenting data in the form of interactive, customizable dashboards. This proprietary web application can also transparently embed a third-party Business Intelligence solution when the client requires ad-hoc reporting.
- Added-value Services: Conversation insights about brands are sent to clients on a regular basis in the form of offline reports that include analysis and recommendations. Added-value services typically include a subscription to the self-served platform.
- Custom integration: Conversation insights about brands can also be delivered through an Application Programming Interface and can be integrated in third-party Business Intelligence solutions that clients are already using internally for their reporting.

The first version of our self-serve TotalSocial platform was made available in September 2016, and since then has been subject to continuous development and improvement, with new features being released every 3 weeks.

### **Engagement Labs' TotalSocial® Data & Technology Platform**

Engagement Labs' data platform is derived from social media data about brands from public social media sources such as Twitter, blogs and forums, and publicly-available Facebook posts. Offline Word of Mouth data comes from an ongoing program of consumer survey research in which consumers report to Engagement Labs about brand-related conversations they engaged in during the 24-hour period prior to the interview.

Engagement Labs' TotalSocial® platform delivers data, insights, and recommendations based on a number of metrics that Engagement Labs has determined are predictive of positive business outcomes such as sales. These include the volume of conversations (i.e. the number of conversations), the sentiment of those conversations (e.g., how positive or negative), the extent to which the brand's media and marketing are triggers that encourage consumer conversations or online sharing, and how well the brand performs among social media influencers that have significant numbers of followers on social media. These metrics are integrated into three parts:

#### **TotalSocial® Scorecard**

Clients gain access to the TotalSocial® Scorecard, which provides a weekly updated stream of consumer conversation data through a cloud-based dashboard, accessed by licensed users. The dashboard draws on two distinct streams of data:

1. Social media listening data for leading brands, leveraging Engagement Labs' proprietary Boolean search queries applied to Twitter, blogs, forums, and public Facebook posts, among others. In addition to brand mentions, public sharing of brand content available on networks such as Facebook, Twitter, YouTube, and Instagram are counted.

2. A day-after behavioral survey is conducted continuously throughout the year to measure offline conversations through a method described above. This enables the Company to collect data on very recent consumer conversations that occurred face-to-face, over a telephone, or through digital channels not visible for social media monitoring such as instant messaging or texting.

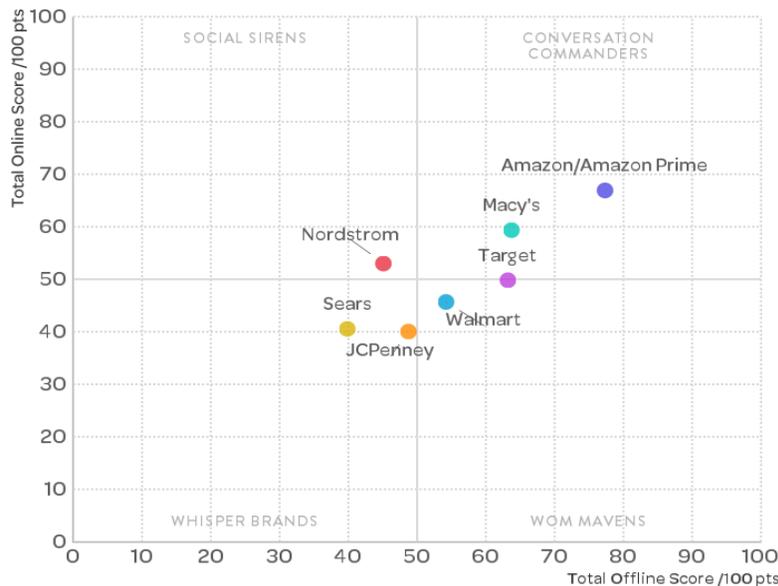
All data related to both online and offline conversations are transformed through multiple processes that distill the data into four key metrics—volume, sentiment, brand sharing, and influence—followed by a smoothing process to minimize noise, and finally to convert raw data into normalized scores between 0 and 100. All data transformations have been designed to optimize the power of the data to predict brand sales.

The TotalSocial® Scorecard provides clients with an easy interface for viewing, manipulating, and visualizing the conversation data. This interface enables clients to identify where their brand resides in a “TotalSocial Talkscape” comprised of four quadrants that are indicative of total brand performance. Through this visualization, the client can identify the strengths and weaknesses of their brand’s market position relative to competitors. Since our data and analytics demonstrate a direct linkage between brand performance on these metrics and sales performance in the marketplace, the TotalSocial TalkScape is a valuable tool for guiding revenue growth through improved social performance.

**In the example that follows, the brand referenced is not a client of the Issuer.** As reflected in the table below, the online retail brand Amazon earned very strong scores both online and offline, making it a Conversation Commander. The Macy’s brand also is a Conversation Commander, but not to the same extent as Amazon. Nordstrom performs well online but not offline, making it a Social Siren. Walmart and Target are WOM Mavens performing better than average offline, but not online. Sears and JC Penney perform poorly both online and offline, making them Whisper Brands. All brands in the example, other than perhaps Amazon, have the opportunity to drive business improvement by using targeting, messaging, and marketing channel optimization to drive their performance toward the upper right quadrant where superior business performance can be found.

### TOTALSOCIAL® TALKSCAPE

Nov 13, 2017 - Feb 4, 2018

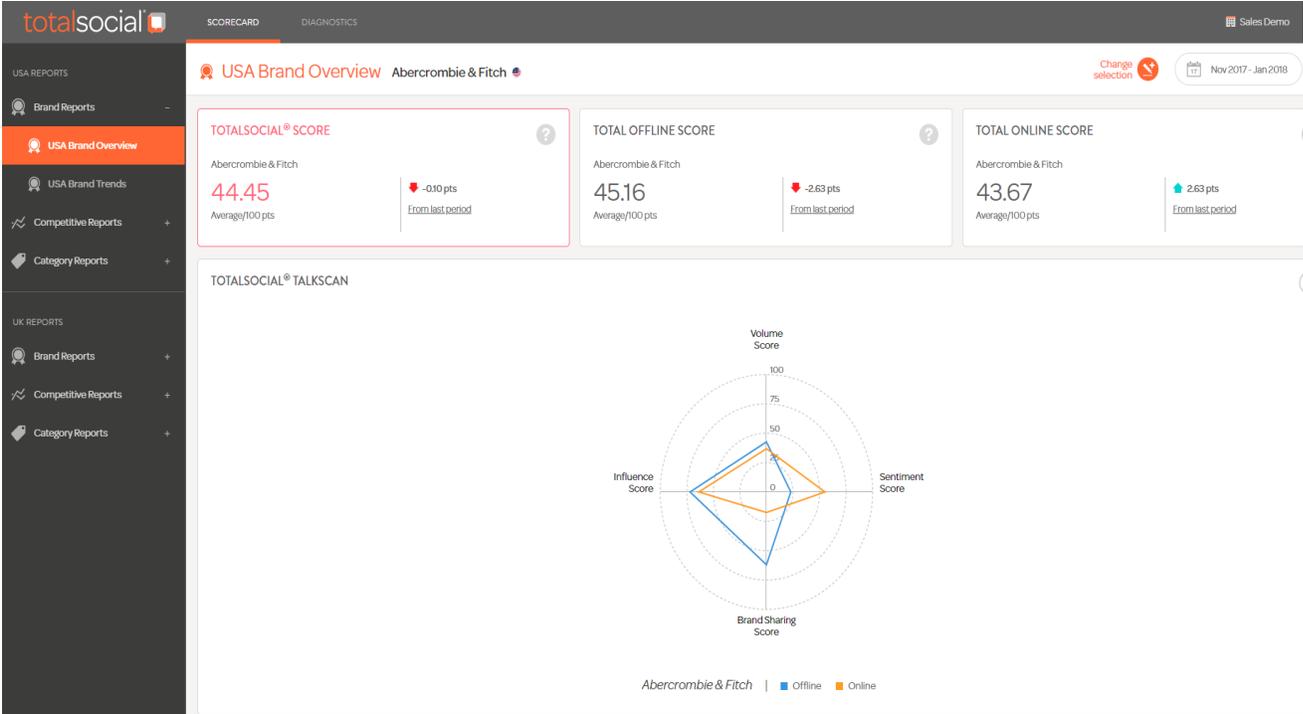


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**TotalSocial® Diagnostics**

TotalSocial® Diagnostics provide clients with a blueprint for improvement through the user interface, which provides access to data mining tools, identifying causes of changes in social performance for their own brands or for competitors. TotalSocial Diagnostics also provides clients with access to a team of data analysts who can help support the client by identifying reasons for changes in performance and recommending actions to drive better social performance or to counteract changes in competitor performance.

**In the example that follows, the brand referenced is not a client of the Issuer.** As reflected in the table below, the TotalSocial dashboard indicates that the apparel brand Abercrombie & Fitch has much stronger “sentiment” in social media conversations than it does in real-world, face-to-face conversations. But the brand also earns more conversations about its advertising and marketing (“brand sharing”) offline than it does in social media. The relevance of this to the TotalSocial Dashboard user is to modify marketing to improve the sentiment performance in offline conversations and recommendations, while improving the share-worthiness of online content in order to drive revenue growth for the brand.



**TotalSocial® Predict**

Engagement Labs offers to TotalSocial clients the ability to estimate the predictive relationship between TotalSocial performance and the client’s business outcomes, such as the acquisition of new customers, increased revenue per customer, improved brand equity, or traffic to websites or retail locations. The predictive model estimates the total impact of the TotalSocial metrics, while also estimating the contribution of each sub-metric to the brand’s key performance indicators. Coupled with TotalSocial Diagnostics, it is then possible for the brand to identify specific strategies and tactics likely to improve business performance, with custom simulators designed to enable scenario testing.

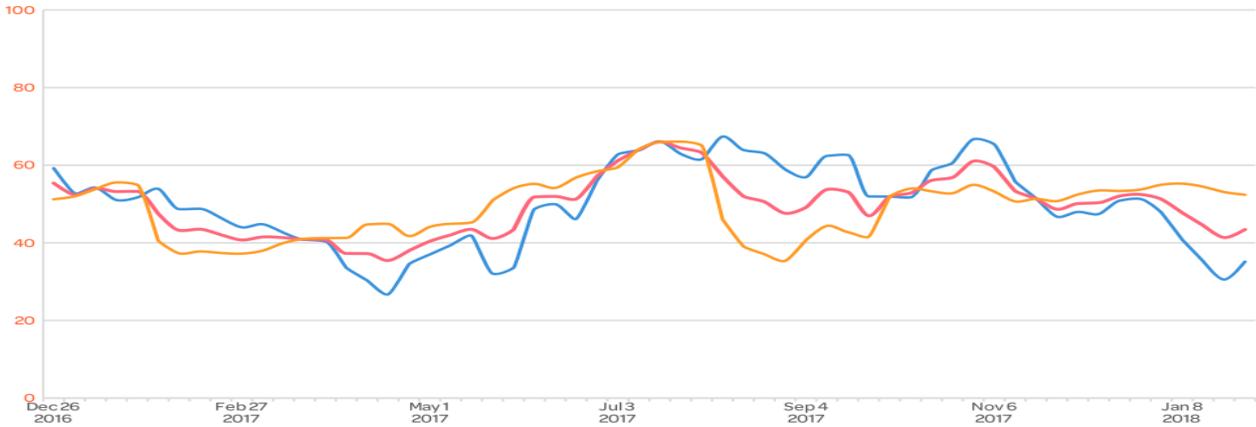
**In the example that follows, the brand referenced is not a client of the Issuer.** As reflected in the table below,

Nordstrom’s performance in 2017 started stronger online than offline, but its performance in the second half of the year was stronger offline than online. Compared to the retailer’s performance in late 2017, the offline data turned out to be more predictive than online. The significance of this information is that an over-focus by management on the social media trend might have led to unnecessary corrective action by senior marketers. For this brand, the more important trend is the offline conversation which provide a wide range of strategic and tactical opportunities to optimize marketing to drive a strong holiday season in 2017.

**TOTALSOCIAL<sup>®</sup> SCORES**

Average/100 pts

Nordstrom  
Dec 26, 2016 – Feb 4, 2018



■ TotalSocial<sup>®</sup> Score ■ Total Offline Score ■ Total Online Score

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**The ultimate value proposition with all of the aforementioned matrices is that TotalSocial enables marketers to fully account for the significant power of social influence in determining the brand choices that consumers make. The insights and implications provided through the TotalSocial system provide direction to optimizing consumer targeting, brand message development, and channel selection for social performance. As a New York Times advertising writer wrote in a recent article about the research of Engagement Labs, “it’s critical that brands track all conversations, online and off.” Management is not aware of any other company that offers as comprehensive a measurement system as the Company’s.**

For more information on the Company and its activities, please see the AIF.

## CONSOLIDATED CAPITALIZATION

The following table sets forth the consolidated capitalization of the Company at March 31, 2018, both before and after giving effect to the Offering.

Description	As at March 31, 2018 (unaudited)	As at March 31, 2018, after giving effect to the Offering <sup>(1)</sup>	After giving effect to the Offering, assuming exercise of the Over- Allotment Option in full <sup>(1)</sup>
<b>Debt</b>			
Convertible debentures <sup>(2)</sup>	\$3,099,662	\$3,099,662	\$3,099,662
<b>Share Capital</b>			
Common Shares	150,617,974 \$27,010,573	205,917,974 <sup>(3)</sup> \$28,742,594 <sup>(3)</sup>	212,217,974 <sup>(4)</sup> \$28,976,637 <sup>(4)</sup>
Contributed Surplus	\$11,366,151	\$11,917,630 <sup>(5)</sup>	\$11,983,587 <sup>(6)</sup>

Notes:

- (1) These figures include the impact of the Agents' Fee, assuming that no Units are sold to purchasers on the President's List, and the estimated expenses of the Offering of approximately \$221,500. All figures on a non-diluted basis.
- (2) The Company's convertible debentures are comprised of two tranches of convertible debentures of which \$1,665,000 bear interest at a rate of 2% per year and \$4,194,975 bear interest at a rate of 1% per year which mature on September 28, 2020 (the "**Convertible Debentures**"). Each Convertible Debenture is convertible at the option of the holder into Common Shares. The Company is permitted, under the terms of each tranche of the Convertible Debentures, to elect to add certain interest payments under the Convertible Debentures to the principal amount outstanding. As a result of the addition of additional principal amount to the Convertible Debentures, additional Common Shares will be issuable on the conversion of the Convertible Debentures. Please see the Interim Financial Statements for additional information.
- (3) Excludes Common Shares issuable upon the exercise of the Warrants, Broker Warrants, Corporate Finance Warrants, stock options and other warrants or rights to purchase Common Shares. Includes 13,300,000 common shares issued in the private placement of US\$500,000 assuming a CAD-U.S. exchange rate of 1.33. Includes 40,000,000 common shares, 2,000,000 Corporate Finance shares and estimated share issue costs of \$221,500 on the present offering.
- (4) Includes 6,000,000 common shares and 300,000 Corporate Finance shares under Over-Allotment Option.
- (5) Includes 6,650,000 share purchase warrants issued in the private placement of US\$500,000 assuming a CAD-US exchange rate of 1.33. Includes 20,000,000 warrants, 3,200,000 broker warrants and 1,000,000 Corporate Finance warrants on the present offering. The fair value of the warrants is estimated at the date of the prospectus.
- (6) Includes 3,000,000 warrants, 480,000 broker warrants and 150,000 Corporate Finance warrants under Over-Allotment Option. The fair value of the warrants is estimated at the date of the prospectus.

### USE OF PROCEEDS

The net proceeds to the Company from the Offering, assuming it is fully subscribed, will be approximately \$1,618,500 after deducting the Agents' Fee of \$160,000 and estimated expenses of the Offering of \$221,500. The foregoing amount is prior to any exercise of the Over-Allotment Option.

The Company intends to use the net proceeds of the Offering in a manner consistent with its business objective of accelerating the growth of revenue and to improve its innovative TotalSocial® product.

**The Company had negative cash flow from operating activities in its most recently completed financial year. (See “Risk Factors – Negative Cash Flow and Going Concern”).** It is anticipated that subject to the Offering being fully subscribed, approximately \$942,000 of the proceeds of the Offering will be used to offset negative cash flow which will arise from the proposed increased in expenditures for sales and marketing and product development. The current monthly cash burn is approximately \$300,000 per month. The use of proceeds is expected to continue to fund operations for six months. The Company’s working capital deficiency was estimated by Management to be -\$265,000 for the month ended June 30, 2018.

Assuming the completion of the Offering, the Company intends to use a portion of the net proceeds of the Offering for product and business development and working capital and general corporate purposes.

The Company's intended use of net proceeds from the Offering is set out below which assumes the allocation of proceeds based on aggregate proceeds raised of \$2 million, \$1.5 million and \$700 thousand, as follows:

<b>Use of proceeds</b>	<b>\$2m</b>	<b>%</b>	<b>\$1.25m</b>	<b>%</b>	<b>\$700k</b>	<b>%</b>
Increased investments in sales and marketing:						
• New head counts	552,500	34.1	390,000	41.8	-	-
• Related expenses	78,500	4.9	50,500	5.4	-	-
• Increase B to B marketing	150,000	9.3	25,000	2.7	-	-
Product investment:						
• Expand addressable market of TotalSocial targets by 2x	150,000	9.3	-	-	-	-
• Artificial Intelligence/machine learning:						
• Predictive analytics: faster, better predictive models that tie TotalSocial® to sales and other KPIs	125,000	7.7	50,000	5.4	-	-
• Diagnostics: real time identification of unexpected variations in brand performance and diagnosis of the underlying factors for these changes	75,000	4.6	-	-	-	-
• Enhance online data through integration of demographics and other respondent variables.	50,000	3.1	-	-	-	-
Working capital	437,500	27.0	416,750	44.7	429,000	100.0
<b>Total net proceeds</b>	<b>1,618,500</b>		<b>932,250</b>		<b>429,000</b>	

If the Company were to raise only 15% of the maximum proceeds of the Offering, it would not be able to fund any of the sales and marketing and product development plans outlined in the preceding table, and the proceeds would be

used for the costs of the Offering, with the remainder of approximately \$80,000 available for working capital.

If the Over-Allotment Option is exercised in part or in full, the Company intends to use the additional net proceeds of up to \$276,000 for product and business development, working capital and general corporate purposes. The proceeds from the Concurrent U.S. Private Placement will be used for working capital and general corporate purposes.

Although the Company intends to expend the net proceeds from the Offering as set forth above, there may be circumstances where, for sound business reasons, a reallocation of funds may be prudent or necessary, and may vary materially from that set forth above. The Company is currently incurring expenditures related to the Company's operations that have generated negative operating cash flows. Operating cash flows may decline in certain circumstances, many of which are beyond the Company's control. There is no assurance that sufficient revenues will be generated in the near future, and the Company may continue to incur negative operating cash flows. The Company may need to deploy a portion of its working capital to fund such negative operating cash flows or seek additional sources of funding. See "Risk Factors".

### **CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS**

In the opinion of Stikeman Keeley Spiegel LLP, counsel to the Company, and Wildeboer Dellelce LLP, counsel to the Agents, the following is, as of the date hereof, a general summary of the principal Canadian federal income tax considerations applicable to a purchaser of Units pursuant to the Offering who, at all relevant times and for purposes of the Tax Act, (i) acquires and holds the Offered Shares and Warrants and will hold the Warrant Shares as capital property, and (ii) deals at arm's length and is not affiliated with the Company, the Agents or any subsequent purchaser of such securities (a "**Holder**"). Offered Shares, Warrants and Warrant Shares will generally be considered to be capital property to a Holder unless the Holder holds the Offered Shares, Warrants and Warrant Shares in the course of carrying on a business of trading or dealing in securities or has acquired them in one or more transactions considered to be an adventure or concern in the nature of trade.

This summary is based upon the current provisions of the Tax Act, specific proposals to amend the Tax Act (the "**Proposed Amendments**") which have been announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof, and counsel's understanding of the current published administrative policies and assessing practices of the Canada Revenue Agency (the "**CRA**"). This summary assumes that the Proposed Amendments will be enacted in the form proposed and does not take into account or anticipate any other changes in law, whether by way of judicial, legislative or governmental decision or action, nor does it take into account provincial, territorial or foreign income tax legislation or considerations, which may differ from the Canadian federal income tax considerations discussed herein. No assurances can be given that such Proposed Amendments will be enacted as proposed or at all, or that legislative, judicial or administrative changes will not modify or change the statements expressed herein.

This summary does not apply to a Holder (a) that is a "financial institution" (as defined in the Tax Act) for purposes of the mark-to-market provisions of the Tax Act; (b) that is a "specified financial institution" (as defined in the Tax Act); (c) an interest in which is a "tax shelter investment" for purposes of the Tax Act; (d) that elects or has elected to report its "Canadian tax results" (as defined in the Tax Act) in a currency other than Canadian currency; (e) that has entered into a "derivative forward agreement" (as defined in the Tax Act) with respect to the Offered Shares, Warrants or Warrant Shares; or (f) that receives dividends on Offered Shares or Warrant Shares under or as part of a "dividend rental arrangement" (as defined in the Tax Act). Such Holders should consult their own tax advisors.

**This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in Units. The following description of income tax matters is of a general nature only and is not intended to be, nor should it be construed to be, legal or income tax advice to any particular Holder. Holders are urged to consult their own income tax advisors with respect to the tax consequences applicable to them based on their own particular circumstances.**

### **Allocation of Cost**

A Holder who acquires Units will be required to allocate the purchase price of each Unit between the Offered Share and the one-half of one Warrant on a reasonable basis in order to determine their respective costs for purposes of the Tax Act. Holders should consult their own tax advisors in this regard. Of the \$0.05 Offering Price, the Company has advised its counsel that it intends to allocate \$0.0475 to the Offered Share and \$0.0025 to the one-half Warrant. Although the Company believes that such allocation is reasonable, it is not binding on the CRA or any Holder and the CRA may not agree with such allocation. Counsel expresses no opinion with respect to such allocation.

### **Adjusted Cost Base of Offered Shares**

The adjusted cost base to a Holder of an Offered Share acquired hereunder will be determined by averaging the cost of that Offered Share with the adjusted cost base (determined immediately before the acquisition of the Offered Share) of all other Common Shares held as capital property by the Holder immediately prior to such acquisition.

### **Exercise of Warrants**

A Holder will not realize a gain or loss upon the exercise of a Warrant to acquire a Warrant Share. The Holder's cost of the Warrant Share will be equal to the aggregate of the Holder's adjusted cost base of the Warrant exercised, plus the exercise price paid to acquire such Warrant Share. The Holder's adjusted cost base of such Warrant Share will be determined by averaging the cost of the Warrant Share with the adjusted cost base (determined immediately before the acquisition of such Warrant Share) of all other Common Shares held as capital property by the Holder immediately prior to such acquisition.

### **Residents of Canada**

The following portion of the summary applies to a Holder who, for purposes of the Tax Act, is or is deemed to be resident in Canada at all relevant times (a "**Resident Holder**"). Certain Resident Holders to whom Offered Shares and Warrant Shares might not constitute capital property may, in certain circumstances, make the irrevocable election under subsection 39(4) of the Tax Act to deem the Offered Shares, the Warrant Shares, and every other "Canadian security" (as defined in the Tax Act), held by such Resident Holder in the taxation year of the election and all subsequent taxation years to be capital property. This election does not apply to the Warrants. Resident Holders should consult their own tax advisors regarding this election.

### ***Disposition and Expiry of Warrants***

A Resident Holder who disposes or is deemed to dispose of a Warrant (other than upon the exercise thereof) will generally realize a capital gain (or capital loss) equal to the amount by which the proceeds of disposition, net of any reasonable costs of disposition, are greater (or less) than the adjusted cost base of the Warrant to the Resident Holder. If a Warrant expires unexercised, the Resident Holder will realize a capital loss equal to the adjusted cost base of such Warrant to the Resident Holder. The tax treatment of capital gains and capital losses is discussed under the subheading "Capital Gains and Capital Losses".

### ***Dividends on Offered Shares and Warrant Shares***

Dividends received or deemed to be received on Offered Shares or Warrant Shares by an individual Resident Holder (including certain trusts) will be included in computing the individual's income and will be subject to the gross-up and dividend tax credit rules applicable to taxable dividends received from taxable Canadian corporations including, where applicable, an enhanced gross-up and dividend tax credit for dividends designated as "eligible dividends" by the Company.

Dividends received or deemed to be received on Offered Shares or Warrant Shares by a Resident Holder that is a corporation will be included in computing its income and will generally be deductible in computing its taxable

income. In certain circumstances, subsection 55(2) of the Tax Act will treat a taxable dividend received by a Resident Holder that is a corporation as proceeds of a disposition or a capital gain. A Resident Holder that is a "private corporation" or a "subject corporation" (each as defined in the Tax Act) may be liable to pay a refundable tax under Part IV of the Tax Act on dividends received or deemed to be received on the Offered Shares or Warrant Shares, to the extent that such dividends are deductible in computing the Resident Holder's taxable income.

### ***Disposition of Offered Shares and Warrant Shares***

A Resident Holder who disposes or is deemed to dispose of an Offered Share or Warrant Share will generally realize a capital gain (or capital loss) equal to the amount by which the proceeds of disposition, net of any reasonable costs of disposition, are greater (or less) than the adjusted cost base of the Offered Share or Warrant Share, as the case may be, to the Resident Holder. The tax treatment of capital gains and capital losses is discussed under the subheading "Capital Gains and Capital Losses".

### ***Capital Gains and Capital Losses***

One-half of any capital gain (a "**taxable capital gain**") realized by a Resident Holder must be included in the Resident Holder's income for the taxation year in which the disposition occurs. Subject to and in accordance with the provisions of the Tax Act, one-half of any capital loss (an "**allowable capital loss**") must be deducted against taxable capital gains realized in the year of disposition. Any unused allowable capital losses may be applied to reduce net taxable capital gains realized in any of the three prior years or in any subsequent year in the circumstances and to the extent provided in the Tax Act.

A capital loss realized on the disposition of an Offered Share or Warrant Share by a Resident Holder that is a corporation may in certain circumstances be reduced by the amount of dividends that have been received or deemed to have been received by the Resident Holder on such share or shares substituted for such share to the extent and in the circumstances described by the Tax Act. Similar rules may apply where a Resident Holder that is a corporation is a member of a partnership or a beneficiary of a trust that owns Offered Shares or Warrant Shares directly or indirectly through a partnership or trust.

A Resident Holder that is throughout the year a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay a refundable tax on certain investment income, including taxable capital gains. Resident Holders that are "Canadian-controlled private corporations" should consult their own tax advisors regarding their particular circumstances.

### ***Alternative Minimum Tax***

Capital gains realized, and taxable dividends received or deemed to be received by a Resident Holder that is an individual or a trust (other than certain trusts) may be liable for alternative minimum tax under the Tax Act. Resident holders should consult their own tax advisors with respect to the application of alternative minimum tax.

### ***Non-Residents of Canada***

The following portion of the summary applies to Holders who, at all relevant times, for the purposes of the Tax Act, (i) are not resident or deemed to be resident in Canada, and (ii) do not use or hold Offered Shares, Warrants or Warrant Shares in the course of a business carried on or deemed to be carried on in Canada (a "**Non-Resident Holder**"). Special rules, which are not discussed in this summary, may apply to a Non-Resident Holder that is an insurer carrying on business in Canada and elsewhere. Such Non-Resident Holders should consult their own tax advisors.

### ***Dividends***

Dividends paid or credited or deemed to be paid or credited on Offered Shares or Warrant Shares to a Non-Resident

Holder will generally be subject to Canadian withholding tax at the rate of 25%, subject to reduction under the provisions of an applicable tax treaty or convention. In the case of a Non-Resident Holder that is a resident of the United States and fully entitled to benefits under the *Canada-United States Tax Convention* (1980), as amended, the rate of withholding tax on such dividends beneficially owned by such Non-Resident Holder will generally be reduced to 15%. This rate is reduced to 5% in the case of a Non-Resident Holder that is the beneficial owner of the dividends and that is a corporation that owns beneficially at least 10% of the voting stock of the Company.

### ***Dispositions of Offered Shares, Warrants and Warrant Shares***

A Non-Resident Holder who disposes of or is deemed to have disposed of an Offered Share, a Warrant or a Warrant Share will not be subject to income tax under the Tax Act in respect of any capital gain realized thereon unless, at the time of disposition, the Offered Share, Warrant or Warrant Share, as the case may be, is or is deemed to be "taxable Canadian property" (as defined in the Tax Act) of the Non-Resident Holder, and the gain is not exempt from tax pursuant to the terms of an applicable tax treaty or convention.

Provided the Offered Shares and Warrant Shares are listed on a "designated stock exchange" (which currently includes Tiers 1 and 2 of the TSX-V), the Offered Shares, Warrants and Warrant Shares generally will not constitute taxable Canadian property of a Non-Resident Holder at the time of disposition unless at any time during the 60-month period immediately preceding the disposition: (a) one or any combination of (i) the Non-Resident Holder, (ii) persons with whom the Non-Resident Holder did not deal at arm's length, and (iii) partnerships in which the Non-Resident Holder or a person with whom the Non-Resident Holder did not deal at arm's length holds a membership interest directly or indirectly through one or more partnerships, owned 25% or more of the issued shares of any class or series of the capital stock of the Company, and (b) more than 50% of the fair market value of the Offered Shares or Warrant Shares was derived directly or indirectly from one or any combination of real or immovable property situated in Canada, Canadian resource properties (as defined in the Tax Act), timber resource properties (as defined in the Tax Act) and options in respect of, or interests in, or for civil law rights in, any such property, whether or not such property exists. The Offered Shares Warrants or Warrant Shares may also be deemed to be taxable Canadian property of a Non-Resident Holder in certain circumstances.

In the event that an Offered Share, Warrant or Warrant Share constitutes taxable Canadian property of a Non-Resident Holder and any capital gain realized on the disposition thereof is not exempt from tax pursuant to the terms of an applicable income tax treaty or convention, the income tax consequences discussed under "Residents of Canada – Capital Gains and Capital Losses" would generally apply to the Non-Resident Holder.

Non-Resident Holders whose Offered Shares, Warrants or Warrant Shares are taxable Canadian property should consult their own tax advisors.

## **DESCRIPTION OF SECURITIES BEING DISTRIBUTED**

### **Authorized Capital**

The Company's authorized share capital currently consists of an unlimited number of Common Shares, of which, as at the date hereof, 150,626,055 Common Shares are issued and outstanding. Assuming the completion of the Offering for aggregate gross proceeds of \$2,000,000, and assuming the proposed private placement is subscribed for in full for total proceeds of US\$500,000, at the current CAD-U.S. exchange rate of 1.33, there will be 197,941,055 Common Shares issued and outstanding (on a non-diluted basis), and assuming the Over-Allotment Option is exercised in full, upon completion of the Offering, there will be 203,941,055 Common Shares issued and outstanding (on a non-diluted basis), in each case including the issuance of the Corporate Finance Shares.

### **Units**

Each Unit consists of one Offered Share and one-half of one Warrant. The following is a summary of the rights, privileges, restrictions and conditions attached to such securities.

## Common Shares

Each Offered Share, Warrant Share and Broker Warrant Share is a Common Share. Each holder of a Common Share is entitled to (i) notice of and the right to vote at all meetings of shareholders of the Company, (ii) receive any dividend declared by the board of directors of the Company, and (iii) receive the remaining property of the Company in the event of the voluntary or involuntary liquidation, dissolution or winding up of the Company, or any other distribution of its assets among its shareholders for the purposes of winding up its affairs.

## Warrants

The Warrants will be governed by the terms of a warrant indenture (the "**Warrant Indenture**") to be entered into between the Company and Computershare Trust Company of Canada, as warrant agent thereunder (the "**Warrant Agent**"). The Company will appoint the principal transfer offices of the Warrant Agent in Toronto, Ontario as the location at which Warrants may be surrendered for exercise or transfer. The following summary of certain provisions of the Warrant Indenture contains all of the material attributes and characteristics of the Warrants but does not purport to be complete and is qualified in its entirety by reference to the provisions of the Warrant Indenture.

Each whole Warrant will entitle the holder to purchase one Warrant Share at an exercise price of \$0.08 per Warrant Share, subject to adjustment in certain circumstances, at any time prior to the Warrant Expiry Date. **WARRANTS NOT EXERCISED PRIOR TO THE WARRANT EXPIRY DATE WILL BE VOID AND OF NO VALUE.**

The Warrant Indenture will deem the Warrants to be subject to a Warrant Acceleration Right which will be triggered if in any twenty (20) consecutive trading days, beginning on the date following the Closing Date, the daily volume weighted average trading price of the Company's common shares on the TSX-V is greater than \$0.25 per share. If the Company exercises its Warrant Acceleration Right, the new expiry date of the Warrants will be the 30th day following the notice of such exercise.

The exercise price for the Warrants will be payable in Canadian dollars.

The Warrant Indenture will provide for adjustment in the number of Warrant Shares issuable upon the exercise of the Warrants and/or the exercise price per Warrant Share upon the occurrence of certain events, including:

- a) the issuance of Common Shares or securities exchangeable for or convertible into Common Shares to holders of all or substantially all of the Company's Common Shares by way of stock dividend or other distribution (other than a "dividend paid in the ordinary course", as defined in the Warrant Indenture, or a distribution of Common Shares upon the exercise of the Warrants or pursuant to the exercise of director, officer or employee stock options granted under the Company's stock option plan);
- b) the subdivision, redivision or change of the Common Shares into a greater number of shares;
- c) the reduction, combination or consolidation of the Common Shares into a lesser number of shares;
- d) the fixing of a record date for the issue of rights, options or warrants to all or substantially all of the holders of the Common Shares under which such holders are entitled, during a period expiring not more than 45 days after the record date for such issuance, to subscribe for or purchase Common Shares, or securities exchangeable for or convertible into Common Shares, at a price per share to the holder (or having an exchange or conversion price per share) of less than 95% of the "current market price", as defined in the Warrant Indenture, for the Common Shares on such record date; and

- e) the issuance or distribution to all or substantially all of the holders of the securities of the Company including shares, rights, options or warrants to acquire shares of any class or securities exchangeable or convertible into any such shares or cash, property or assets and including evidences of indebtedness, or any cash, property or other assets.

The Warrant Indenture will also provide for adjustment in the class and/or number of securities issuable upon the exercise of the Warrants and/or exercise price per security in the event of the following additional events: (i) reclassifications of the Common Shares; (ii) consolidations, amalgamations, plans of arrangement or mergers of the Company with or into another entity (other than consolidations, amalgamations, plans of arrangement or mergers which do not result in any reclassification of the Common Shares or a change or exchange of the Common Shares into other shares); or (iii) the transfer of the undertaking or assets of the Company as an entirety or substantially as an entirety to another Company or other entity.

No adjustment in the exercise price or the number of Warrant Shares purchasable upon the exercise of the Warrants will be required to be made unless the cumulative effect of such adjustment or adjustments would change the exercise price by at least 1% or the number of Warrant Shares purchasable upon exercise by at least one one-hundredth of a Warrant Share. Further, no adjustment will be made for Common Shares issued: (i) upon exercise of the Warrants; (ii) pursuant to any dividend reinvestment or similar plan adopted by the Company; (iii) pursuant to stock option or purchase plans, as payment of interest on outstanding notes, in connection with strategic license agreements or other partnering arrangements; or (iv) in connection with a strategic merger, consolidation or purchase of substantially all of the securities or assets of a corporation or other entity.

The Company will also covenant in the Warrant Indenture that, during the period in which the Warrants are exercisable, it will give notice to holders of Warrants of certain stated events, including events that would result in an adjustment to the exercise price for the Warrants or the number of Warrant Shares issuable upon exercise of the Warrants, at least 10 days prior to the record date or effective date, as the case may be, of such event.

If a Warrant holder is entitled to a fraction of a Warrant, the number of Warrants issued to that Warrant holder shall be rounded down to the nearest whole Warrant. No fractional Warrant Shares will be issuable upon the exercise of any Warrants; instead cash will be paid in lieu of fractional shares. Holders of Warrants will not have any voting rights or any other rights which a holder of Common Shares would have.

The Warrants will not be exercisable in the United States or by or on behalf of a U.S. Person, nor will certificates representing the Common Shares issuable upon exercise of the Warrants be registered or delivered to an address in the United States, unless an exemption from registration under the U.S. Securities Act and any applicable state securities laws is available and the Company has received an opinion of counsel of recognized standing to such effect in form and substance reasonably satisfactory to the Company.

From time to time, the Company (when properly authorized) and the Warrant Agent, subject to the provisions of the Warrant Indenture, may amend or supplement the Warrant Indenture for certain purposes. Certain amendments or supplements to the Warrant Indenture may only be made by "extraordinary resolution", which is defined in the Warrant Indenture as a resolution either: (i) passed at a meeting of the holders of Warrants at which there are holders of Warrants present in person or represented by proxy representing at least 25% of the aggregate number of the then outstanding Warrants and passed by the affirmative vote of holders of Warrants representing not less than 66<sup>2</sup>/<sub>3</sub>% of the aggregate number of all the then outstanding Warrants represented at the meeting and voted on such resolution; or (ii) adopted by an instrument in writing signed by the holders of Warrants representing not less than 66<sup>2</sup>/<sub>3</sub>% of the aggregate number of all of the then outstanding Warrants.

**A significant number of Common Shares are currently held by a limited number of shareholders, who may have a significant effect on matters requiring shareholder approval. See "Risk Factors -- A Significant Number of Common Shares are Owned by a Limited Number of Existing Shareholders".**

**The Company has not applied and does not intend to apply to list the Warrants on any securities exchange.**

**There will be no market through which the Warrants may be sold, and purchasers may not be able to resell the Warrants purchased in the Offering. This may affect the pricing of the Warrants in the secondary market, the transparency and availability of trading prices, the liquidity of the Warrants, and the extent of issuer regulation. See "Risk Factors – No Market for Warrants".**

## **PLAN OF DISTRIBUTION**

Pursuant to the terms and conditions of the Agency Agreement to be entered into among the Company and the Agents, the Agents have agreed to act, and the Company has appointed the Agents as agents to the Company to offer for sale on a "best efforts" basis, subject to prior sale, if, as and when issued by the Company and accepted by the Agents in accordance with the terms and conditions contained in the Agency Agreement and subject to the approval of certain legal matters on the Company's behalf by its counsel, Stikeman Keeley Spiegel LLP, and on behalf of the Agents by its counsel, Wildeboer Dellelce LLP, 40,000,000 Units at a price of \$0.05 per Unit, payable in cash, for gross proceeds of \$2,000,000. Each Unit consists of one Offered Share and one-half of one Warrant. Each Warrant will entitle the holder thereof to purchase one Warrant Share at an exercise price of \$0.08 per Warrant Share, subject to adjustment in certain circumstances, at any time prior to 5:00 p.m. (Toronto time) on the Warrant Expiry Date. The Warrants will be subject to the Warrant Acceleration Right. If the Company exercises its Warrant Acceleration Right, the new expiry date of the Warrants will be the 30th day following the notice of such exercise.

The Units will immediately separate upon issuance into Offered Shares and Warrants. On August 9, 2018, the last day the Common Shares traded prior to the date of this Prospectus, the closing price of the Common Shares on the TSX-V and the OTCQX was \$0.05 and US\$0.038 per Common Share, respectively. The Closing of the Offering may occur in one or more tranches on one or more Closing Dates. The first Closing Date is expected to take place on or about August 15, 2018 or such other date as may be agreed upon by the Company and the Agents, but in any event, no Closing Date shall occur later than ninety (90) days following the final receipt for the (final) short form prospectus by the applicable securities commissions. While the Agents have agreed to use their best efforts to sell the Units, the Agents are not obligated to purchase any Units not sold.

The Agents will receive the Agents' Fee in cash equal to 8% of the gross proceeds of the Offering (excluding Units sold pursuant to the President's List) including any proceeds received pursuant to the Over-Allotment Option, of which amounts sub-agents will be allocated up to 6% of the gross proceeds of the Offering. In addition, the Company will grant to the Agents on each Closing Date Broker Warrants to purchase up to that number of Broker Warrant Shares (equal to 8% of the aggregate number of Units sold on that Closing Date, including the Additional Units sold, but excluding Units sold pursuant to the President's List), of which amount sub-agents will be allocated up to 6% of the total number of Units sold in the Offering. Each Broker Warrant, whether issued on the first Closing Date or any subsequent Closing Date, will entitle the holder to acquire one Broker Warrant Share. This Prospectus also qualifies the distribution of Broker Warrants and Broker Warrant Shares.

The Company has agreed to grant to the Agents a 15% Over-Allotment Option exercisable, in whole or in part, at the Agents' sole discretion, to offer and sell the Additional Units at the Offering Price, to cover over-allocations, if any, and for market stabilization purposes. The Over-Allotment Option is exercisable, in whole or in part by the Agents, at any time or times during the 30-day period immediately following the final Closing Date into (i) Additional Units at a the Offering Price; (ii) Additional Shares at a price of \$0.0475 per Additional Share; (iii) Additional Warrants at a price of \$0.0025 per Additional Warrant; or (iv) any combination of Units, Additional Shares and Additional Warrants so long as the aggregate number of Additional Securities that may be issued under the Over-Allotment Option does not exceed 6,000,000 Additional Shares and 3,000,000 Additional Warrants. If the Offering is completed in full for aggregate gross proceeds of \$2,000,000, and the Agents exercise the Over-Allotment Option in full, the cumulative gross proceeds of the Offering will be \$2,300,000 (before deducting the expenses of the Offering which are estimated to be approximately \$221,500). This Prospectus qualifies the grant of the Over-Allotment Option and the distribution of the Additional Securities issuable upon exercise of the Over-Allotment Option.

A purchaser who acquires Additional Units forming part of the Agents' over-allocation position acquires such Additional Units under this Prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

The Company has also agreed to grant to the Agents a Corporate Finance Fee payable in Corporate Finance Units, each comprised of a Corporate Finance Share and one-half of one Corporate Finance Warrant, each Corporate Finance Warrant exercisable into a Corporate Finance Warrant Share at a price of \$0.08 per Corporate Finance Warrant Share at any time prior to 5:00 p.m. (Toronto time) on the date that is 24 months after the first Closing Date. This Prospectus qualifies the distribution of the Corporate Finance Units, the Corporate Finance Warrants and the Corporate Finance Warrant Shares.

Subscriptions for Units will be received subject to rejection or allotment, in whole or in part, and the right is reserved to close the subscription books at any time without notice. The total period of the distribution will not end more than 90 days from the date of issuance of a receipt for the final prospectus. The Company may extend the distribution period by a further 90 days by filing and obtaining a receipt for an amendment to the final prospectus; however, the total period of distribution must not end more than 180 days from the date of the receipt for the final prospectus.

No certificates will be issued in respect of the Units, Offered Shares, Warrants or Warrant Shares. The Offering will be conducted under the book-based system in the Canadian jurisdictions where the Units are being sold. A subscriber in a Canadian jurisdiction where the Units are being sold who purchases Units will receive a customer confirmation from the registered dealers through which Units are purchased and who is a CDS depository-service participant. CDS will record the CDS participants who hold Offered Shares and Warrants on behalf of owners who have purchased them in accordance with the book-based system.

The obligations of the Agents under the Agency Agreement are several and neither joint nor joint and several, are subject to certain closing conditions and may be terminated at the discretion of the Agents before the Closing Date on the basis of the Agents' assessment of the financial markets and upon the occurrence of certain stated events. The Agents shall be permitted to appoint a soliciting dealer group of other registered dealers acceptable to the Company for the purpose of arranging for purchases of Units under the Offering. The Company has agreed to indemnify the Agents and their respective affiliates and their respective directors, officers, employees, agents and shareholders against certain liabilities.

The Company has applied to list the following securities on the TSX-V: (i) the Offered Shares (including any Additional Shares issuable upon exercise of the Over-Allotment Option); (ii) the Warrant Shares (including any Additional Warrant Shares) issuable upon exercise of the Warrants (including any Additional Warrants issuable upon exercise of the Over-Allotment Option); (iii) the Broker Warrant Shares issuable upon exercise of the Broker Warrants; and (iv) the Corporate Finance Shares and the Corporate Finance Warrant Shares issuable upon exercise of the Corporate Finance Warrants. Listing is subject to the Company fulfilling all of the listing requirements of the TSX-V within the time period required by the TSX-V. The Company has not applied and does not intend to apply to list the Warrants, Broker Warrants or Corporate Finance Warrants on any securities exchange.

Under certain rules of the Canadian securities regulatory authorities and the Universal Market Integrity Rules for Canadian Marketplaces of the Investment Industry Regulatory Organization of Canada (the "UMIR"), the Agents may not, throughout the period of distribution, bid for or purchase Common Shares. These rules allow certain exceptions to those prohibitions. The Agents may only avail themselves of those exceptions on the condition that the bid or purchase not be for the purpose of creating actual or apparent active trading in, or raising the price, of the Common Shares. These exceptions include a bid or purchase permitted under the UMIRs relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. In connection with the Offering, the Agents may over-allot or effect transactions that stabilize or maintain the market price of the Common Shares at levels other than those that may otherwise exist in the open market. These transactions, if commenced, may be discontinued at any time.

This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the Offered Shares or Warrants comprising Units in the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the U.S. Securities Act). The Common Shares have not been and will not be registered under the

U.S. Securities Act or any state securities laws and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the U.S. Securities Act) except in transactions exempt from the registration requirements of the U.S. Securities Act and all applicable state securities laws.

Certain of the Agents and/or their affiliates have performed investment banking and advisory services for the Company and its affiliates from time to time for which they have received customary fees and expenses. The Agents and/or their affiliates may, from time to time, engage in transactions with, or perform services for, the Company and its affiliates in the ordinary course of business and receive related fees.

Other than in British Columbia, Alberta, Manitoba and Ontario, no action has been taken by the Company or the Agents that would permit a public offering of the Units offered by this Prospectus in any jurisdiction where action for that purpose is required. The Units offered by this Prospectus may not be offered or sold, directly or indirectly, nor may this Prospectus or any other offering material or advertisements in connection with the offer and sale of any Units be distributed or published in any jurisdiction, except under circumstances that will result in compliance with the applicable rules and regulations of that jurisdiction. Persons into whose possession this Prospectus comes are advised to inform themselves about and to observe any restrictions relating to the Offering and the distribution of this Prospectus.

This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy any Units offered by this Prospectus in any jurisdiction in which such an offer or a solicitation is unlawful.

The Company has received commitments from two United States residents that are also insiders of the Company to purchase on a non-brokered private placement basis US\$500,000 in Units on the Closing Date based on the then prevailing CAD-U.S. exchange rate. These subscribers, as non-Canadian residents, are not eligible to purchase Units under the Offering and will therefore be subject to a four month hold period on first trades in Canada and a minimum six month hold period in the United States. Assuming completion of the proposed private placement for aggregate total proceeds of US\$500,000, at the current CAD-U.S. exchange rate of 1.33, the total number of Common Shares and Warrants issuable on a private placement basis will be 13,300,000 Common Shares and 6,650,000 Warrants, respectively.

### **MARKET FOR SECURITIES**

The outstanding Common Shares are traded on the TSX-V under the trading symbol "EL" and are also quoted on the OTCQX under the symbol "ELBSF". The following table sets forth the price range and trading volumes for the Common Shares on the TSX-V and OTCQX as reported by the TSX-V and OTCQX for the periods indicated:

Month	TSX Venture Exchange			OTCQX		
	High (CDN\$)	Low (CDN\$)	Volume	High (US\$)	Low (US\$)	Volume
July 2018	0.065	0.055	3,070,070	0.052	0.038	57,876
June 2018	0.075	0.055	2,507,074	0.0592	0.0373	108,564
May 2018	0.070	0.055	4,748,313	0.0594	0.04076	1,042,189
April 2018	0.100	0.055	14,136,167	0.0779	0.04500	352,269
March 2018	0.200	0.075	9,531,174	0.0710	0.07089	200,000
February 2018	0.275	0.130	11,339,218			
January 2018	0.220	0.115	9,425,544			
December 2017	0.140	0.090	4,675,801			
November 2017	0.145	0.045	6,682,291			

October 2017	0.050	0.040	1,883,270			
September 2017	0.055	0.040	1,350,600			
August 2017	0.050	0.035	1,890,950			
July 2017	0.075	0.045	2,077,359			

### PRIOR SALES

During the twelve-month period prior to the date of this Prospectus, the Company issued the following:

Common Shares		
Date of issuance	Number of Common Shares	Issue Price
April 19, 2018	8,081 <sup>(1)</sup>	\$0.085
March 27, 2018	770,049 <sup>(2)</sup>	\$0.21
March 27, 2018	1,895,002 <sup>(3)</sup>	\$0.065
March 19, 2018	500,000 <sup>(4)</sup>	\$0.07
March 14, 2018	36,862 <sup>(5)</sup>	\$0.12
March 5, 2018	83,333 <sup>(6)</sup>	\$0.12
March 1, 2018	100,000 <sup>(7)</sup>	\$0.05
February 21, 2018	916,665 <sup>(8)</sup>	\$0.12
February 13, 2018	750,000 <sup>(9)</sup>	\$0.20
February 8, 2018	116,666 <sup>(10)</sup>	\$0.12
February 7, 2018	83,333 <sup>(11)</sup>	\$0.12
February 5, 2018	150,000 <sup>(12)</sup>	\$0.12
February 1, 2018	1,500,000 <sup>(13)</sup>	\$0.12
January 31, 2018	833,333 <sup>(14)</sup>	\$0.12
January 26, 2018	250,000 <sup>(15)</sup>	\$0.07
January 25, 2018	41,666 <sup>(16)</sup>	\$0.12
January 18, 2018	166,666 <sup>(17)</sup>	\$0.12
January 12, 2018	375,000 <sup>(18)</sup>	\$0.12
January 11, 2018	833,333 <sup>(19)</sup>	\$0.12
January 10, 2018	949,999 <sup>(20)</sup>	\$0.12
January 9, 2018	233,333 <sup>(21)</sup>	\$0.12
December 15, 2017	1,500,000 <sup>(7)</sup>	\$0.05

December 8, 2017	7,705 <sup>(22)</sup>	\$0.10
December 5, 2017	666,666 <sup>(23)</sup>	\$0.12
November 29, 2017	441,666 <sup>(24)</sup>	\$0.12
November 28, 2017	125,000 <sup>(25)</sup>	\$0.12
November 22, 2017	63,900,000 <sup>(7)</sup>	\$0.05

Notes:

- (1) On April 19, 2018, the Company issued 8,081 Common Shares with a deemed value of \$0.085 per share for settlement of RSUs, net of required tax withholding of \$21.
- (2) On March 27, 2018, the Company issued 770,049 Common Shares with a deemed value of \$0.21 per share for settlement of RSUs, net of required tax withholding of \$102,143.
- (3) On March 27, 2018, the Company issued 1,895,002 Common Shares with a deemed value of \$0.065 per share for net remuneration (after source deductions) of \$123,175 for fees due to independent directors of the Company for the period beginning January 1, 2017 to October 31, 2017. The aggregate gross amount owed was \$189,500.
- (4) On March 19, 2018, the Company issued 500,000 Common Shares with a deemed value of \$0.07 per share on conversion of warrants for a gross amount of \$35,000.
- (5) On March 14, 2018, the Company issued 36,682 Common Shares with a deemed value of \$0.12 per share for settlement of RSUs, net of required tax withholding of \$2,377.
- (6) On March 5, 2018, the Company issued 83,333 Common Shares with a deemed value of \$0.12 per share on conversion of debentures for a gross amount of \$10,000.
- (7) On November 22, 2017, the Company closed a \$3.2 million financing by way of a private placement of \$0.05 per unit. Each unit is comprised of one common share and one-half of one warrant exercisable at a price of \$0.07 per share for a period of 24 months from closing. The financing was brokered by PowerOne Capital Markets Limited acting as Lead Agent and Dominick Capital Corporation acting a co-Lead Agent and bookrunner. PowerOne received a fixed fee of 1.5 million in Units. Participating brokers were paid a cash commission of 4.5% and 4.5% in brokers warrants convertible into units at \$0.05 per unit, with each such unit being the same as the units offered in the private placement. Dominick Capital Corporation was paid a 1.5% cash commission and 1.5% brokers warrants on all orders other than those placed with insiders. At total of \$935,000 in Units were purchased by directors, officers and a major shareholder. 100,000 units were issued subsequently on March 1, 2018.
- (8) On February 21, 2018, the Company issued 916,665 Common Shares with a deemed value of \$0.12 per share on conversion of debentures for a gross amount of \$110,000.
- (9) On February 13, 2018, the Company issued 750,000 Common Shares with a deemed value of \$0.20 per share on conversion of debentures for a gross amount of \$150,000.
- (10) On February 8, 2018, the Company issued 116,666 Common Shares with a deemed value of \$0.12 per share on conversion of debentures for a gross amount of \$14,000.
- (11) On February 7, 2018, the Company issued 83,333, Common Shares with a deemed value of \$0.12 per share on conversion of debentures for a gross amount of \$10,000.
- (12) On February 5, 2018, the Company issued 150,000 Common Shares with a deemed value of \$0.12 per share on conversion of debentures for a gross amount of \$18,000.
- (13) On February 1, 2018, the Company issued 1,500,000 Common Shares with a deemed value of \$0.12 per share on conversion of debentures for a gross amount of \$180,000.
- (14) On January 31, 2018, the Company issued 833,333 Common Shares with a deemed value of \$0.12 per share on conversion of debentures for a gross amount of \$100,000.
- (15) On January 26, 2018, the Company issued 250,000 Common Shares with a deemed value of \$0.07 per share on conversion of warrants for a gross amount of \$17,500.
- (16) On January 25, 2018, the Company issued 41,666 Common Shares with a deemed value of \$0.12 per share on conversion of debentures for a gross amount of \$5,000.
- (17) On January 18, 2018, the Company issued 166,666 Common Shares with a deemed value of \$0.12 per share on conversion of debentures for a gross amount of \$20,000.
- (18) On January 12, 2018, the Company issued 375,000 Common Shares with a deemed value of \$0.12 per share on conversion of

debentures for a gross amount of \$45,000.

- (19) On January 11, 2018, the Company issued 833,333 Common Shares with a deemed value of \$0.12 per share on conversion of debentures for a gross amount of \$100,000.
- (20) On January 10, 2018, the Company issued 949,999 Common Shares with a deemed value of \$0.12 per share on conversion of debentures for a gross amount of \$114,000.
- (21) On January 9, 2018, the Company issued 233,333 Common Shares with a deemed value of \$0.12 per share on conversion of debentures for a gross amount of \$28,000.
- (22) On December 8, 2017, the Company issued 7,705 Common Shares with a deemed value of \$0.10 per share for settlement of RSUs, net of required tax withholding of \$63.
- (23) On December 5, 2017, the Company issued 666,666 Common Shares with a deemed value of \$0.12 per share on conversion of debentures for a gross amount of \$80,000.
- (24) On November 29, 2017, the Company issued 441,666 Common Shares with a deemed value of \$0.12 per share on conversion of debentures for a gross amount of \$53,000.
- (25) On November 28, 2017, the Company issued 125,000 Common Shares with a deemed value of \$0.12 per share on conversion of debentures for a gross amount of \$15,000.

<b>Warrants</b>			
<b>Date of Issuance</b>	<b>Number of Common Shares Issuable on Exercise of Warrants</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
November 22, 2017	33,156,000 <sup>(1)</sup>	\$0.07	November 21, 2019
November 22, 2017	912,000 <sup>(1)(2)</sup>	\$0.05	November 21, 2019
March 1, 2018	50,000 <sup>(1)</sup>	\$0.07	November 21, 2019

Notes:

- (1) 64,000,000 Common Shares and 34,068,000 warrants were issued on November 22, 2017 in the closing of the brokered private placement of Units as it is described in Note (7) above. 50,000 units were issued subsequently on March 1, 2018.
- (2) Participating brokers received brokers warrants convertible into units at \$0.05 per unit, each unit comprised of one common share and one-half warrant with an exercise price of \$0.07.

<b>Stock Options <sup>(1)</sup></b>			
<b>Date of Issuance</b>	<b>Number of Common Shares Issuable on Exercise of Options</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
February 21, 2018	170,000	\$0.205	February 20, 2023
November 17, 2017	3,559,700	\$0.065	November 16, 2022
November 17, 2017	510,300	\$0.075	November 16, 2022

Notes:

- (1) Granted pursuant to the Company's Stock Option Plan.

## RISK FACTORS

An investment in the Units is speculative and involves a number of risks. Before deciding whether to invest in the Units, prospective purchasers should carefully consider, in light of their own circumstances, the risks described below, the other information contained in this prospectus and in the other documents incorporated by reference in this Prospectus. **Prospective purchasers should also carefully review the risks and uncertainties described under the heading "Risk Factors" at pages 16 to 20 of the AIF which include risks related to: Ability to Continue as a Going Concern, Negative Cash Flow from Operating Activities, Operational Risk, Reliance on Partners and Suppliers, Income Taxes, Worsened General Economic Conditions, Management of Growth, Dependence on Key Personnel, Protection of Intellectual Property, Inability to Implement the Business Strategy, Large Accumulated Deficit, Competitive Market for Engagement Labs' Products, Intellectual Property Litigation, Non-IP Litigation, Regulatory Risk, Regulatory Compliance, International Operations, Financial Instruments, Volatility of Share Price, Influence of Significant Shareholders, Future Sales of Common Shares, Dividends, Internal Controls over Financial Reporting, Prior Losses, and Ability to Secure Additional Financing & Dilution of Common Shares.** If any of the events described as risks or uncertainties in the AIF or if any of the following events described as risks or uncertainties actually occurs, the Company's business, prospects, financial condition and operating results would likely suffer, possibly materially. In that event, the market price of the Common Shares could decline, and purchasers could lose part or all of their investment. Additional risks and uncertainties presently unknown to the Company, or that the Company believes not to be material at this time, may also impair or have a material adverse effect on the Company's operations.

### *Limited Operating History*

In the Fall of 2016, the company launched TotalSocial, a new data and analytics platform. Predecessor products such as TalkTrack and eValue were integrated into TotalSocial and are no longer sold as a stand-alone offer. Given our short operating history with TotalSocial, there is limited financial history upon which the company's business and future prospects may be evaluated.

Engagement Labs has since inception incurred losses and is reliant on sales growth to move from a loss making to a profit-making position. In order to meet future operating and debt service requirements, the Company will need to be successful in substantially growing its sales with recurring revenues. Engagement Labs may not gain customer acceptance at the expected rate due to a number of factors including the absence of an established track record for TotalSocial, and our ability to market TotalSocial broadly may be constrained by our financial condition and resources. Other factors including pricing and innovations by competitors may impact on our ability to attract and retain new customers, and if new and existing customers do not purchase Engagement Labs' products at anticipated levels, the Company's operating results may be materially and adversely affected.

### *Retaining and Attracting Customers*

A key element of our business plan for 2018 and beyond is the restructuring of our sales effort. A new chief revenue officer has been recruited and began full time in December 2017. He is charged with recruiting a sales force and improving marketing performance to drive more demand for TotalSocial. Engagement Labs plans to invest significant resources into its sales and marketing teams to educate potential customers about the value of its TotalSocial platform. Engagement Labs may not be successful in recruiting the sales force needed to sell the platform to potential customers, and the company may not be successful in converting leads into contracts despite its investment in business development, sales and marketing.

### *Negative Cash Flow and Going Concern*

The Company has negative cash flow from operating activities and has historically incurred net losses. There is no assurance that sufficient revenues will be generated in the near future. To the extent that the Company has negative operating cash flows in future periods, it may need to deploy a portion of its existing working capital to fund such negative cash flows. The Company will be required to raise additional funds through the issuance of additional equity securities or through loan financing. There is no assurance that additional capital or other types of financing will be available if needed or that these financings will be on terms at least as favourable to the Company as those previously obtained, or at all.

The Company's auditor has indicated in the financial statements that there is substantial doubt about the Company's ability to continue as a going concern. Importantly, the inclusion in the Company's financial statements of a going concern opinion may negatively impact the Company's ability to raise future financing and achieve future revenue. The threat of the Company's ability to continue as a going concern will be removed only when, in the opinion of the Company's auditor, the Company's revenues have reached a level that is able to sustain its business operations. If the Company is unable to obtain additional financing from outside sources and eventually generate enough revenues, the Company may be forced to sell a portion or all of the Company's assets or curtail or discontinue the Company's operations. If any of these events happens, a subscriber could lose all or part of its investment. The Company's financial statements do not include any adjustments to the Company's recorded assets or liabilities that might be necessary if the Company becomes unable to continue as a going concern.

### ***Protection of Intellectual Property***

The Company's success depends in part on its ability to maintain or obtain and enforce patent and other intellectual property protections for its processes and technologies and to operate without infringing upon the proprietary rights of third parties or having third parties circumvent the rights that the Company owns or licenses. The Company has a patent pending in the United States and an International Patent Application (the "PCT") which is handled by the Canadian Patent Office as the International Searching Authority (ISA). The PCT application may be filed in any one of the 152 countries which are members of the PCT and which include all of the industrialized countries of the world. Patents may provide some degree of protection for intellectual property; however, patent protection involves complex legal and factual determinations and is therefore uncertain. The Company cannot be assured that its patent applications will be valid or will issue over prior art, or that patents will issue from the patent applications it has filed or will file. Additionally, the Company cannot be assured that the scope of any claims granted in any patent will be commercially useful or will provide adequate protection for the technology used currently or in the future.

The Company cannot be certain that the creators of its technology were the first inventors of inventions and processes covered by its patents and patent applications or that they were the first to file. Accordingly, it cannot be assured that its patents will be valid or will afford protection against competitors with similar technology or processes. Despite its efforts to protect its proprietary rights, unauthorized parties may attempt to copy or otherwise obtain and use its proprietary information. Monitoring unauthorized use of proprietary information is difficult and the Company cannot be certain that the steps taken to prevent unauthorized use of proprietary information will be effective.

In addition, the laws governing patent protection continue to evolve and are different from one country to the next, all of which causes further uncertainty in the usefulness of a patent. In addition, issued patents or patents licensed to the Company may be successfully challenged, invalidated, circumvented or may be unenforceable so that the Company's patent rights would not create an effective competitive barrier.

Moreover, the laws of some countries may not protect the Company's proprietary rights to the same extent as do the laws of the United States and Canada. There is significant uncertainty in the United States, the Company's primary market, with respect to the issue of software patents. Notwithstanding the findings issued by the Canadian Patent Office with respect to the TotalSocial product the opinion of the Canadian Examiner is not binding on any other jurisdiction. The US Examiner may find and/or cite different prior art and may not allow the US application or may find that that the Company's product is non-patentable subject matter.

### ***Reliance on Third Parties***

Engagement Labs has created proprietary technology and a patent-pending data and analytics platform based on our IP around data enrichment and predictive analytics. We rely on third-party relationships to collect both offline word of mouth data and online social media data, which we store in our data warehouse, enrich, and then license to clients. The data collection relies on contracts with third parties which can be terminated or renegotiated. The contract for social media data collection is annual, while the contract for offline WOM data is annual with a long-standing data collection partner. In each case, there are alternative data providers that the Company can turn to, but the cost of switching will be disruptive to our data trends that clients rely on, and costly to implement.

### ***Additional Financing***

There can be no certainty that the Company's financial resources and revenue from sales will be sufficient for its future needs. The Company may need to incur significant expenses for growth, operations, research and development, as well as sales and marketing of its TotalSocial product. In addition, other unforeseen costs could also require additional capital. The ability of the Company to arrange financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Company. It may be difficult or impossible for the Company to obtain debt financing or equity financing on commercially acceptable terms. This may be further complicated by the limited market liquidity for shares of smaller companies such as ours, restricting access to some institutional investors. There is a risk that interest rates will increase given their current historical low levels, that could result in a significant increase in the amount that the Company pays to service its future debt, which may adversely affect the Company's ability to fund ongoing operations.

If additional financing is raised through the issuance of Common Shares or other securities convertible into Common Shares, control of the Company may change, and shareholders of the Company may suffer dilution. If adequate funds are not available, or not available on acceptable terms, the Company may not be able to take advantage of opportunities, or otherwise respond to competitive pressures and continue operations. Any debt financing that is secured in the future could involve restrictive covenants relating to the Company's future capital raising activities and other financial and operational matters, including the ability to pay dividends. This may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions.

### ***Existing Debt***

As at December 31, 2017, the Company had at total of \$6,763,975 in unsecured convertible debentures outstanding, due September 28, 2020, of which \$2,419,000 bears interest at a rate of 2% per year, and \$4,344,975 bears interest at a rate of 1% per year.

As at December 31, 2017, the Company has \$237,575 in escrow to cover all interest payments to be made until maturity. A failure by Engagement Labs to repay or refinance the convertible debentures at maturity date could compromise its ability to continue operations.

### ***Failure to Properly Manage Growth***

Engagement Labs plans to grow rapidly over the next three years, by investing in sales/marketing, based on anticipated marketplace acceptance, and will continue to invest in product innovation and delivery. Rapid growth may strain the company's financial, technical and other resources. Further, the Company will need to assure that it is successful in recruiting and retaining the talent necessary to deliver against these goals. While members of the Company's management team have historical expertise in all aspects of managing for the Company's anticipated growth, any failure to do so in the future would mean that the Company may not be able to effectively manage and coordinate growth to achieve or maximize future profitability.

### ***Accounting Estimates and Assumptions***

The Company's financial statements are presented in Canadian dollars, its reporting currency, and are prepared in accordance with IFRS. The preparation of these financial statements requires Engagement Labs to make estimates and judgments about the recoverable amount of goodwill and intangible assets, the share-based payment transactions, and the Company's ability to continue as a going concern. These estimates and judgments affect the reported amounts of the Company's assets, revenue and expenses and the related disclosures thereon. The Company bases its estimates on historical experience and on various other assumptions that the Company believes to be reasonable under the circumstances and at the time they are made. If the Company's estimates or the assumptions underlying them are not correct, actual results may differ materially from the Company's estimates and the Company may need to, among other things, incur additional charges that could adversely affect the Company's results of operations, which in turn could adversely affect the price of the Engagement Labs' Common Shares. In addition, new accounting pronouncements and interpretations of accounting pronouncements have occurred and may occur in the future that could adversely affect the Company's reported financial results.

### ***Internal Controls over Financial Reporting***

As a result of Engagement Labs' limited administrative staffing levels, internal controls which rely on the segregation of duties in some cases is not possible. The Company does not have the resources, size and scale to warrant the hiring of

additional staff to address this potential weakness at this time. To help mitigate the impact of this, Engagement Labs is highly reliant on the performance of senior management's review and approval processes.

### ***Completion of the Offering***

The completion of the Offering is subject to receipt of final approval from the TSX-V and all other applicable regulatory approvals, which approvals may not be obtained. The Company has applied to list the following securities on the TSX-V: (i) the Offered Shares (including any Additional Shares issuable upon exercise of the Over-Allotment Option); (ii) the Warrant Shares (including any Additional Warrant Shares issuable upon exercise of the Warrants, upon exercise of the Over-Allotment Option); (iii) the Broker Warrant Shares issuable upon exercise of the Broker Warrants; the Corporate Finance Shares and the Corporate Finance Warrant Shares. Listing will be subject to the Company fulfilling all the listing requirements of the TSX-V and there can be no assurance that the TSX-V will provide final approval of the Offering.

### ***Dividends are discretionary***

The Company is not obligated to pay dividends on its Common Shares. The payment of dividends is at the sole discretion of the Company's board of directors and as at the date hereof, the Company has not paid dividends. In addition, in the future should the Company obtain credit facilities to finance its operations, such credit facilities may restrict its ability to pay dividends, and thus the Company's ability to pay dividends on its shares will depend on, among other things, its level of indebtedness at the time of the proposed dividend and whether it is in compliance with such facilities. Any reduction or elimination of dividends could cause the market price of the Common Shares to decline and could further cause the Common Shares to become less liquid, which may result in losses to shareholders.

### ***A Significant Number of Common Shares are Owned by a Limited Number of Existing Shareholders***

The Company's management, directors and employees own a substantial number of the outstanding Common Shares (on a non-diluted and partially-diluted basis). As such, the Company's management, directors and employees, as a group, are in a position to exercise influence over matters requiring shareholder approval, including the election of directors and the determination of corporate actions. As well, these shareholders could delay or prevent a change in control of the Company that could otherwise be beneficial to the Company's shareholders.

### **Industry Risk**

#### ***Social Data***

Engagement Labs' TotalSocial offering relies in part on publicly available social media data from users on social platforms such as Twitter, blogs and forums, and other publicly available social sites. If these platforms were to restrict public access to their social media posts it would severely and negatively impact our ability to deploy TotalSocial. Furthermore, if social data platforms were to start charging for access to their data, it would negatively impact our cost structure and therefore the potential profitability of our business.

#### ***Competition***

At present there are a number of social media listening services that provide social media data to Fortune 500 companies that are the primary target for TotalSocial. Although there is a long-term trend history that is key to the predictive analytics models that Engagement Labs has built and therefore we believe there are significant barriers to entry, if one or more competitors were to develop a predictive analytics solution based on social media with a surrogate for offline WOM that has the power of TotalSocial's predictive capability it would have a negative impact on our business. We would be subject to new competitive pressures beyond those that currently exist and thus potentially slow our revenue growth.

#### ***Emergence of New Methods for Securing Offline Conversation***

Engagement Labs relies on a continuously administered online survey with a ten year+ history for offline conversation data. With new voice technologies from companies large (e.g., Amazon) and small/entrepreneurial, there is a risk that a more

technologically-advanced solution for the capture of offline data will emerge that could be merged with social data. Further, there is a risk that the cost to Engagement Labs to acquire such data could be significantly more expensive than the current costs the Company incurs which could adversely impact our cash flow and profitability.

#### ***Active Liquid Market for Common Shares***

There may not be an active, liquid market for the Offered Shares and Warrant Shares. There is no guarantee that an active trading market for the Common Shares will be maintained on the TSX-V. Investors may not be able to sell their Offered Shares and Warrant Shares quickly or at the latest market price if trading in the Common Shares is not active.

#### ***Future Sales or Issuances of Securities***

The Company may sell additional Common Shares or other securities in subsequent offerings to finance future activities. The Company cannot predict the size of future issuances of securities or the effect, if any, that future issuances and sales of securities will have on the market price of the Common Shares. Sales or issuances of substantial numbers of Common Shares, or the perception that such sales could occur, may adversely affect prevailing market prices of the Common Shares. With any additional sale or issuance of Common Shares, investors will suffer dilution to their voting power and the Company may experience dilution in its earnings per share.

#### ***Forward-Looking Information May Prove Inaccurate***

Investors are cautioned not to place undue reliance on forward-looking statements and forward-looking information. By its nature, forward-looking statements and forward-looking information involve numerous assumptions, known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking statements and forward-looking information or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate. Additional information on the risks, assumptions and uncertainties are found in this Prospectus under the heading "Forward-Looking Information".

#### ***Price of the Company's Common Shares May Fluctuate***

Market prices for securities in general, and that of companies in our industry in particular, tend to fluctuate. Factors such as the announcement to the public or in various industry forums of technological innovations; new commercial products; patents, exclusive rights obtained by the Company or others; disputes or other developments relating to proprietary rights, including patents, litigation matters and our ability to obtain patent protection for our technologies; changes in the development status of our products; additions or departures of key management or development personnel; overall performance of the equity markets; general political and economic conditions; failure to meet the estimates and projections of the investment community or that we may otherwise provide to the public; research reports or positive or negative recommendations or withdrawal of research coverage by securities analysts; actual or anticipated variations in quarterly operating results; announcements of significant acquisitions, strategic partnerships, joint ventures or capital commitments by us or our competitors; future sales of securities by the Company or its shareholders; and many other factors, many of which are beyond our control, could have considerable effects on the price of the Company's securities. There can be no assurance that the market price of the Common Shares will not experience significant fluctuations in the future. As a result of any of these factors, the market price of the securities of the Company at any given point in time may not accurately reflect the value of the Company or its securities.

In addition, the stock market in general, and companies in our industry in particular, have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of these companies. Broad market and industry factors may negatively affect the market price of our Common Shares, regardless of our actual operating performance. In the past, securities class action litigation has often been instituted against companies following periods of volatility in the market price of a company's securities. This type of litigation, if instituted, could result in substantial costs and a diversion of management's attention and resources,

which would harm our business, operating results or financial condition.

Accordingly, investors may not be able to sell their Offered Shares or Warrant Shares at or above the Offering Price.

***Dilution to Existing Shareholders, Restrictions on Operations and Relinquishment Rights to Technologies or Products***

We may seek additional capital through a combination of public and private equity offerings, debt financings, strategic partnerships and alliances and licensing arrangements. To the extent that we raise additional capital through the sale of equity or convertible debt securities, the ownership interests of our shareholders will be diluted, and the terms may include liquidation or other preferences that adversely affect the rights of our shareholders. The incurrence of indebtedness would result in increased fixed payment obligations and could involve certain restrictive covenants, such as limitations on our ability to incur additional debt, limitations on our ability to acquire or license intellectual property rights and other operating restrictions that could adversely impact our ability to conduct our business. If we raise additional funds through strategic partnerships and alliances and licensing arrangements with third parties, we may have to relinquish valuable rights to our technologies or product or grant licenses on terms unfavorable to us.

***Decline of Market Price of the Common Shares***

The Company's net losses and expenses may fluctuate significantly and any failure to meet financial expectations may disappoint securities analysts or investors and result in a decline in the price of the Company's Common Shares. The Company's net losses and expenses have fluctuated in the past and are likely to do so in the future. These fluctuations could cause the market price of the Common Shares to decline. Some of the factors that could cause the Company's net losses and expenses to fluctuate include the following:

- the timing and willingness of any current or future collaborators to invest the resources necessary to commercialize the Company's products;
- the outcome of any litigation;
- changes in foreign currency fluctuations;
- competition;
- the timing of achievement and the receipt of milestone payments from current or future third parties;
- failure to enter into new or the expiration or termination of current agreements with third parties;
- failure to introduce the Company's products to the market in a manner that generates anticipated revenues;
- our execution of any new collaboration, licensing or similar arrangement, and the timing of payments we may make or receive under such existing or future arrangements or the termination or modification of any such existing or future arrangements;
- any intellectual property infringement lawsuit or opposition, interference or cancellation proceeding in which we may become involved;
- additions and departures of key personnel;
- strategic decisions by us or our competitors, such as acquisitions, divestitures, spin-offs, joint ventures, strategic investments or changes in business strategy; and
- changes in general market and economic conditions.

If the Company's quarterly operating results fall below the expectations of investors or securities analysts, the

market price of the Common Shares could decline substantially. Furthermore, any quarterly fluctuations in the Company's operating results may, in turn, cause the market price of the Common Shares to fluctuate substantially.

#### ***Use of Proceeds***

The Company will have broad discretion concerning the use of the proceeds of this Offering as well as the timing of their expenditure. As a result, purchasers will be relying on the judgment of management for the effective use of such proceeds. Management may use such proceeds in ways that purchasers may not consider desirable. The results and the effectiveness of the investment of the proceeds of this Offering are uncertain. If the proceeds are not applied effectively, the results of the Company's operations may suffer.

#### ***No Market for the Warrants***

There is no market through which the Warrants may be sold, and purchasers of Units may not be able to resell the Warrants purchased under this Prospectus and the Company has not applied and does not intend to apply for the listing of the Warrants on any securities exchange. This may affect the pricing of the Warrants in the secondary market, the transparency and availability of trading prices, the liquidity of the Warrants and the extent of issuer regulation. Even if a market develops for the Warrants, it is not possible to predict the price at which the Warrants will trade in the secondary market or whether such market will be liquid or illiquid. To the extent Warrants are exercised, the number of Warrants outstanding will decrease, resulting in a diminished liquidity for the remaining Warrants. A decrease in the liquidity of the Warrants may cause, in turn, an increase in the volatility associated with the price of the Warrants. To the extent that the Warrants become illiquid, an investor may have to exercise such Warrants to realize value. The Offering Price and the allocation thereof between the Offered Shares and the Warrants comprising the Units have been determined by negotiation between the Company and the Agents.

#### ***Sale of Common Shares Issued Upon Exercise of the Warrants Could Encourage Short Sales by Third Parties Which Could Further Depress the Price of the Common Shares***

Any downward pressure on the price of Common Shares caused by the sale of Common Shares issued upon the exercise of the Warrants could encourage short sales by third parties. In a short sale, a prospective seller borrows Common Shares from a shareholder or broker and sells the borrowed Common Shares. The prospective seller anticipates that the Common Share price will decline, at which time the seller can purchase Common Shares at a lower price for delivery back to the lender. The seller profits when the Common Share price declines because it is purchasing Common Shares at a price lower than the sale price of the borrowed Common Shares. Such sales could place downward pressure on the price of the Common Shares by increasing the number of Common Shares being sold, which could further contribute to any decline in the market price of the Common Shares.

#### ***Immediate Dilution***

The Offering Price will significantly exceed the net tangible book value per share of Common Shares.

### **EXEMPTIONS**

Any of our documents of the types described in section 11.1 of Form 44-101F1 — Short Form Prospectus which are required to be filed with the securities commissions or similar authorities in Canada during the time that this prospectus is valid shall be deemed to be incorporated by reference in this prospectus. Pursuant to a decision dated June 29, 2018 issued by l'Autorité des marchés financiers (the securities commission in the province of Québec), we have obtained relief from the requirement to translate into the French language the Prospectus including any document required and deemed to be incorporated by reference in this Prospectus each document pursuant to National Instrument 44-101 — Short Form Prospectus Distributions.

### AGENT FOR SERVICE PROCESS

Gilman Anderson, Ed Keller and Bruce Lev, each a director of the Company, reside outside of Canada. Each have appointed the following agent for service of process:

Name of Person	Name and Address of Agent
Gilman Anderson Ed Keller Bruce Lev	Engagement Labs Inc. 5605 avenue de Gaspé, Suite 201, Montréal, Québec H2T 2A4

Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person that resides outside of Canada, even if the party has appointed an agent for service of process.

### INTERESTS OF EXPERTS

Certain legal matters relating to the Offering hereby will be passed upon on behalf of the Company by Stikeman Keeley Spiegel LLP, and on behalf of the Agents by Wildeboer Dellelce LLP. As at the date of this Prospectus, the partners and associates of Stikeman Keeley Spiegel LLP and Wildeboer Dellelce LLP beneficially owned, directly or indirectly, less than 1% of the outstanding common shares.

Raymond Chabot Grant Thornton LLP confirms that it is independent with respect to the Company within the meaning of the Harmonized Rules of Professional Conduct of Chartered Professional Accountants of Canada.

### AUDITORS, TRANSFER AGENT AND REGISTRAR

The Company's auditors are Raymond Chabot Grant Thornton LLP (RCGT) located at National Bank Tower, Suite 2000, 600 de la Gauchetière Street West, Suite 2000, Montreal Quebec H3B 4L8. The Annual Consolidated Financial Statements incorporated by reference in this Prospectus were audited by RCGT. RCGT were appointed auditors of the Company in May 2013.

Computershare Trust Company of Canada, 100 University Avenue, 9th Floor, North Tower, Toronto, Ontario M5J 2Y1, is the transfer agent and registrar of the Common Shares at its principal offices in Toronto, Ontario.

### RIGHTS OF WITHDRAWAL AND RESCISSION

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

In an offering of warrants, investors are cautioned that the statutory right of action for damages for a misrepresentation contained in the prospectus is limited, in certain provincial securities legislation, to the price at

which the warrants were offered to the public under the prospectus offering. This means that, under the securities legislation of certain provinces, if the purchaser pays additional amounts upon the exercise of the warrants, those amounts may not be recoverable under the statutory right of action for damages that applies in those provinces. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of this right of action for damages or consult with a legal adviser.

#### **ADDITIONAL INFORMATION**

Following the completion of the Offering, the Company will be required to file reports and other information with the securities commissions in certain provinces and territories of Canada. These filings will be electronically available from SEDAR at [www.sedar.com](http://www.sedar.com).

## CERTIFICATE OF THE COMPANY

Dated: August 10, 2018

This short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces of British Columbia, Alberta, Manitoba and Ontario.

***"Ed Keller"***  
Ed Keller  
Chief Executive Officer

***"Gilbert Boyer"***  
Gilbert Boyer  
Chief Financial Officer

On behalf of the Board of Directors

***"G. Scott Paterson"***  
G. Scott Paterson  
Chairman and Director

***"Bruce Lev"***  
Bruce Lev  
Director

**CERTIFICATE OF THE AGENTS**

Dated: August 10, 2018

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces of British Columbia, Alberta, Manitoba and Ontario.

**GRAVITAS SECURITIES INC.**

***“Robert Carbonaro”***

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By: Robert Carbonaro  
Head of Investment Banking

**ECHELON WEALTH PARTNERS  
INC.**

***“David G. Anderson”***

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By: David G. Anderson  
Head of Investment Banking