

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

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. These securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "US Securities Act"), or any state securities laws and, except to the extent permitted under the Underwriting Agreement (as hereinafter defined) and in compliance with the exemption from the registration requirements of the US Securities Act and applicable state securities laws, may not be offered or sold within the United States. This short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby within 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 Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Secretary of MediPharm Labs Corp. at 151 John Street, Barrie, Ontario, L4N 2L1, telephone (705) 719-7425, and are also available electronically at www.sedar.com.

SHORT FORM PROSPECTUS

New Issue

June 10, 2019



MEDIPHARM LABS CORP.
\$75,002,700
13,514,000 Common Shares

This short form prospectus (the "**Prospectus**") qualifies the distribution of 13,514,000 common shares (the "**Common Shares**") in the capital of MediPharm Labs Corp. (the "**Company**") at a price of \$5.55 (the "**Offering Price**") per Common Share (the "**Offering**").

The Common Shares are offered pursuant to the terms of an underwriting agreement (the "**Underwriting Agreement**") dated June 3, 2019 between the Company, Scotia Capital Inc., GMP Securities L.P. and BMO Nesbitt Burns Inc. (collectively, the "**Lead Underwriters**"), Canaccord Genuity Corp., Mackie Research Capital Corp., PI Financial Corp., AltaCorp Capital Inc. and Roth Capital Partners, LLC (collectively with the Lead Underwriters, the "**Underwriters**"). The Offering Price and the other terms of the Offering were determined by negotiation between the Lead Underwriters and the Company. Roth Capital Partners, LLC is not registered as an investment dealer in any Canadian jurisdiction and, accordingly, will only sell or solicit offers to sell the Common Shares, directly or indirectly, into the United States in transactions exempt from the registration requirements of the US Securities Act and applicable US state securities laws and will not, directly or indirectly, sell or solicit offers to sell the Common Shares in Canada. See "Plan of Distribution".

Price: \$5.55 per Common Share

| | Price to the Public | Offering Fee⁽¹⁾ | Net Proceeds to the Company⁽²⁾ |
|----------------------------|----------------------------|-----------------------------------|--|
| Per Common Share | \$5.55 | \$0.2976 | \$5.2524 ⁽¹⁾ |
| Total ⁽³⁾ | \$75,002,700 | \$4,022,020 ⁽¹⁾ | \$70,980,680 ⁽¹⁾ |

Notes:

- (1) The Company has agreed to pay the Underwriters a commission equal to 5.5% (being \$0.30525 per Common Share) of the total gross proceeds of the Offering, including any proceeds from the exercise of the Over-Allotment Option (as defined herein) (the “**Offering Fee**”). The Offering Fee shall be reduced to 2.75% (being \$0.152625 per Common Share) with respect to up to 5% of the total gross proceeds of the Offering (excluding the gross proceeds, if any, deriving from the exercise of the Over-Allotment Option (as defined herein)) where such proceeds are received from the sale of Common Shares to purchasers identified by the Company (the “**President’s List**”). See “Plan of Distribution”. The Offering Fee and the net proceeds to the Company, as set forth in the table above, assume 675,700 Common Shares are sold under the President’s List.
- (2) Before deducting the expenses of this Offering (estimated at \$400,000) which, together with the Offering Fee, will be paid by the Company from the proceeds of the Offering.
- (3) The Company has granted to the Underwriters an over-allotment option (the “**Over-Allotment Option**”) exercisable in whole or in part at the sole discretion of the Underwriters at any time before the date that is 30 days following the Closing Date (as defined herein), to purchase up to an aggregate of up to 2,027,100 additional Common Shares (the “**Over-Allotment Shares**”) (representing up to 15% of the number of Common Shares sold pursuant to the Offering), at a price of \$5.55 per Common Share, payable in cash against delivery of those additional Common Shares. The Over-Allotment Option is exercisable in whole or in part solely for the purpose of covering over-allotments, if any, made by the Underwriters in connection with the Offering and for market stabilization purposes. If the Offering is fully subscribed and the Over-Allotment Option is exercised in full, the total price to the public, Offering Fee (assuming 675,700 Common Shares are sold under the President’s List) and net proceeds to the Company before deducting other expenses of the Offering will be \$86,253,105, \$4,640,792, and \$81,612,313, respectively. This Prospectus qualifies the grant of the Over-Allotment Option and the distribution of the Over-Allotment Shares issued and sold upon the exercise of the Over-Allotment Option. A purchaser who acquires Over-Allotment Shares forming part of the Underwriters’ over-allocation position acquires those Over-Allotment Shares 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. Unless the context otherwise requires, references to Common Shares include the Over-Allotment Shares issuable upon exercise of the Over-Allotment Option. See “Plan of Distribution”.

The following table sets out the maximum number of Common Shares that may be issued relating to the Over-Allotment Option:

| Underwriters’ Position | Maximum Size⁽¹⁾ | Exercise Period/Acquisition Date | Exercise Price/Acquisition Value |
|-------------------------------|-----------------------------------|---|---|
| Over-Allotment Option | 2,027,100 Common Shares | Exercisable for a period of 30 days following the Closing Date | \$5.55 per Common Share |

Note:

- (1) Assuming the exercise of the Over-Allotment Option in full.

The Common Shares are listed and posted for trading on the TSX Venture Exchange (the “**TSXV**”) under the symbol “LABS”, on the OTCQX under the symbol “MEDIF” and on the Frankfurt Stock Exchange under the symbol “MLZ”. On May 28, 2019, the last trading day before the announcement of the Offering, the closing price of the Common Shares on the TSXV was \$6.04 per Common Share. On June 7, 2019, the last trading day prior to the date of this Prospectus, the closing price of the Common Shares on the TSXV was \$5.45 per Common Share. The TSXV has conditionally approved listing of the Common Shares distributed under this Prospectus on the TSXV, including any Common Shares issued upon exercise of the Over-Allotment Option. Listing is subject to the Company fulfilling all of the listing requirements of the TSXV.

The Underwriters, as principals, conditionally offer the Common Shares in connection with the Offering, subject to prior sale, if, as and when issued by the Company and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under “Plan of Distribution” and subject to the approval of certain legal matters on behalf of the Company by Aird & Berlis LLP and on behalf of the Underwriters by Stikeman Elliott LLP.

Subscriptions will be received subject to rejection or allotment in whole or in part and the Underwriters reserve the right to close the subscription books at any time without notice. The closing of the Offering is expected to occur on or about June 17, 2019, or such other date as the Company and the Underwriters may agree (the “**Closing Date**”).

The Common Shares will be issued and deposited in electronic form with CDS Clearing and Depository Services Inc. (“CDS”) or its nominee pursuant to the book-based system administered by CDS on the Closing Date, against payment of the aggregate purchase price for the Common Shares. A purchaser of Common Shares will receive only a client confirmation from the registered dealer from or through whom Common Shares are purchased and who is a CDS depository service participant in accordance with the practices and procedures of the registered dealer. CDS will record the CDS participants who hold Common Shares on behalf of owners who have purchased them in accordance with the book-based system. Except in limited circumstances (including those noted above), no certificates will be issued to purchasers of Common Shares.

In connection with the Offering, the Underwriters 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. Such transactions, if commenced, may be discontinued at any time. **In certain circumstances, the Underwriters may decrease and further change the price at which the Common Shares are sold to purchasers. See “Plan of Distribution”.**

Investing in the Common Shares involves a high degree of risk. See “Risk Factors” herein and in the Company’s AIF (as defined herein) and other filings incorporated by reference herein. Potential investors are advised to consult their own legal counsel and other professional advisors in order to assess income tax, legal and other aspects of this Offering.

Warren Everitt, an executive director of a subsidiary of the Company, resides outside of Canada. He has appointed Maxims CS Inc., Suite 1800, 181 Bay Street, Toronto, Ontario, M5J 2T9, as agent for service of process in Ontario. Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person or company that is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or resides outside of Canada, even if the party has appointed an agent for service of process.

Unless otherwise indicated, all references to dollar amounts in this Prospectus are to Canadian dollars and, with the exception of per share amounts, have been rounded to the nearest dollar.

The Company’s registered and head office is located at 151 John Street, Barrie, Ontario, L4N 2L1.

In the Prospectus, “MediPharm”, “we”, “us” and “our” refers, collectively, to MediPharm Labs Corp. and its wholly owned subsidiaries.

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ELIGIBILITY FOR INVESTMENT

In the opinion of Aird & Berlis LLP, counsel to the Company, and Stikeman Elliott LLP, counsel to the Underwriters, based on the provisions of the *Income Tax Act* (Canada) and the regulations thereunder (the “**Tax Act**”) at the date hereof, provided the Common Shares are listed on a “designated stock exchange” as defined in the Tax Act (which currently includes the TSXV), the Common Shares, if issued on the date hereof, would be “qualified investments” under the Tax Act for trusts governed by registered retirement savings plans (“**RRSPs**”), registered retirement income funds (“**RRIFs**”), deferred profit sharing plans, registered education savings plans (“**RESPs**”), registered disability savings plans (“**RDSPs**”) and tax-free savings accounts (“**TFSAs**”).

Notwithstanding the foregoing, the annuitant of an RRSP or RRIF, the holder of a TFSA or RDSP or the subscriber of an RESP, as the case may be, will be subject to a penalty tax where the Common Shares constitute a “prohibited investment” for the particular RRSP, RRIF, TFSA, RDSP or RESP. Common Shares will not be a “prohibited investment” provided that, for purposes of the Tax Act, the annuitant of the RRSP or RRIF, the holder of a TFSA or RDSP or the subscriber of an RESP, as the case may be, deals at arm’s length with the Company and does not have a “significant interest” (as defined in the Tax Act) in the Company. For these purposes, a holder, annuitant or subscriber will have significant interest in the Company at any time if the holder, annuitant or subscriber, or the holder, annuitant or subscriber together with non-arm’s length persons, owns or is deemed to own 10% or more of the issued shares of any class of the Company or any corporation related to the Company for purposes of the Tax Act. In addition, Common Shares will not be a prohibited investment if such securities are “excluded property” as defined in the Tax Act for purposes of the prohibited investment rules for an RRSP, RRIF, TFSA, RDSP or RESP. Prospective investors who intend to hold the Common Shares in an RRSP, RRIF, TFSA, RDSP or RESP should consult their own tax advisors to ensure the Common Shares will not be a prohibited investment in their particular circumstances.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

Certain statements contained in this Prospectus, and in certain documents incorporated by reference herein, constitute “forward-looking information” and “forward-looking statements” (collectively referred to as “**forward-looking statements**”). All statements other than statements of historical fact contained in this Prospectus and in documents incorporated by reference in this Prospectus, including, without limitation, those regarding the Company’s future financial position and results of operations, strategy, plans, objectives, goals and targets, future developments in the markets where the Company participates or is seeking to participate, and any statements preceded by, followed by or that include the words “believe”, “expect”, “aim”, “intend”, “plan”, “continue”, “will”, “may”, “would”, “anticipate”, “estimate”, “forecast”, “predict”, “project”, “seek”, “should” or similar expressions or the negative thereof, are forward-looking statements.

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

The forward-looking statements in this Prospectus and in documents incorporated by reference in this Prospectus are based on numerous assumptions regarding the Company’s present and future business strategies and the environment

in which the Company will operate in the future, including assumptions regarding business and operating strategies, and the Company's ability to operate on a profitable basis.

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

- limited operating history;
- regulatory compliance risks;
- change of cannabis laws, regulations and guidelines;
- reliance on licences and authorizations;
- realization of growth targets including expansion of facilities and operations;
- management of growth;
- history of net losses;
- competition;
- conflicts of interest;
- legal proceedings;
- environmental regulation and risks;
- insurance risks;
- unfavourable publicity or consumer perception;
- product liability;
- product recalls;
- reliance on a single facility;
- dependence on supply of cannabis and other key inputs;
- retention and acquisition of skilled personnel;
- difficulty to forecast;
- inability to sustain pricing models;
- failure to comply with laws in all jurisdictions;
- perceived reputational risks for third parties;
- intellectual property;
- marketing constraints;
- research and development;
- shelf life of inventory;
- maintenance of effective quality control systems;
- scheduled maintenance, unplanned repairs, equipment outages and logistical disruptions;
- client issues;
- lack of long-term client commitment;
- international expansions;
- operations in foreign jurisdictions;
- reliance upon international advisors and consultants;
- foreign currency;
- publication of negative results of clinical trials;
- investment in the cannabis sector;
- negative cash flow from operations;
- access to capital;
- potential need for additional financing;
- estimates or judgments relating to critical accounting policies;
- tax, including tax issues related to the Common Shares;
- market for the Common Shares;
- potential dilution;
- no history of payment of cash dividends;
- significant sales of Common Shares;
- future sales affecting market price;

- forward-looking information may prove to be inaccurate;
- management discretion concerning use of proceeds;
- analyst coverage; and
- other risks detailed from time-to-time in our annual information forms, annual reports, management’s discussion and analysis, quarterly reports and material change reports filed with and furnished to securities regulators.

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

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

DOCUMENTS INCORPORATED BY REFERENCE

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

- (a) the annual information form of the Company dated April 3, 2019 for the year ended December 31, 2018 (the “AIF”);
- (b) the audited consolidated financial statements of the Company as at and for the years ended December 31, 2018 and 2017, together with the notes thereto and the auditors’ report thereon;
- (c) the management’s discussion and analysis of the Company for the year ended December 31, 2018;
- (d) the unaudited condensed interim consolidated financial statements of the Company for the three months ended March 31, 2019 and 2018, together with the notes thereto;
- (e) the management’s discussion and analysis of the Company for the three months ended March 31, 2019;
- (f) the management information circular of the Company dated May 2, 2019 prepared in connection with the Company’s annual and special meeting to be held on June 12, 2019; and
- (g) the material change report of the Company dated May 29, 2019 with respect to the Offering.

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

Information has been incorporated by reference in this Prospectus from documents filed with securities regulatory authorities in Canada and also available electronically at www.sedar.com.

MARKETING MATERIALS

Any “template version” of “marketing materials” (each as defined in National Instrument 41-101) filed after the date of this Prospectus and before the termination of the distribution of the Offering (including any amendments to, or an amended version of, the Marketing Materials) is deemed to be incorporated by reference herein.

CURRENCY PRESENTATION

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

SUMMARY DESCRIPTION OF THE BUSINESS

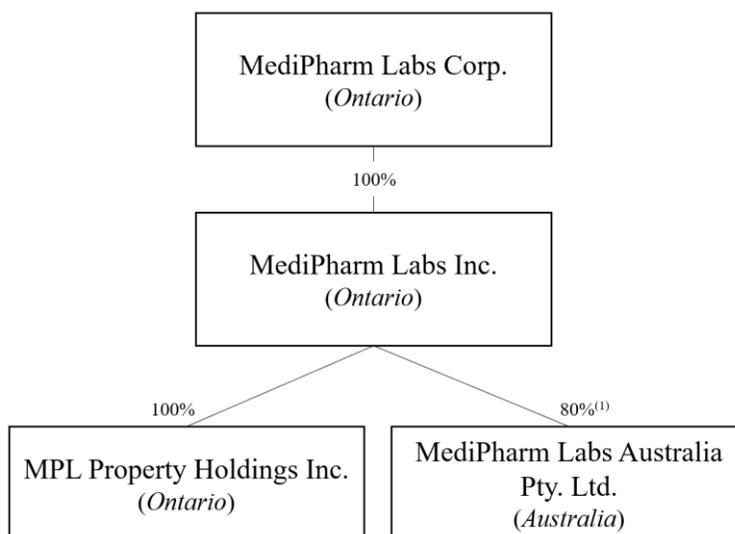
This summary does not contain all the information that may be important to you in deciding whether to invest in the Common Shares. You should read the entire Prospectus, including the section entitled “Risk Factors” and any documents incorporated by reference herein before making such decision. Further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

Overview

The Company is a specialized, research-driven cannabis extraction business focused on downstream extraction methodology, distillation, and cannabinoid isolation and purification. The Company’s mission is to become a leader specialized in providing derivative cannabis products and to drive future cannabis product innovation.

The Company’s operations are currently conducted through its wholly-owned subsidiary MediPharm Labs Inc. (“**MediPharm Labs**”), which is licensed under the *Cannabis Act* (Canada) (an Act respecting cannabis and to amend the *Controlled Drugs and Substances Act*, the *Criminal Code* (Canada) and other Acts) (the “**Act**”). Through its subsidiary, MediPharm Labs Australia Pty. Ltd. (“**MediPharm Labs Australia**”), the Company also holds a manufacturing licence under the Australian *Narcotics Drugs Act 1967* (the “**Australian Act**”) with respect to the manufacture of extracts and tinctures of cannabis and cannabis resin.

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



Note:

- (1) Warren Everitt, the Managing Director of MediPharm Labs Australia, beneficially owns the remaining 20% of MediPharm Labs Australia.

Qualifying Transaction and TSXV Listing

The Company was incorporated under the *Business Corporations Act* (Ontario) (the “**OBCA**”) on January 23, 2017 as “POCML 4 Inc.”, at which time it was classified as a capital pool company as defined in TSXV Policy 2.4. The Common Shares of the Company commenced trading on the TSXV on February 9, 2018. From incorporation until the completion of its Qualifying Transaction (as defined herein), the principal business of the Company was to identify and evaluate opportunities for the acquisition of an interest in assets or businesses and, once identified and evaluated, to negotiate an acquisition or participation subject to acceptance by the TSXV.

MediPharm Labs was founded in 2015 by pharmaceutical and healthcare industry experts. While initially exploring options to cultivate cannabis plants, the founders of MediPharm Labs came to recognize the opportunity for a select focus on cannabis concentrates. Accordingly, MediPharm Labs set out to master this area of production and rely on third-party cultivation experts to provide quality raw materials for its cannabis concentrates.

On July 13, 2018, the Company entered into a master agreement (the “**Master Agreement**”) with MediPharm Labs and 2645354 Ontario Inc. (“**Newco**”), a wholly-owned subsidiary of the Company, pursuant to which MediPharm Labs and Newco would amalgamate.

On October 1, 2018, MediPharm Labs amalgamated with Newco pursuant to an amalgamation agreement (the “**Amalgamation Agreement**”) and the Company thereby acquired all the issued and outstanding class A common shares in the capital of MediPharm Labs (“**MediPharm Shares**”) in exchange for Common Shares on the basis of 12.68 Common Shares for every one MediPharm Share then issued and outstanding. The amalgamation resulted in the reverse take-over of the Company by MediPharm Labs and constituted the Company’s “Qualifying Transaction” pursuant to the policies of the TSXV (the “**Qualifying Transaction**”). Following completion of the Qualifying Transaction, the business of MediPharm Labs became the business of the Company.

In connection with and immediately prior to the Qualifying Transaction, the Company filed articles of amendment to: (i) change its name from “POCML 4 Inc.” to “MediPharm Labs Corp.”; and (ii) consolidate its Common Shares on the basis of one “new” Common Share for every two “old” Common Shares then outstanding.

On October 4, 2018, the Common Shares commenced trading on a post-consolidation basis on the TSXV under the symbol “LABS”.

Production Facilities and Licences

As of the date of this Prospectus, the Company's core business generates revenue through two primary activities, being wholesale activities and tolling services related to the production of cannabis oil and related cannabis products.

On March 29, 2018, MediPharm Labs received its oil production licence (the "**Licence**") pursuant to the *Access to Cannabis for Medical Purposes Regulations* ("**ACMPR**") and became the first company in Canada to receive a production licence for cannabis oil production under the ACMPR without first receiving a cannabis cultivation licence. On October 17, 2018, the Act came into force, and MediPharm Labs' Licence was transitioned from a producer's licence under the ACMPR to a standard processing licence under the Act. On November 9, 2018, the Licence was amended to permit the sale and distribution of cannabis oil and derivatives to the following authorized classes of purchasers:

- a holder of a licence for processing under the Act;
- a holder of a licence for analytical testing under the Act;
- a holder of a licence for research under the Act;
- a holder of a cannabis drug licence under the Act;
- the Minister of Health (the "**Minister**");
- a person to which an exemption has been granted under section 140 of the Act in relation to the cannabis or a class of cannabis that is sold or distributed; or
- certain individuals who are involved in testing cannabis at laboratories operated by the Government of Canada or accredited laboratories under the *Seeds Act*.

On June 7, 2019, the Licence was further amended to permit the sale of cannabis products to the following authorized classes of purchasers:

- a holder of a licence for sale of medicinal cannabis products under the Act; and
- a person authorized to sell cannabis under a provincial Act, such as a provincially authorized retailer or distributor.

At its Barrie, Ontario facility, the Company currently operates five supercritical CO₂ primary extraction lines used to produce cannabis oil and the Company expects to add two additional primary extraction lines with annual throughput capacity of up to 100,000 kg of dried cannabis, bringing its total expected annual throughput capacity to up to 250,000 kg. The facility has been built to current Good Manufacturing Practice standards ("**cGMP**") and the Company is expecting to receive its European cGMP certificate in the second half of 2019, which will facilitate the Company's entrance into the European market via export.

The Company's development-stage Australian facility received its manufacturing licence (the "**Australian Licence**") under the Australian Act on May 21, 2019 with respect to the manufacture of extracts and tinctures of cannabis and cannabis resin. Products manufactured under the Australian Licence must be only for the purpose of a clinical trial or prescribed as medical cannabis products. The facility is expected to have annual throughput capacity of up to 75,000 kg of dried cannabis once completed and is being built to the same cGMP standards as the Company's Canadian facility. The completion of the Australian facility remains subject to various conditions, including the finalization of construction and receipt of applicable additional licences and local permits such as a GMP licence under the Australian *Therapeutic Goods Act 1989*.

Similar to its Canadian operations, the Company will seek to purchase dried cannabis supply from various local Australian cultivators to produce cannabis oil for wholesale. The Company also expects to use the Australian extraction lab as an import-export hub to other lawful global markets including within the Asia-Pacific region.

The statements regarding intended expansions, operating capacities, European cGMP certifications and licensing and permitting are forward-looking statements. See “Cautionary Note Regarding Forward-Looking Information” and “Risk Factors”.

The current term of the Licence and Australian Licence ends on March 29, 2021 and May 21, 2020, respectively. It is anticipated by management of the Company that Health Canada and the Australian Office of Drug Control will extend or renew the Licence and the Australian Licence, as applicable, at the end of their respective terms. See “Risk Factors”.

Wholesale (Private and White Label) Production

The Company currently processes its inventory of dried cannabis through its primary extraction lines and sells bulk cannabis oil to its licenced clients. The Company’s clients can then formulate and package the final cannabis products for sale, most typically to either their own medicinal clients or provincially authorized retail distributors, under their own brands. The Company has historically procured bulk shipments of dried cannabis for its wholesale production lines and expects to negotiate ongoing supply contracts with various licenced cultivators under the Act.

For the quarter ended March 31, 2019, revenue increased to \$22 million from \$10 million for the fourth quarter ended December 31, 2018. The increase in sales was primarily the result of increased private label sales during the first quarter of 2019 as compared to the fourth quarter of 2018. The Company received its authorization to sell private label cannabis oil on November 9, 2018 and as a result fourth quarter revenue was only realized in a portion of the quarter.

The Company also expects to commence shipping consumer packaged private label and white label products on behalf of the Company’s licenced and non-licence clients within the third quarter of 2019. In anticipation of such activities, the Company has already commenced producing various formulated oil bottles for its private label clients and has procured equipment for its soft gel line.

Below is an overview of the current long-term private label supply contracts that the Company has entered in to, in addition to various spot cannabis oil sales from time to time:

| Long-term Private Label Agreements | | |
|---|-------------------|---|
| Customer | Date | Description |
| Canopy Growth Corporation | November 29, 2018 | Up to 900 kilograms over a term of 18 months. |
| Undisclosed licence holder under the Act | February 12, 2019 | Approximately \$27 million of cannabis oil within a 12-month period. In addition, the licence holder has the option to increase its purchase commitment by \$13.5 million within the same period. |
| AusCann Group Holdings Ltd. | February 20, 2019 | First international export agreement, subject to satisfaction of applicable regulatory requirements. |
| Peace Naturals Project Inc. | May 13, 2019 | Approximately \$30 million of cannabis concentrate over 18-months, and, subject to certain renewal and purchase options, potentially up to \$60 million over 24 months. |

Tolling Services

The Company provides tolling services to various licenced cultivators throughout Canada. As part of this program, the Company receives dried cannabis from its clients and then processes the cannabis through its extraction lines on their behalf. It collects a tolling fee for its services and does not take ownership of the source or refined product at any time.

The Company currently expects to recognize its first revenue from tolling in the second quarter of 2019, as the Company's tolling customers delayed timing of required tolling of their dried cannabis, which the Company had originally expected to commence in the first quarter of 2019.

As of the date of this short form prospectus, the Company has the following cannabis concentrate program customers:

| Cannabis Concentrate Program Agreement | | |
|---|-------------------|-------------|
| Customer | Date | Term |
| James E. Wagner Cultivation Corporation | July 31, 2018 | Three years |
| INDIVA Limited | September 4, 2018 | Three years |
| Emerald Health Therapeutics Inc. | October 5, 2018 | Three years |
| The Supreme Cannabis Company, Inc. | November 13, 2018 | Three years |
| TerrAscend Corp. | January 8, 2019 | Three years |
| Peace Naturals Project Inc. | May 13, 2019 | Two years |

Regulatory Overview

Canada

The production, distribution and sale of cannabis is tightly controlled by the Canadian federal and provincial governments. On October 17, 2018, the Act, also known as Bill C-45, came into force as law with the effect of legalizing the non-medical use of cannabis by adults across Canada. The Act, among other things, replaced the ACMPR and the *Industrial Hemp Regulations* (“IHR”), both of which came into force under the *Controlled Drug and Substances Act* (Canada), which previously permitted access to cannabis for medical purposes for only those Canadians who had been authorized to use cannabis by their health care practitioner.

The Act permits the non-medical use of cannabis by adults and regulates, among other things, the production, distribution and sale of cannabis and related oil extracts in Canada, for both non-medical and medical purposes. Pursuant to the Act, subject to provincial and territorial regulations and medical allowances, individuals over the age of 18 are able to purchase fresh cannabis, dried cannabis, cannabis oil, and cannabis plants or seeds and are able to legally possess up to 30 grams of dried cannabis (or the prescribed equivalent amount) in public. The Act also permits households to grow a maximum of four cannabis plants, which has been restricted by certain provinces. This limit applies regardless of the number of adults that reside in the household. In addition, the Act provides provincial and territorial governments the authority to prescribe regulations regarding retail sales and distribution, as well as the ability to regulate certain matters, such as increasing the minimum age for purchase and consumption (see “Regulatory Framework – Canada – Provincial Regulatory Framework” below).

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

In addition to the Act, the Federal Government of Canada published regulations, including the *Cannabis Regulations* (the “**Cannabis Regulations**”) and the new IHR (together with the Cannabis Regulations, collectively, the “**Regulations**”), along with amendments to the *Narcotic Control Regulations* and certain regulations under the *Food and Drugs Act* (Canada). The Regulations, among other things, outline additional rules for the cultivation, processing, research, analytical testing, distribution, sale, importation and exportation of cannabis, hemp and related products in Canada, including the various classes of licences that can be granted. The Regulations set standards for

these cannabis and hemp products and include strict specifications for the plain packaging and labelling and analytical testing of all cannabis products as well as stringent physical and personnel security requirements for federally licensed sites. The Regulations also maintain a distinct system for access to cannabis. Additional details regarding the Act and the Regulations are set out below.

Cannabis for Medical Purposes

With the Cannabis Act coming into force, the medical cannabis regime is no longer governed by the ACMPR and the CDSA. However, the medical cannabis regulatory framework under the Cannabis Act and the Cannabis Regulations remains substantively the same as under the CDSA and the ACMPR, with adjustments to create consistency with rules for non-medical use, improve patient access, and reduce the risk of abuse within the medical access system.

Under the Cannabis Regulations, patients have three options for obtaining cannabis for medical purposes: (i) they can continue to access cannabis by registering with licensed producers; (ii) they can register with Health Canada to produce a limited amount of cannabis for their own medical purposes; or (iii) they can designate someone else to produce cannabis for them. With respect to (ii) and (iii), starting materials, such as marijuana plants or seeds, must be obtained from licensed producers.

Licences, Permits and Authorizations

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

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

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

For example, cultivation licence holders may be authorized to: (i) possess cannabis; (ii) obtain cannabis by cultivating, propagating and harvesting cannabis; (iii) obtain cannabis by altering its chemical or physical properties by any means, for the purpose of testing; and (iv) sell cannabis. Unlike under the ACMPR, the cultivation licence holders are permitted to conduct both indoor and outdoor cultivation of cannabis.

Security Clearances

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

still be granted security clearance at the discretion of the Minister. Security clearances granted under the ACMPR are also considered to be valid security clearances under the Cannabis Regulations.

Cannabis Tracking System

Under the Act, the Minister is authorized to establish and maintain a national cannabis tracking system. The cannabis tracking system was established by ministerial order, and came into effect on October 17, 2018. The purpose of this system is to track cannabis throughout the supply chain to help prevent diversion of cannabis into, and out of, the legal market. Under the tracking system licence holders are required to submit monthly reports to the Minister relating to inventory of its recreational and medical cannabis products.

Cannabis Products

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

On December 20, 2018, the Federal Government of Canada released its proposed amendments to the Cannabis Regulations that contemplate the production of cannabis edibles, extracts and topicals, among a variety of other changes in 2019. There was a 60-day public consultation on the draft regulations. Final regulations have not yet been published and it is expected that such amendments will come into force on or around October 2019.

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

Packaging and Labelling

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

- product source information, including the class of cannabis and the name, phone number and email of the cultivator;
- a mandatory health warning, rotating between Health Canada’s list of standard health warnings;
- the Health Canada standardized cannabis symbol; and
- information specifying THC and CBD content.

The Cannabis Regulations provide a six-month transitional period to allow licensed holders to sell cannabis products labelled in accordance with the ACMPR.

Advertising

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

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

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

Health Products and Cosmetics Containing Cannabis

Health products containing cannabis or for use with cannabis are subject to the *Food and Drugs Act* in addition to the Act. All health products claiming to provide a health benefit, to either humans or animals, must receive authorization prior to being sold, including prescription and non-prescription drugs, natural health products, veterinary drugs and veterinary health products, and medical devices. As part of the approval process, Health Canada reviews evidence to ensure that the product complies with safety, efficacy and quality requirements.

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

Import / Export Permits for Medical or Scientific Purposes

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

Provincial Regulatory Framework

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

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

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

Ontario: In Ontario, the distribution and retail sale of recreational cannabis is conducted through the Ontario Cannabis Retail Corporation (“OCRC”), a subsidiary of the Liquor Control Board of Ontario. Online sales are conducted through the Ontario Cannabis Store platform. Ontario also allows the sale of recreational cannabis by private bricks and mortar retailers. In addition, the regulatory regime in Ontario has the following requirements and features:

- private retailers have to obtain both a retail operator licence and a retail store authorization. A retail operator licence allows the holder to operate one or more retail stores in Ontario. However, a separate retail store authorization is required for each store the retailer wishes to operate. Retail store authorizations are only to be issued to persons holding a retail operator licence. Private retailers are not permitted to sell cannabis online, but may only sell cannabis in person at an authorized retail store;
- there must be at least one licensed manager for each authorized store location. The licensed manager is responsible for hiring and managing employees, overseeing cannabis sales, managing compliance and managing the cannabis inventory;
- a corporation is not eligible to apply for a retail operator licence if more than 9.9% of the corporation is owned or controlled, either directly or indirectly, by a federally licensed producer or their affiliate;
- federally licensed producers are prohibited from promoting their products by way of providing any material inducement to cannabis retailers;
- municipalities and reserve band councils had the option to opt out of the retail cannabis market by resolution, and had until January 22, 2019 to pass such by-laws. Municipalities that opted out can still opt in at a later date, but once a municipality has opted in, it can no longer opt out. Municipalities may not pass a bylaw providing for a further system of licensing over the retail sale of cannabis. In total, 77 municipalities opted out of having a cannabis retail store; and
- cannabis retail store operators are only permitted to purchase cannabis from the OCRC, which may in the future set a minimum price for cannabis or classes of cannabis.

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

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

Alberta: In Alberta, cannabis products are sold by private retailers that receive their products from a government-regulated distributor. Only licensed retail outlets are permitted to sell cannabis with online sales run by the Alberta Gaming and Liquor Commission.

Saskatchewan: In Saskatchewan, recreational cannabis is sold by private retailers. The Saskatchewan Liquor and Gaming Authority has committed to issuing up to 60 retail permits to private stores in roughly 40 municipalities and First Nation communities across the province. Municipalities can opt out of having a cannabis store if they choose.

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

New Brunswick: In New Brunswick, the New Brunswick Liquor Corporation operates cannabis retail stores through a subsidiary, Cannabis NB. The crown corporation Cannabis Management Corporation is responsible for the oversight, organization, conduct, management and control of the retail sales of cannabis.

Nova Scotia: In Nova Scotia, the Nova Scotia Liquor Corporation is responsible for the regulation of cannabis in the province, and recreational cannabis is only to be sold publicly through government-operated storefronts and online sales.

Prince Edward Island: In Prince Edward Island, similar to New Brunswick and Nova Scotia, retail is controlled and operated by the government, and cannabis is sold in government-run stores and online.

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

Yukon: The Yukon currently limits the distribution and sale of recreational cannabis to government outlets and the government-run online store. However, it is developing regulations to enable the licensing of private retailers.

Northwest Territories: The Northwest Territories is initially conducting the distribution and sale of cannabis through the Northwest Territories' Liquor and Cannabis Commission (the "NTLCC"). However, the Northwest Territories is allowing private retailers to apply for retail licences. The NTLCC will control the inventory, sale and delivery of cannabis and set prices for cannabis products. Communities in the Northwest Territories will be able to hold a plebiscite to prohibit cannabis, similar to options currently available to restrict alcohol in the Northwest Territories.

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

Australia

The Company's development-stage Australian facility holds the Australian Licence with respect to the manufacture of extracts and tinctures of cannabis and cannabis resin. The completion of the Australian facility remains subject to various conditions, including the finalization of construction and receipt of applicable additional licences and local permits such as a GMP licence under the Australian *Therapeutic Goods Act 1989*.

Legislation came into effect on October 30, 2016 to allow legal cultivation, production and manufacturing of medicinal cannabis products in Australia. This scheme is administered by the Commonwealth Department of Health through the Therapeutic Goods Administration (the "TGA") and the Office of Drug Control. This legislation is designed to work together with the therapeutic goods legislation, and state and territory legislation, to make medicinal cannabis products available to certain patients. The term "medicinal cannabis products" covers a range of cannabis preparations intended for therapeutic use, including pharmaceutical cannabis preparations, such as oils, tinctures and other extracts. Medicinal cannabis products are regulated as medicines in Australia. Generally, medicines imported into, supplied in, and exported from Australia must be entered in the Australian Register of Therapeutic Goods ("ARTG"), which is administered by the TGA. However, there are other mechanisms for access to medicines that are not registered on the ARTG ("**unapproved therapeutic goods**"). Medicinal cannabis products supplied in Australia will use these alternative supply pathways while evidence to support registration is gathered through clinical trials. The *Therapeutic Goods Act 1989* establishes the regulatory framework for all medicines in Australia. This legislation provides a number of mechanisms to enable access to unapproved therapeutic goods. These mechanisms maintain the same standards for medicinal cannabis products that apply to any other experimental or emerging medicines.

The Company cannot give any assurances that any or all products that require TGA (or overseas equivalent) approval or registration on the ARTG will receive such approvals or registrations and the non-approval or non-registration by the TGA may mean that the products cannot be sold in Australia which will or is likely to impact upon the revenue generation and financial performance and prospects of MediPharm Labs Australia.

Restrictions on Business Activities Outside of Canada

On January 4, 2018, the then US Attorney General Jeff Sessions issued a memorandum to US district attorneys which rescinded previous guidance from the US Department of Justice specific to cannabis enforcement in the US, including the August 2013 memorandum authored by the then Deputy Attorney General James Cole (the "**Cole Memorandum**") indicating that the US Department of Justice would not prioritize the prosecution of cannabis-related violations of US federal law in jurisdictions that had enacted laws legalizing cannabis in some form and that had also implemented strong and effective regulatory and enforcement systems. With the Cole Memorandum rescinded, US federal prosecutors can exercise their discretion in determining whether to prosecute cannabis-related

violations of US federal law. Mr. Sessions resigned on November 7, 2018. Following Mr. Sessions' resignation, William Barr was confirmed as the new Attorney General. Mr. Barr stated during his confirmation hearings in a response to a question from Senator Cory Booker, "I'm not going to go after companies that have relied on Cole Memorandum". Mr. Barr also re-confirmed this response in writing as part of the formal confirmation proceedings. It is unclear whether Mr. Barr will seek to implement officially the Cole Memorandum as originally drafted or an updated version.

In addition, on October 16, 2017, the TSXV provided clarity regarding TSXV listed issuers with business activities in the cannabis sector. The TSXV noted that issuers with ongoing business activities that violate US federal law regarding cannabis would be in violation of TSXV Policy 2.1 – *Initial Listing Requirements* as well as their listing agreement. These business activities may include (i) direct or indirect ownership of, or investment in, entities engaging in activities related to the cultivation, distribution or possession of cannabis in the US; (ii) commercial interests or arrangements with such entities; (iii) providing services or products specifically targeted to such entities; or (iv) commercial interests or arrangements with entities engaging in providing services or products to US cannabis companies. The TSXV reminded issuers that, among other things, should the TSXV find that a listed issuer is engaging in activities contrary to their listing requirements, the TSXV has the discretion to initiate a delisting review.

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

Selected Recent Developments

There have been no material developments in the business of the Company since April 3, 2019, the date of the AIF, which have not been disclosed in this Prospectus or the documents incorporated by reference herein, except as follows:

New Bulk Resin Supply Agreement and Cannabis Concentrate Program Agreement with Cronos Group Inc.

On May 14, 2019, the Company announced that MediPharm Labs had entered into a multi-year supply agreement with Cronos Group Inc., through its wholly-owned subsidiary Peace Naturals Project Inc. ("**Peace Naturals**"). Under this agreement, MediPharm Labs has agreed to supply Peace Naturals with approximately \$30 million of high-quality private label cannabis concentrate over 18-months, and, subject to certain renewal and purchase options, potentially up to \$60 million over 24-months.

On May 14, 2019, the Company also announced that MediPharm Labs has agreed to process on a fee for service basis bulk dried cannabis supplied by Peace Naturals into bulk resin or other premium cannabis oil derivative products under a two-year tolling agreement.

Committed Term Sheet for \$20 Million Debt Facility

On May 15, 2019, the Company announced that MediPharm Labs had signed a committed term sheet for a \$20 million senior secured revolving credit facility with a Canadian Schedule 1 Bank (the "**Credit Facility**"). The committed term sheet dated May 14, 2019 is non-binding and MediPharm Labs' ability to draw down on the facility is subject to the negotiation and execution of a definitive credit agreement, guarantees, and security documents (collectively, the "**Credit Documents**") as well as the satisfaction of other customary closing and drawdown conditions, which is expected to occur during the third quarter of 2019. The Credit Facility will also be subject to certain customary financial and other covenants for a financing of this type. There is no assurance that the Credit Documents will be completed or that any amount will be drawn under the Credit Facility. Amounts drawn under the Credit Facility will be guaranteed by the Company and MediPharm Labs Australia. See "Cautionary Note Regarding Forward-Looking Information".

Addition to MJ ETFMG Alternative Harvest ETF (USA)

On May 21, 2019, the Company announced that its Common Shares had been added to the MJ ETFMG Alternative Harvest ETF, listed on the New York Stock Exchange, which tracks the Prime Alternative Harvest Index.

Receipt of Manufacturing Licence by MediPharm Labs Australia

On May 21, 2019, MediPharm Labs Australia received the Australian Licence with respect to the manufacture of extracts and tinctures of cannabis and cannabis resin under the Australian Act. The Australian facility is expected to have annual throughput capacity of approximately 75,000 kg of dried cannabis once completed and is being built to the same cGMP standards as the Company's Canadian facility. The completion of the Australian facility remains subject to various conditions, including the finalization of construction and receipt of applicable additional licences and local permits such as a GMP licence under the Australian *Therapeutic Goods Act 1989*.

The intended expansion, operating capacities, and licensing and permitting are forward-looking statements. See "Cautionary Note Regarding Forward-Looking Information" and "Risk Factors".

Selected to Participate in Clinical Study to Develop Treatment of Opioid Addiction

On May 22, 2019, the Company announced that it had been selected to support a clinical trial (the "**Clinical Trial**") dedicated to developing a non-addictive oral gelcap medication for the treatment of opioid use disorder through anti-anxiety intervention utilizing hemp-derived cannabidiol combined with a proprietary formula (the "**Formula**"). This will be a US and international large-scale, multi-site clinical trial that will include at least 500 patients spanning the United States, Canada, Australia, Europe and Jamaica.

The Clinical Trial will be led by Dr. Yasmin L. Hurd, PhD, the Ward-Coleman Chair of Translational Neuroscience at the Icahn School of Medicine at Mount Sinai, New York City, and Director of the Center for Addictive Disorders for the Mount Sinai Behavioral Health System.

MediPharm Labs is expected to be the exclusive manufacturer of a proprietary cannabidiol ("**CBD**") oral gelcap medication utilizing the Formula which is to be provided by Timeless Herbal Care Inc. ("**Timeless Herbal**"), a medicinal cannabis producer in Jamaica, for all phases of the Clinical Trial.

The Company and Timeless Herbal are expected to jointly own any intellectual property developed during the Clinical Trial, excluding the Formula, and MediPharm Labs will be the exclusive manufacturer for products resulting from this study.

The arrangement remains subject to (i) MediPharm Labs, the Icahn School of Medicine at Mount Sinai and Timeless Herbal entering into a clinical trial agreement, (ii) MediPharm Labs and Timeless Herbal entering into a separate intellectual property agreement and (iii) certain regulatory approvals including receipt of applicable export permits from Health Canada. The ability of MediPharm Labs to supply the CBD gelcaps, entering into definitive agreements, the terms of the Clinical Trial, the enrollment of suitable participants and the creation or commercialization of any products resulting from the study are forward-looking statements. See "Cautionary Note Regarding Forward-Looking Information" and "Risk Factors".

Material Contracts

The following are the contracts that are material to the Company that were entered into during the year ended December 31, 2018 and to the date hereof that are still in effect, other than contracts entered into in the ordinary course of business:

- (a) the Underwriting Agreement;
- (b) the Licence;

- (c) the Amalgamation Agreement;
- (d) the Master Agreement; and
- (e) the common share purchase warrant indenture dated October 1, 2018 governing the warrants issued in connection with the June Private Placements (as defined herein) and exchanged in connection with the Qualifying Transaction.

USE OF PROCEEDS

The net proceeds from the Offering are estimated to be approximately \$70,580,680, after deduction of the Offering Fee of \$4,022,020 and estimated expenses of the Offering of \$400,000 (assuming no exercise of the Over-Allotment Option and 675,700 Common Shares are sold under the President’s List). If the Over-Allotment Option is exercised in full, the net proceeds to the Company from the sale of the Common Shares are estimated to be approximately \$81,212,313, after deduction of the Offering Fee of \$4,640,792 and estimated expenses of the Offering of \$400,000 (assuming 675,700 Common Shares are sold under the President’s List).

The Company intends to use the net proceeds from the Offering (assuming no exercise of the Over-Allotment Option and 675,700 Common Shares are sold under the President’s List) of \$70,580,680 as follows:

| Use of Proceeds | |
|---|---------------------|
| Sources: | |
| Net proceeds of the Offering ⁽¹⁾ | \$70,580,680 |
| Uses: | |
| Canadian Facility Expenses | \$24,000,000 |
| Australian Facility Expenses | \$5,500,000 |
| International Expansion Expenses | \$20,000,000 |
| R&D Expenses | \$6,000,000 |
| G&A Expenses | \$15,080,680 |
| Total: | \$70,580,680 |

Notes:

- (1) Assuming the Over-Allotment Option is not exercised, estimated expenses of the Offering of \$400,000 and 675,700 Common Shares are sold under the President’s List.

The expected cash expenditures of the Company for the 12 month period following the Offering can be classified in five categories: (i) facility, office and equipment improvements for the Company’s Canadian location (“**Canadian Facility Expenses**”); (ii) facility, office and equipment expenses for the first phase of the Company’s Australian location (“**Australian Facility Expenses**”); (iii) expansion into new international markets (“**International Expansion Expenses**”); (iv) research and development expenses (“**R&D Expenses**”); and (v) general corporate purposes consisting of working capital related to increased input flower purchases and general and administrative (“**G&A Expenses**”) costs. Each of these categories is further discussed below.

The Company had negative operating cash flow for the financial year ended December 31, 2018. Although the Company anticipates it will have positive cash flow from operating activities in future periods, the Company cannot guarantee it will have a cash flow positive status from operating activities in future periods. To the extent that the

Company has negative cash flow in any future period, certain of the proceeds from the Offering may be used to fund such negative cash flow from operating activities, see "Risk Factors – Negative Cash Flow from Operations".

Business Objectives and Milestones

The Canadian Facility Expenses are expected to be comprised of various items related to the Company's wholly-owned facility in Ontario, Canada, including approximately \$9,000,000 for the purchase of equipment for testing, commercializing and/or automating the roll-out of end-consumer cannabis products (including formulated oil bottles, gel caps and vape cartridges); \$14,100,000 for expanding distillation, winterization and other pre- and post-primary extraction capabilities in connection with the increase of capacity from 150,000 kg of dried flower to 250,000 kg of dried flower and retrofitting 22,000 sq. ft. of owned but currently unutilized facility space for such activities; and \$900,000 related to other construction activities related to improving and optimizing the operation areas within the facility. The ability of the Company to commence the commercialization of its end-consumer cannabis products is dependent upon the successful procurement, installation and testing of the requisite equipment and the anticipated amendments to the Act, all of which are expected to occur on or before the end of fiscal 2019. The Canadian Facility Expenses are expected to be steadily incurred with such expenditures intended to be completed within 12 months of the Closing Date.

The Australian Facility Expenses are expected to be comprised of various items related to MediPharm Labs Australia's facility in Victoria, Australia, including \$3,500,000 the completion of the first phase of construction of the 10,000 sq. ft. facility, and \$2,000,000 with respect to purchasing of primary extraction equipment required to commence operations. The Company expects such construction and equipment installation to be completed by the end of 2019.

The Company expects to expand its cannabis extraction activities into additional international markets where such activities are lawful, by way of acquisitions, development of new assets, joint venture arrangements or otherwise. The Company currently has no intention to include the United States as part of its expansion into international markets, except with respect to the Health Canada approved export of CBD derivative products in connection with the Clinical Trial. Based upon expenses incurred by the Company for the commencement of operations at its Canadian facility, the International Expansion Expenses are expected to include \$5,500,000 for the purchase and installation of equipment, \$10,000,000 for facility design and construction and \$4,500,000 for additional expenses, including for salaries, the procurement of inventory, and professional and advisory services. While the Company has only identified such expansion opportunities on a preliminary basis, and the expenses associated with such opportunities may differ from those currently expected, management of the Company believes that the Offering will assist the Company in responding to such opportunities as they arise. The Company expects to commence such expansions before the end of 2019, subject to the successful identification and realization of such opportunities.

R&D Expenses are expected to include activities related to the addition of new product lines, the optimization of the production of isolates and distillates, the fractionation of cannabinoids and scaling up of our chromatographic equipment. The Company expects to continually fund research and development expenses, but intends to fully expend the proceeds allocated to the R&D Expenses within twelve months of the Closing Date.

Proceeds allocated to G&A Expenses are expected to increase the Company's flexibility so as to permit the Company to opportunistically procure greater quantities of input flower to support its growing Canadian and intended Australian wholesale activities, along with expenses related to general and administrative costs to support the Company's expanding operations and additional product lines. At least \$10,000,000 of the additional G&A Expenses are expected to be deployed for the procurement of input flower within the first quarter of the Closing Date.

In the event that the Over-Allotment Option is exercised in full, the additional \$10,631,633 of net proceeds (assuming 675,700 Common Shares are sold under the President's List) will be allocated in such amounts as may be determined by management of the Company for potential future expansions or for unallocated working capital.

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 becomes prudent or necessary, and may

vary materially from that set forth above. The Company may reallocate its spending due to various factors including changes in the markets and regulatory environments in which the Company operates and its products are sold. See “Risk Factors”.

CONSOLIDATED CAPITALIZATION OF THE COMPANY

There have been no material changes in our share and debt capital, on a consolidated basis, since May 10, 2019, being the date of the Company’s most recently filed unaudited condensed interim consolidated financial statements incorporated by reference in this Prospectus.

PRIOR SALES

The following table sets forth the date on, number of and prices at which the Company has issued Common Shares or securities that are convertible or exercisable into Common Shares in the 12 months preceding the date hereof. All of the below listed Common Shares or securities are on a post-consolidation basis following the Qualifying Transaction.

Common Shares

| Date of Issue | Number of Common Shares | Issue Price |
|----------------------------------|-------------------------|-------------|
| June 1, 2018 ⁽¹⁾ | 5,481,223 | \$0.85 |
| June 29, 2018 ⁽¹⁾ | 20,773,551 | \$0.85 |
| October 18, 2018 ⁽²⁾ | 29,404 | \$1.20 |
| October 19, 2018 ⁽²⁾ | 255,994 | \$1.20 |
| October 22, 2018 ⁽²⁾ | 52,937 | \$1.20 |
| October 23, 2018 ⁽²⁾ | 102,264 | \$0.47 |
| October 25, 2018 ⁽²⁾ | 45,001 | \$1.20 |
| November 7, 2018 ⁽²⁾ | 139,582 | \$1.20 |
| November 14, 2018 ⁽²⁾ | 15,850 | \$1.20 |
| November 30, 2018 ⁽²⁾ | 31,700 | \$1.20 |
| January 7, 2019 ⁽²⁾ | 69,740 | \$0.47 |
| January 7, 2019 ⁽³⁾ | 5,198,800 | \$0.237 |
| January 8, 2019 ⁽³⁾ | 247,006 | \$2.00 |
| January 9, 2019 ⁽²⁾ | 115,349 | \$1.20 |
| January 9, 2019 ⁽²⁾ | 374,060 | \$0.47 |
| January 10, 2019 ⁽⁴⁾ | 63,000 | \$0.20 |
| January 17, 2019 ⁽²⁾ | 58,822 | \$1.20 |
| January 23, 2019 ⁽²⁾ | 99,994 | \$1.20 |
| January 24, 2019 ⁽⁴⁾ | 7,000 | \$0.20 |
| February 6, 2019 ⁽²⁾ | 89,366 | \$1.20 |
| February 7, 2019 ⁽²⁾ | 17,637 | \$1.20 |
| February 8, 2019 ⁽²⁾ | 13,986 | \$1.20 |
| February 13, 2019 ⁽²⁾ | 104,178 | \$1.20 |
| February 14, 2019 ⁽²⁾ | 5,883 | \$1.20 |
| February 15, 2019 ⁽²⁾ | 29,164 | \$1.20 |
| February 20, 2019 ⁽²⁾ | 47,637 | \$1.20 |
| February 27, 2019 ⁽²⁾ | 29,164 | \$1.20 |
| February 28, 2019 ⁽²⁾ | 21,048 | \$1.20 |
| March 1, 2019 ⁽⁴⁾ | 377,115 | \$0.85 |
| March 5, 2019 ⁽²⁾ | 20,000 | \$1.20 |
| March 12, 2019 ⁽²⁾ | 24,992 | \$1.20 |
| March 13, 2019 ⁽²⁾ | 36,138 | \$1.20 |
| March 15, 2019 ⁽²⁾ | 14,708 | \$1.20 |
| March 18, 2019 ⁽²⁾ | 3,170 | \$1.20 |
| March 19, 2019 ⁽²⁾ | 16,000 | \$1.20 |
| March 20, 2019 ⁽⁴⁾ | 207,394 | \$0.85 |
| March 20, 2019 ⁽²⁾ | 14,708 | \$1.20 |
| March 21, 2019 ⁽²⁾ | 28,708 | \$1.20 |
| March 22, 2019 ⁽²⁾ | 7,745 | \$1.20 |

Common Shares

| <u>Date of Issue</u> | <u>Number of Common Shares</u> | <u>Issue Price</u> |
|-------------------------------|--------------------------------|--------------------|
| March 22, 2019 ⁽³⁾ | 900 | \$1.68 |
| March 25, 2019 ⁽²⁾ | 29,417 | \$1.20 |
| March 26, 2019 ⁽²⁾ | 26,006 | \$1.20 |
| March 26, 2019 ⁽³⁾ | 317,000 | \$0.237 |
| March 28, 2019 ⁽²⁾ | 63,400 | \$1.20 |
| April 2, 2019 ⁽²⁾ | 29,164 | \$1.20 |
| April 3, 2019 ⁽²⁾ | 90,699 | \$1.20 |
| April 4, 2019 ⁽²⁾ | 18,962 | \$1.20 |
| April 8, 2019 ⁽²⁾ | 20,000 | \$1.20 |
| April 9, 2019 ⁽²⁾ | 815,346 | \$1.20 |
| April 9, 2019 ⁽³⁾ | 900 | \$1.96 |
| April 10, 2019 ⁽²⁾ | 44,708 | \$1.20 |
| April 10, 2019 ⁽²⁾ | 170,431 | \$0.47 |
| April 12, 2019 ⁽⁴⁾ | 169,696 | \$0.85 |
| April 12, 2019 ⁽²⁾ | 170,431 | \$0.47 |
| April 15, 2019 ⁽³⁾ | 900 | \$1.68 |
| April 16, 2019 ⁽²⁾ | 49,264 | \$1.20 |
| April 17, 2019 ⁽²⁾ | 310,493 | \$1.20 |
| April 17, 2019 ⁽²⁾ | 217,308 | \$0.47 |
| April 18, 2019 ⁽²⁾ | 256,450 | \$1.20 |
| April 22, 2019 ⁽²⁾ | 1,167,010 | \$1.20 |
| April 23, 2019 ⁽²⁾ | 17,637 | \$1.20 |
| April 24, 2019 ⁽²⁾ | 761,345 | \$0.47 |
| April 25, 2019 ⁽²⁾ | 1,704,293 | \$0.47 |
| April 25, 2019 ⁽²⁾ | 1,602,819 | \$1.20 |
| April 25, 2019 ⁽³⁾ | 900 | \$1.68 |
| April 26, 2019 ⁽²⁾ | 49,984 | \$1.20 |
| April 30, 2019 ⁽²⁾ | 339,824 | \$0.47 |
| April 30, 2019 ⁽³⁾ | 1,800 | \$1.96 |
| April 30, 2019 ⁽²⁾ | 28,835 | \$1.20 |
| May 3, 2019 ⁽²⁾ | 45,100 | \$1.20 |
| May 6, 2019 ⁽³⁾ | 12,000 | \$1.68 |
| May 6, 2019 ⁽²⁾ | 31,319 | \$1.20 |
| May 7, 2019 ⁽²⁾ | 7,291 | \$1.20 |
| May 8, 2019 ⁽²⁾ | 29,417 | \$1.20 |
| May 10, 2019 ⁽²⁾ | 852,146 | \$0.47 |
| May 13, 2019 ⁽²⁾ | 200,000 | \$1.20 |
| May 14, 2019 ⁽²⁾ | 15,000 | \$1.20 |
| May 15, 2019 ⁽²⁾ | 18,837 | \$1.20 |
| May 16, 2019 ⁽²⁾ | 197,416 | \$1.20 |
| May 17, 2019 ⁽²⁾ | 176,000 | \$1.20 |
| May 21, 2019 ⁽²⁾ | 52,101 | \$1.20 |
| May 22, 2019 ⁽²⁾ | 68,737 | \$1.20 |
| May 23, 2019 ⁽²⁾ | 27,262 | \$1.20 |
| May 28, 2019 ⁽²⁾ | 10,000 | \$1.20 |
| May 29, 2019 ⁽²⁾ | 272,683 | \$0.47 |
| May 29, 2019 ⁽²⁾ | 6,340 | \$1.20 |
| May 30, 2019 ⁽²⁾ | 567,962 | \$1.20 |
| May 31, 2019 ⁽²⁾ | 272,290 | \$0.47 |
| June 7, 2019 ⁽²⁾ | 12,933 | \$1.20 |

Stock Options⁽⁵⁾

| <u>Date of Issue</u> | <u>Number of Common Shares Issuable on Exercise of Options</u> | <u>Exercise Price</u> | <u>Expiry Date</u> |
|----------------------|--|-----------------------|--------------------|
| October 24, 2018 | 3,000,000 | \$1.68 | October 24, 2023 |
| January 8, 2019 | 5,300,900 | \$2.00 | January 8, 2024 |

| | | | |
|------------------|---------|--------|------------------|
| February 4, 2019 | 790,500 | \$1.96 | February 4, 2024 |
| March 29, 2019 | 791,000 | \$3.34 | March 29, 2024 |

Warrants

| <u>Date of Issue</u> | <u>Number of Common Shares Issuable on Exercise of Warrants</u> | <u>Exercise Price</u> | <u>Expiry Date</u> |
|-------------------------------|---|-----------------------|--------------------|
| June 1, 2018 ⁽⁶⁾ | 2,740,627 | \$1.20 | October 4, 2020 |
| June 29, 2018 ⁽⁶⁾ | 10,386,480 | \$1.20 | October 4, 2020 |
| March 1, 2019 ⁽⁷⁾ | 188,557 | \$1.20 | October 4, 2020 |
| March 20, 2019 ⁽⁷⁾ | 103,697 | \$1.20 | October 4, 2020 |
| April 12, 2019 ⁽⁷⁾ | 84,848 | \$1.20 | October 4, 2020 |

Compensation Options

| <u>Date of Issue</u> | <u>Number of Common Shares Issuable on Exercise of Options</u> | <u>Exercise Price</u> | <u>Expiry Date</u> |
|------------------------------|--|-----------------------|--------------------|
| June 29, 2018 ⁽⁸⁾ | 1,508,412 | \$0.85 | October 1, 2020 |

Notes:

- (1) MediPharm Labs issued MediPharm Shares on a private placement basis on each of June 1, 2018 and June 29, 2018 (the “**June Private Placements**”). Such MediPharm Shares were exchanged for Common Shares of the Company at an exchange ratio of 1:12.68 in connection with the Qualifying Transaction on October 1, 2018.
- (2) Issued on exercise of warrants.
- (3) Issued on exercise of options granted under the Company’s stock option plan.
- (4) Issued on exercise of compensation options.
- (5) Granted under the Company’s stock option plan.
- (6) MediPharm Labs issued certain warrants in connection with the June Private Placements. Such warrants were exchanged for warrants of the Company in connection with the Qualifying Transaction on October 1, 2018.
- (7) Warrants issued on exercise of compensation options.
- (8) MediPharm Labs issued certain compensation options in connection with the June Private Placements. Such compensation options were exchanged for compensation options of the Company in connection with the Qualifying Transaction on October 1, 2018.

TRADING PRICE AND VOLUME

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

| Month | High | Low | Volume |
|-----------------------------------|--------|--------|------------|
| May 1-7, 2018 ⁽¹⁾ | \$0.50 | \$0.50 | 6,000 |
| October 4-31, 2018 ⁽²⁾ | \$3.55 | \$1.28 | 13,668,430 |
| November 2018 | \$1.74 | \$1.39 | 3,356,580 |
| December 2018 | \$1.75 | \$0.91 | 2,798,390 |
| January 2019 | \$2.16 | \$1.60 | 4,179,040 |
| February 2019 | \$3.09 | \$1.88 | 15,191,840 |
| March 2019 | \$3.52 | \$2.60 | 16,244,630 |
| April 2019 | \$6.52 | \$3.38 | 41,997,320 |
| May 2019 | \$7.39 | \$5.14 | 32,106,400 |
| June 1-7, 2019 | \$5.65 | \$5.15 | 4,236,544 |

Notes:

- (1) On May 7, 2018, trading in the Common Shares was halted in connection with the Qualifying Transaction.
(2) On October 4, 2018, the Common Shares began trading on a post-consolidation basis on the TSXV under the symbol “LABS”

As the close of business on June 7, 2019, the last trading day prior to the date of this Prospectus, the price of the Common Shares as quoted by the TSXV was \$5.45.

DIVIDEND RECORD AND POLICY

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

DESCRIPTION OF SECURITIES

This Prospectus qualifies the distribution of Common Shares.

Common Shares

The Company is authorized to issue an unlimited number of Common Shares of which, as at June 7, 2019, 116,232,264 were issued and outstanding.

Each Common Share entitles the holder thereof to one vote at meetings of shareholders of the Company other than meetings of the holders of another class of shares. Each holder of Common Shares is also entitled to receive dividends if, as and when declared by the board of directors of the Company. Holders of Common Shares are entitled to participate in any distribution of the Company’s net assets upon liquidation, dissolution or winding-up on

an equal basis per share. There are no pre-emptive, redemption, retraction, purchase or conversion rights attached to the Common Shares.

PLAN OF DISTRIBUTION

Pursuant to the Underwriting Agreement among the Company and the Underwriters, the Company has agreed to issue and sell an aggregate of 13,514,000 Common Shares to the Underwriters and the Underwriters have severally agreed to purchase such Common Shares on the Closing Date, subject to the terms and conditions stated therein, at a price of \$5.55 per Common Share. The Offering Price of the Common Shares was determined by negotiation between the Company and the Lead Underwriters, on their own behalf and on behalf of the Underwriters.

In consideration for their services in connection with the Offering, the Underwriters will be paid the Offering Fee comprised of a cash commission equal to 5.5% of the gross proceeds of the Offering, including any proceeds from the exercise of the Over-Allotment Option. The Offering Fee shall be reduced to 2.75% with respect to up to 5% of the total gross proceeds of the Offering (excluding the gross proceeds, if any, deriving from the exercise of the Over-Allotment Option (as defined herein)) where such proceeds are received from the sale of Common Shares under the President's List.

The obligations of the Underwriters under the Underwriting Agreement are several and not joint and may be terminated upon the occurrence of certain stated events. If one or more of the Underwriters fails to purchase the Common Shares which it has agreed to purchase, the other Underwriters may, but are not obligated to, purchase the Common Shares. The Underwriters are, however, obligated to take up and pay for all of the Common Shares if any are purchased under the Underwriting Agreement.

The Underwriting Agreement also provides that the Company will indemnify the Underwriters and their respective directors, officers, employees and agents against certain liabilities and expenses or will contribute to payments that the Underwriters may be required to make.

The TSXV has conditionally approved the listing of the Common Shares on the TSXV, including any Common Shares issued upon exercise of the Over-Allotment Option. Listing is subject to the Company fulfilling all of the listing requirements of the TSXV.

Pursuant to the Underwriting Agreement, the Company will not, without the consent of the Underwriters, which consent shall not be unreasonably withheld, (i) offer, issue, pledge, sell, contract to sell, announce an intention to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise lend, transfer or dispose of, directly or indirectly, any Common Shares or securities convertible into or exchangeable for Common Shares; or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Common Shares, whether any such transaction described in clause (i) or (ii) above is settled by delivery of Common Shares or other securities of the Company, in cash or otherwise, for a period from the date hereof ending 90 days after the Closing Date, except (x) pursuant to the Company's stock option plan or any other currently outstanding securities convertible, exchangeable or exercisable into Common Shares; or (y) in connection with obligations of the Company in respect of existing agreements, which have been disclosed to the Underwriters.

It is a condition of closing of the Offering that the Company will use its best efforts to cause each of its directors, officers and shareholders holding 5% or more of the Common Shares to execute agreements, in favour of the Underwriters, pursuant to which each of such individuals will agree not to, without the prior written consent of the Underwriters, such consent not to be unreasonably withheld, sell, transfer or otherwise dispose of or transfer the economic consequences of any securities of the Company held by such individuals until the date which is 90 days following the Closing Date except in conjunction with (i) the exercise of stock options and other share compensation arrangements currently outstanding as well as share transfers (i.e. sell and buyback) by the Company's employees for fiscal purposes using related tax shelter vehicles (e.g. TFSA, RRSP); (ii) the exercise of warrants currently outstanding; (iii) a take-over bid or similar transaction involving a change of control of the Company to which such persons will tender or exchange Common Shares; or (iv) in respect of existing agreements regarding the pledging of Common Share which have been disclosed to the Underwriters.

Subscriptions for the Common Shares 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 prior notice.

The Common Shares will be issued and deposited in electronic form with CDS or its nominee pursuant to the book-based system administered by CDS on the Closing Date, against payment of the aggregate purchase price for the Common Shares. A purchaser of Common Shares will receive only a client confirmation from the registered dealer from or through whom Common Shares are purchased and who is a CDS depository service participant in accordance with the practices and procedures of the registered dealer. CDS will record the CDS participants who hold Common Shares on behalf of owners who have purchased them in accordance with the book-based system. Except in limited circumstances (including those noted above), no certificates will be issued to purchasers of Common Shares.

The Offering is being made in each province of Canada, except Québec. The Common Shares have not been and will not be registered under the US Securities Act or the securities laws of any state of the United States and, accordingly, may not be offered, sold or delivered, directly or indirectly, in the United States except in transactions exempt from the registration requirements of the US Securities Act and any applicable state securities laws. Each Underwriter has agreed that it will not offer or sell the Common Shares within the United States except in transactions exempt from the registration requirements of the US Securities Act and applicable US state securities laws. The Underwriting Agreement provides that the Underwriters may re-offer and resell the Common Shares that they have acquired pursuant to the Underwriting Agreement, through their United States registered broker-dealer affiliates, to persons who are “qualified institutional buyers”, as such term is defined in Rule 144A under the US Securities Act (“**Qualified Institutional Buyers**”), in compliance with Rule 144A under the US Securities Act and applicable US state securities laws. In addition, the Underwriter will offer and sell the Common Shares outside the United States only in accordance with Regulation S under the US Securities Act. The Common Shares that are sold in the United States will be restricted securities within the meaning of Rule 144(a)(3) of the US Securities Act and may only be offered, sold or otherwise transferred pursuant to certain exemptions from the registration requirements of the US Securities Act.

Roth Capital Partners, LLC is not registered as an investment dealer in any Canadian jurisdiction and, accordingly, will only sell or solicit offers to sell the Common Shares, directly or indirectly, into the United States in transactions exempt from the registration requirements of the US Securities Act and applicable US state securities laws and will not, directly or indirectly, sell or solicit offers to sell the Common Shares in Canada.

This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any securities in the United States. In addition, until 40 days after the Closing Date, an offer or sale of Common Shares within the United States by any dealer (whether or not participating in the Offering) may violate the registration provisions of the US Securities Act unless such offer is made pursuant to an available exemption from registration under the US Securities Act and applicable state securities laws.

Pursuant to rules and policy statements of certain Canadian securities regulators, the Underwriters may not, at any time during the period ending on the date the selling process for the Common Shares ends and all stabilization arrangements relating to the Common Shares are terminated, bid for or purchase Common Shares. The foregoing restrictions are subject to certain exceptions including: (i) a bid for or purchase of Common Shares if the bid or purchase is made through the facilities of the TSXV in accordance with the Universal Market Integrity Rules of the Investment Industry Regulatory Organization of Canada; (ii) a bid or purchase on behalf of a client, other than certain prescribed clients, provided that the client’s order was not solicited by the Underwriters or if the client’s order was solicited, the solicitation occurred before the commencement of a prescribed restricted period; and (iii) a bid or purchase to cover a short position entered into prior to the commencement of a prescribed restricted period. In connection with this Offering, the Underwriters may over-allot or effect transactions that stabilize or maintain the market price of the Common Shares at levels other than those which otherwise might prevail on the open market, including: short sales; purchases to cover positions created by short sales; imposition of penalty bids; syndicate covering transactions and stabilizing transactions.

The Underwriters propose to offer the Common Shares to the public initially at the Offering Price. After the Underwriters have made reasonable efforts to sell all of the Common Shares at the Offering Price, the offering price

of the Common Shares to the public may be decreased and further changed from time to time, to an amount not greater than the Offering Price. The compensation realized by the Underwriters will be decreased by the amount that the aggregate price paid by the purchasers for the Common Shares is less than the gross proceeds paid by the Underwriters to the Company.

No action has been taken in any jurisdiction by the Company or the Underwriters that would permit a public offering of the Common Shares, other than in Canada. No offer or sale of the Common Shares may be made in any jurisdiction except in compliance with the applicable laws thereof. Persons receiving this Prospectus are responsible for informing themselves about and observing any restrictions as to the Offering and the distribution of this Prospectus.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Aird & Berlis LLP, counsel to the Company, and Stikeman Elliott LLP, counsel to the Underwriters, the following is, as of the date of this Prospectus, a summary of the principal Canadian federal income tax considerations under the Tax Act generally applicable to an investor who acquires Common Shares pursuant to the Offering and who, for the purposes of the Tax Act and at all relevant times, deals at arm's length with the Company and the Underwriters, is not affiliated with the Company or the Underwriters, and who acquires and holds the Common Shares (hereinafter referred to as "**Shares**") as capital property (a "**Holder**"). Generally, the Shares will be considered to be capital property to a Holder thereof provided that the Holder does not use the Shares in the course of carrying on a business of trading or dealing in securities and such Holder has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade.

This summary does not apply to a Holder (i) that is a "financial institution" for the purposes of the mark-to-market rules contained in the Tax Act; (ii) that is a "specified financial institution" as defined in the Tax Act; (iii) that is a partnership, a member of which is not resident in Canada, (iv) an interest in which would be a "tax shelter investment" as defined in the Tax Act; (v) that has made a functional currency reporting election under the Tax Act; or (vi) that has or will enter into a "derivative forward agreement", as that term is defined in the Tax Act, with respect to the Common Shares. Such Holders should consult their own tax advisors with respect to an investment in Shares.

Additional considerations, not discussed herein, may be applicable to a Holder that is a corporation resident in Canada, and is, or becomes as part of a transaction or event or series of transactions or events that includes the acquisition of the Common Shares, controlled by a non-resident corporation, trust, or individual, or a group of the foregoing that do not deal with each other at arm's length, for purposes of the "foreign affiliate dumping" rules in section 212.3 of the Tax Act. Such Holders should consult their tax advisors with respect to the consequences of acquiring Common Shares.

This summary is based upon the current provisions of the Tax Act and the regulations made thereunder (the "**Regulations**") in force as of the date hereof and counsel's understanding of the current administrative and assessing practices of the Canada Revenue Agency (the "**CRA**") published by it in writing prior to the date hereof. This summary takes into account all specific proposals to amend the Tax Act and the Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "**Tax Proposals**") and assumes that the Tax Proposals will be enacted in the form proposed, although no assurance can be given that the Tax Proposals will be enacted in their current form or at all. This summary does not otherwise take into account any changes in law or in the administrative policies or assessing practices of the CRA, whether by legislative, governmental or judicial decision or action, nor does it take into account or consider other federal or any provincial, territorial or foreign income tax considerations, which considerations may differ significantly from the Canadian federal income tax considerations discussed in this summary.

This summary is of a general nature only, is not exhaustive of all possible Canadian federal income tax considerations and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Holder. **Holders should consult their own tax advisors with respect to their particular circumstances.**

Resident Holders

The following section of this summary applies to Holders (“**Resident Holders**”) who, for the purposes of the Tax Act, are or are deemed to be resident in Canada at all relevant times. A Resident Holder whose Shares might not constitute capital property may make, in certain circumstances, an irrevocable election permitted by subsection 39(4) of the Tax Act to deem the Shares, and every other “Canadian security” as defined in the Tax Act, held by such person, in the taxation year of the election and each subsequent taxation year to be capital property. Resident Holders should consult their own tax advisors regarding this election.

Dividends

Dividends received or deemed to be received on the Shares will be included in computing a Resident Holder’s income. In the case of an individual (other than certain trusts), such dividends will be subject to the gross-up and dividend tax credit rules normally applicable in respect of “taxable dividends” received from “taxable Canadian corporations” (as defined in the Tax Act). An enhanced dividend tax credit will be available to individuals in respect of “eligible dividends” designated by the Company to the Resident Holder in accordance with the provisions of the Tax Act. There may be limitations on the Company’s ability to designate taxable dividends as “eligible dividends” under the Tax Act.

Dividends received or deemed to be received by a corporation that is a Resident Holder of the Shares must be included in computing its income but generally will be deductible in computing its taxable income. A Resident Holder that is a “private corporation” (as defined in the Tax Act) and certain other corporations controlled by or for the benefit of an individual (other than a trust) or related group of individuals (other than trusts) generally will be liable to pay a 38½% refundable tax under Part IV of the Tax Act on dividends received or deemed to be received on the Shares to the extent such dividends are deductible in computing taxable income. In certain circumstances, subsection 55(2) of the Tax Act will treat a taxable dividend received or deemed to be received by a Resident Holder that is a corporation as proceeds of disposition or a capital gain, and Resident Holders that are corporations should consult their own tax advisors in this regard.

Dispositions of Shares

Upon a disposition (or a deemed disposition) of a Share, a Resident Holder generally will realize a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition of such security, as applicable, net of any reasonable costs of disposition, are greater (or are less) than the adjusted cost base of such security, as applicable, to the Resident Holder. The tax treatment of capital gains and capital losses is discussed in greater detail below under the subheading “Capital Gains and Capital Losses”.

Capital Gains and Capital Losses

Generally, a Resident Holder is required to include in computing its income for a taxation year one-half of the amount of any capital gain (a “**taxable capital gain**”) realized in the year. Subject to and in accordance with the provisions of the Tax Act, a Resident Holder is required to deduct one-half of the amount of any capital loss (an “**allowable capital loss**”) realized in a taxation year from taxable capital gains realized in the year by such Resident Holder. Allowable capital losses in excess of taxable capital gains may be carried back and deducted in any of the three preceding years or carried forward and deducted in any following taxation year against taxable capital gains realized in such year to the extent and under the circumstances described in the Tax Act.

The amount of any capital loss realized on the disposition or deemed disposition of Shares by a Resident Holder that is a corporation may be reduced by the amount of dividends received or deemed to have been received by it on such Shares or Shares substituted for such Shares to the extent and in the circumstances specified by the Tax Act. Similar rules may apply where a Share is owned by a partnership or trust of which a corporation, trust or partnership is a member or beneficiary. Resident Holders to whom these rules may be relevant should consult their own tax advisors.

A Resident Holder that is throughout the relevant taxation year a “Canadian-controlled private corporation” (as defined in the Tax Act) also may be liable to pay an additional refundable tax of 10 $\frac{2}{3}$ % on its “aggregate investment income” for the year, which will include taxable capital gains.

Minimum Tax

Capital gains realized and dividends received by a Resident Holder that is an individual or a trust, other than certain specified trusts, may give rise to minimum tax under the Tax Act. Any such Resident Holders should consult their own tax advisors in this regard.

Non-Resident Holders

The following section of this summary is generally applicable to Holders (“**Non-Resident Holders**”) who (i) for the purposes of the Tax Act, are neither resident nor deemed to be resident in Canada at any time while they hold the Shares; and (ii) do not use or hold and are not deemed to use or hold the Shares in carrying on a business in Canada. 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 Holders should consult their own tax advisors.

Dividends

Dividends paid or credited or deemed to be paid or credited to a Non-Resident Holder by the Company are subject to Canadian withholding tax at the rate of 25% on the gross amount of the dividend unless such rate is reduced by the terms of an applicable tax treaty. Under the Canada-United States Income Tax Convention (1980) (the “**Treaty**”) as amended, the rate of withholding tax on dividends paid or credited or deemed to be paid or credited to a Non-Resident Holder who is resident in the US for the purposes of the Treaty and entitled to benefits under the Treaty is generally limited to 15% of the gross amount of the dividend. Non-Resident Holders should consult their own tax advisors.

Dispositions of Shares

A Non-Resident Holder generally will not be subject to tax under the Tax Act in respect of a capital gain realized on the disposition or deemed disposition of a Share, unless the Share constitutes “taxable Canadian property” to the Non-Resident Holder thereof for the purposes of the Tax Act, and the gain is not exempt from tax pursuant to the terms of an applicable tax treaty.

Generally, provided the Shares are listed on a “designated stock exchange”, as defined in the Tax Act (which currently includes the TSXV), at the time of disposition, the Shares generally will not constitute taxable Canadian property of a Non-Resident Holder at that time, unless at any time during the 60 month period immediately preceding the disposition the following two conditions are met concurrently: (i) the Non-Resident Holder, persons with whom the Non-Resident Holder did not deal at arm’s length, partnerships in which the Non-Resident Holder or such non-arm’s length person holds a membership interest (either directly or indirectly through one or more partnerships), or any combination of the foregoing, owned 25% or more of the issued shares of any class or series of shares of the Company; and (ii) more than 50% of the fair market value of the shares of the Company 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) or an option, an interest or right in such property, whether or not such property exists. Notwithstanding the foregoing, a Share may otherwise be deemed to be taxable Canadian property to a Non-Resident Holder for purposes of the Tax Act.

In cases where a Non-Resident Holder disposes (or is deemed to have disposed) of a Share that is taxable Canadian property to that Non-Resident Holder, and the Non-Resident Holder is not entitled to an exemption under an applicable tax treaty, the consequences described above under the heading “Resident Holders – Capital Gains and Losses” will generally be applicable to such disposition. Non-Resident Holders whose Shares may constitute taxable Canadian property should consult their own tax advisors.

RISK FACTORS

An investment in the Common Shares is subject to a number of risks that should be carefully considered by a prospective purchaser. Before deciding whether to invest in the Common Shares, prospective investors should carefully consider, in light of their own financial circumstances, the risks described below and those incorporated by reference into this Prospectus, including those described in the Company's AIF. See "Documents Incorporated by Reference". The risks discussed below also include forward-looking statements and the Company's actual results may differ substantially from those discussed in these forward-looking statements. See "Cautionary Note Regarding Forward-Looking Information."

Limited Operating History

The Company is an early stage company having been founded in 2015 and, as a result, it has a limited operating history upon which its business and future prospects may be evaluated. The Company will be subject to all of the business risks and uncertainties associated with any new business enterprise, including the risk that it will not achieve its operating goals. In order for the Company to meet future operating and debt service requirements, it will need to be successful in its expansion, marketing and sales efforts. Additionally, where the Company experiences increased sales, the Company's current operational infrastructure may require changes to scale the Company's business efficiently and effectively to keep pace with demand, and achieve long-term profitability. If the Company's products and services are not accepted by new clients, the Company's operating results may be materially and adversely affected.

Regulatory Compliance Risks

Achievement of the Company's business objectives is contingent, in part, upon compliance with various laws governing the production and distribution of cannabis oil and products, taxes, labour standards and occupational health, toxic substances, land use, water use, and other matters.

Although the operations of the Company are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail the Company's ability to produce cannabis oil and related products. Amendments to current laws and regulations governing the distribution, transportation and/or production of cannabis oil or related products, or more stringent implementation thereof, could have a substantial adverse impact on the Company.

The Company will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. The Company may be required to compensate those suffering loss or damage by reason of its operations and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. In addition, changes in regulations, more vigorous enforcement thereof, or other unanticipated events could require extensive changes to the Company's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

Change of Cannabis Laws, Regulations and Guidelines

Cannabis laws and regulations, including applicable TSXV rules and policies related to cannabis issuers, are dynamic and subject to evolving interpretations, which could require the Company to incur substantial costs associated with compliance or alter certain aspects of its business plan. It is also possible that regulations may be enacted in the future that will be directly applicable to certain aspects of the Company's businesses. The Company cannot predict the nature of any future laws, regulations, interpretations or applications, nor can it determine what effect additional governmental regulations or administrative policies and procedures, when and if promulgated,

could have on the Company's business. Compliance with any such legislation may have a material adverse effect on the Company's business, financial condition and results of operations.

Public opinion can also exert a significant influence over the regulation of the cannabis industry. A negative shift in the public's perception of the cannabis industry could affect future legislation or regulation in different jurisdictions.

Reliance on Licences and Authorizations

The operations of the Company require it to obtain licences for the production, packaging and distribution of cannabis oil and related products, and in some cases, renewals of existing licences from, and the issuance of import, export and other permits by certain national authorities in Canada, Australia and other international jurisdictions. The Company believes that it currently holds or has applied for all necessary licences and permits to carry on the activities that it is currently conducting under applicable laws and regulations, and also believes that it is complying in all material respects with the terms of such licences and permits. In addition, the Company will apply for, as the need arises, all necessary licences and permits to carry on the activities it expects to conduct in the future. However, the ability of the Company to obtain, sustain or renew any such licences and permits on acceptable terms is subject to changes in regulations and policies and to the discretion of the applicable authorities or other governmental agencies. Any loss of interest in any such required licence or permit, or the failure of any governmental authority to issue or renew such licences or permits upon acceptable terms, would have a material adverse impact upon the Company.

The current term of the Licence and Australian Licence ends on March 29, 2021 and May 21, 2020, respectively. Although it is anticipated by management of the Company that Health Canada and the Australian Office of Drug Control will extend or renew the Licence and the Australian Licence, there can be no guarantee that such renewals will occur or, if renewed, that such renewals will be on the same or similar terms. Should Health Canada or the Australian Office of Drug Control not renew either the Licence or the Australian Licence or should either renew such licences on different terms, the business, financial condition and results of the operation of the Company would be materially adversely affected.

The Company operates in a purpose-built facility designed and executed to a cGMP standard. Actual cGMP certification is ongoing and there is an inherent risk that this certification will not take place. If cGMP certification is achieved, there are ongoing standards and thresholds that must be adhered to in order to maintain certification. Although the Company anticipates receiving cGMP certification, there can be no guarantee that it will be achieved or maintained.

Realization of Growth Targets Including Expansion of Facilities and Operations

The Company is currently in the early development stage. The Company's growth strategy contemplates, among other things, expanding its current facility located at 151 John Street in Barrie, Ontario and finalizing the construction of its facility in Wonthaggi, Australia. There is a risk that these additional resources will not be achieved on time, on budget, or at all, as they are can be adversely affected by a variety of factors, including some that are discussed elsewhere in these risk factors and the following:

- a) delays in obtaining, or conditions imposed by, regulatory approvals;
- b) plant design errors;
- c) environmental pollution;
- d) non-performance by third party contractors;
- e) increases in materials or labour costs;
- f) construction performance falling below expected levels of output or efficiency;
- g) breakdown, aging or failure of equipment or processes;
- h) contractor or operator errors;
- i) labour disputes, disruptions or declines in productivity;

- j) inability to attract sufficient numbers of qualified workers;
- k) disruption in the supply of energy and utilities; and
- l) major incidents and/or catastrophic events such as fires, floods, droughts, explosions, earthquakes or storms.

As a result, there is a risk that the Company may not have product or sufficient product available for shipment to meet the anticipated demand or to meet future demand when it arises.

Management of Growth

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

History of Net Losses

The Company has incurred losses in recent periods. The Company may not be able to achieve or maintain profitability and may continue to incur significant losses in the future. In addition, the Company expects to continue to increase operating expenses as it implements initiatives to continue to grow its business. If the Company's revenues do not increase to offset these expected increases in costs and operating expenses, the Company will not be profitable.

Competition

The cannabis production industry is competitive in all of its phases. The Company faces competition from other companies in connection with such matters. Many of these companies may have greater financial resources, operational experience and technical capabilities than the Company. As a result of this competition, the Company may be unable to maintain its operations or develop them as currently proposed, on terms it considers acceptable or at all. Consequently, the revenues, operations and financial condition of the Company could be materially adversely affected.

The Company may face additional competition from new entrants into the cannabis industry, which is still in a relatively early stage. If the number of users of cannabis in Canada or internationally increases, the demand for products will increase and the Company expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. To remain competitive, the Company will require a continued high level of investment in research and development, marketing, sales and client support. The Company may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations of the Company.

Conflicts of Interest May Arise Between the Company and its Directors and Officers

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

In addition, the Company may also become involved in other transactions which conflict with the interests of its directors and officers who may from time to time deal with persons, firms, institutions or corporations with which the Company may be dealing, or which may be seeking investments similar to those the Company desires. The

interests of these persons could conflict with the Company's interests. In addition, from time to time, these persons may be competing with the Company for available investment opportunities. Conflicts of interest, if any, will be subject to the procedures and remedies provided under applicable laws. In particular, in the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable laws, the Company's directors are required to act honestly, in good faith and in the Company's best interests.

Legal Proceedings

From time to time, the Company may be a party to legal and regulatory proceedings, including matters involving governmental agencies, entities with whom it does business and other proceedings arising in the ordinary course of business. The Company will evaluate its exposure to these legal and regulatory proceedings and establish reserves for the estimated liabilities in accordance with generally accepted accounting principles. Assessing and predicting the outcome of these matters involves substantial uncertainties. Unexpected outcomes in these legal proceedings, or changes in management's evaluations or predictions and accompanying changes in established reserves, could have an adverse impact on the Company's financial results.

Environmental Regulation and Risks

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

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

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

Insurance and Uninsured Risks

The Company has insurance to protect its assets, operations and employees. While the Company believes its insurance coverage addresses all material risks to which it is exposed and is adequate and customary in its current state of operations, such insurance is subject to coverage limits and exclusions and may not be available for the risks and hazards to which it is exposed. In addition, no assurance can be given that such insurance will be adequate to cover the Company's liabilities or will be generally available in the future or, if available, that premiums will be commercially justifiable. If the Company were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if it were to incur such liability at a time when it is not able to obtain liability insurance, its business, results of operations and financial condition could be materially adversely affected.

Unfavourable Publicity or Consumer Perception

The Company believes the cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of cannabis and related products distributed to such consumers. Consumer perception of the Company's products can be significantly influenced by scientific research or findings, regulatory investigations,

litigation, media attention and other publicity regarding the consumption of cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the cannabis market or any particular product, or consistent with earlier publicity.

The Company's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Company, the demand for the Company's products, and the business, results of operations, financial condition and cash flows of the Company.

Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of cannabis and related products in general, or the Company's products specifically, or associating the consumption of cannabis or related products with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed. The increased usage of social media and other web-based tools used to generate, publish and discuss user-generated content and to connect with other users has made it increasingly easier for individuals and groups to communicate and share opinions and views in regard to the Company and its activities, whether true or not. Although the Company believes that it operates in a manner that is respectful to all stakeholders and that it takes care in protecting its image and reputation, the Company does not ultimately have direct control over how it is perceived by others. Reputational loss may result in decreased investor confidence, increased challenges in developing and maintaining community relations and an impediment to the Company's overall ability to advance its projects, thereby having a material adverse impact on financial performance, financial condition, cash flows and growth prospects.

Product Liability

As a producer and distributor of products designed to be ingested, inhaled or otherwise consumed by humans, the Company faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused damages, loss or injury. In addition, the sale of the Company's products and services involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Adverse reactions resulting from human consumption of the Company's or its customer's products alone or in combination with other medications or substances could occur. The Company may be subject to various product liability claims, including, among others, that the Company's products caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning health risks, possible side effects or interactions with other substances. A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally, and could have a material adverse effect on the results of operations and financial condition of the Company. There can be no assurances that the Company will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of the Company's potential products.

Product Recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labelling disclosure. If any of the Company's products are recalled due to an alleged product defect or for any other reason, the Company could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Company may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Although the Company

has detailed procedures in place for testing its products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if the Company is subject to recall, the image of the Company could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for the Company's products and could have a material adverse effect on the results of operations and financial condition of the Company. Additionally, product recalls may lead to increased scrutiny of the Company's operations by regulatory agencies, requiring further management attention, potential loss of applicable licences and potential legal fees and other expenses.

Reliance on a Single Facility

To date, the Company's activities and resources have been primarily focused on its facility located at 151 John Street in Barrie, Ontario and the Company is expected to continue to be focused on this facility until the commencement of operations in Australia. Disruption of operations at the facility could adversely affect inventory supplies and the Company's ability to meet delivery deadlines. The Company's revenue is dependent on the uninterrupted operation of its production facility. The Company's production is subject to operational risks beyond its control including fire, breakdown, failure or substandard performance of its equipment and machinery, power shortage, labour disruption, natural disasters and any interruption in its operations as a result of any failure to comply with all applicable laws and regulations in the jurisdictions where our production facilities are located. Frequent or prolonged occurrence of any of the aforesaid events may have a material adverse effect on the Company's business, financial condition and results of operation. If there is any damage to the Company's production facilities, it may not be able to alleviate the impact of such damage in a timely and proper manner or at all. Any breakdown or malfunction of any of the Company's information technology systems and equipment could cause a material disruption of its operations. Adverse changes or developments affecting this facility could have a material and adverse effect on the Company's business, financial condition and prospects.

Dependence on Supply of Cannabis and Other Key Inputs

The Company does not cultivate cannabis or supply itself with cannabis leaves, flowers and trim. Currently, the Company acquires cannabis from third parties in amounts sufficient to operate its extraction business. The Company's business is also dependent on a number of non-cannabis related key inputs, including skilled labour, equipment, parts, solvents and other supplies, as well as electricity, water and other local utilities.

However, there can be no assurance that there will continue to be a supply of cannabis or other inputs available for the Company to purchase in order to operate or expand its oil extraction business. Additionally, the price of cannabis and other inputs may rise which would increase the Company's cost of goods. If the Company were unable to acquire the cannabis or other inputs required to operate or expand its oil extraction business or to do so on favourable terms, it could have a material adverse impact on the Company's business, financial condition and results of operations.

If any of the Company's key suppliers fails to provide inputs meeting the Company's quality standards, it may need to source cannabis, equipment or other inputs from other suppliers, which may result in additional costs and delay in the delivery of its products and services to its clients. There is no assurance that the Company's suppliers will be able to supply and deliver the required materials to the Company in a timely manner or that the materials they supply to the Company will not be defective or substandard. Any delay in the delivery of materials, or any defect in the materials, supplied to the Company may materially and adversely affect or delay its production schedule and affect its product quality. If the Company cannot secure materials of similar quality and at reasonable prices from alternative suppliers in a timely manner, or at all, the Company may not be able to deliver its products to its clients on time with required quality. The Company's suppliers, service providers and distributors may elect, at any time, to breach or otherwise cease to participate in supply, service or distribution agreements, or other relationships, upon which the Company's operations rely. Loss of its suppliers, service providers or distributors would have a material adverse effect on the Company's business and operational results.

Retention and Acquisition of Skilled Personnel

The loss of any member of the Company's management team could have a material adverse effect on its business and results of operations. In addition, an inability to hire, or the increased costs of new personnel, including members of executive management, could have a material adverse effect on the Company's business and operating results. At present and for the near future, the Company will depend upon a relatively small number of employees to develop, market, sell and support its products and services. The expansion of marketing and sales of its products will require the Company to find, hire and retain additional capable employees who can understand, explain, market and sell its products and services. There is intense competition for capable personnel in all of these areas and the Company may not be successful in attracting, training, integrating, motivating, or retaining new personnel, vendors, or subcontractors for these required functions. New employees often require significant training and, in many cases, take significant time before they achieve full productivity. As a result, the Company may incur significant costs to attract and retain employees, including significant expenditures related to salaries and benefits and compensation expenses related to equity awards, and may lose new employees to its competitors or other companies before it realizes the benefit of its investment in recruiting and training them. In addition, as the Company moves into new jurisdictions, it will need to attract and recruit skilled employees in those areas.

The Publication of Negative Results of Clinical Trials

From time to time, studies or clinical trials on various aspects of cannabinoid-based products, such as the Clinical Trial, are conducted by academic researchers, government agencies and others. The results of these studies or trials, when published or posted on government websites may have a significant effect on the market for the Company's products that are the subject or are related to the subject of the study. The publication of negative results of studies or clinical trials related to cannabinoid-based products could adversely affect the Company's sales and the reputation of its products. In the event of the publication of negative results of studies or clinical trials, including the Clinical Trial, related to the Company's products, an active ingredient in its products, or the therapeutic areas in which its products compete, this could have a materially adverse effect on our business, financial condition and results of operations.

Investment in the Cannabis Sector

Cannabis-related financial transactions are subject to a variety of laws that vary by jurisdiction, many of which are unsettled and still developing. While the interpretation of these laws are unclear, in some jurisdictions, financial benefit directly or indirectly arising from conduct that would be considered unlawful in such jurisdiction may be viewed to be within the purview of these laws and regulations, and persons receiving any such benefit, including investors in an applicable jurisdiction, may be subject to liability. Each prospective investor should contact his, her or its own legal advisor.

Negative Cash Flow from Operations

The Company had negative operating cash flow for the financial year ended December 31, 2018. Although the Company anticipates it will have positive cash flow from operating activities in future periods, the Company cannot guarantee it will have a cash flow positive status in the future. To the extent that the Company has negative cash flow in any future period, certain of the proceeds from the Offering may be used to fund such negative cash flow from operating activities, see "Use of Proceeds".

Access to Capital

In executing its business plan, including its intended Australian facility build-out and Canadian facility expansions, the Company makes, and will continue to make, substantial investments and other expenditures related to acquisitions, research and development and marketing initiatives. Since its incorporation, the Company has financed these expenditures through offerings of its equity securities and debt financing. The Company will have further capital requirements and other expenditures as it proceeds to expand its business or take advantage of opportunities for acquisitions or other business opportunities that may be presented to it. The Company may incur major

unanticipated liabilities or expenses. The Company can provide no assurance that it will be able to generate sufficient free cash flow or obtain financing to meet its growth needs.

Potential Need for Additional Financing

Despite the anticipated net proceeds from the Offering, the Company may require additional financing in the future, including through the sale of assets and/or the issue and sale of equity or debt securities. The Company's activities do have scope for flexibility in terms of the amount and timing of expenditures, and expenditures may be adjusted accordingly. However, further operations will require additional capital and will depend on the Company's ability to generate enough operating cashflow or to obtain financing through debt, equity or other means. The Company's ability to meet its obligations and maintain operations may be contingent upon the generation of operating cashflow or the successful completion of additional financing arrangements. There is no assurance that the Company will be successful in generating operating cashflow or obtaining the required financing in the future or that such financing will be available on terms acceptable to the Company. In addition, any future financing may also be dilutive to existing shareholders of the Company.

Market for the Common Shares

There can be no assurance that an active trading market for the Common Shares will be sustained. The Company cannot predict the prices at which the Common Shares will trade. Fluctuations in the market price of the Common Shares could cause an investor to lose all or part of its investment in Common Shares. Factors that could cause fluctuations in the trading price of the Common Shares include: (i) announcements of new offerings, products, services or technologies; commercial relationships, acquisitions or other events by the Company or its competitors; (ii) price and volume fluctuations in the overall stock market from time to time; (iii) significant volatility in the market price and trading volume of agriculture companies; (iv) fluctuations in the trading volume of the Common Shares or the size of the Company's public float; (v) actual or anticipated changes or fluctuations in the Company's results of operations; (vi) whether the Company's results of operations meet the expectations of securities analysts or investors; (vii) actual or anticipated changes in the expectations of investors or securities analysts; (viii) litigation involving the Company, its industry, or both; (ix) regulatory developments in the Canada, Australia and foreign countries; (x) general economic conditions and trends; (xi) major catastrophic events; (xii) escrow releases, sales of large blocks of the Common Shares; (xiii) departures of key employees or members of management; or (xiv) an adverse impact on the Company from any of the other risks cited herein or not yet known to the Company.

Potential Dilution

The Company's articles of incorporation allow it to issue an unlimited number of Common Shares for such consideration and on such terms and conditions as established by the board of directors of the Company, in many cases, without the approval of the Company's shareholders. As part of this Offering, the Company could issue up to 15,541,100 Common Shares (which number includes the maximum number of Common Shares issuable in connection with the exercise in full of the Over-Allotment Option). The Company may issue additional Common Shares in subsequent offerings (including through the sale of securities convertible into or exchangeable for Common Shares) and on the exercise of stock options or other securities exercisable for Common Shares. The Company cannot predict the size of future issuances of Common Shares or the effect that future issuances and sales of Common Shares will have on the market price of the Common Shares. Issuances of a substantial number of additional Common Shares, or the perception that such issuances could occur, may adversely affect prevailing market prices for the Common Shares. With any additional issuance of Common Shares, investors will suffer dilution to their voting power and the Company may experience dilution in its earnings per share.

No History of Payment of Cash Dividends

The Company has never declared or paid cash dividends on the Common Shares. The Company intends to retain future earnings to finance the operation, development and expansion of the business. The Company does not anticipate paying cash dividends on the Common Shares in the foreseeable future. Payment of future cash dividends, if any, will be at the discretion of its board of directors and will depend on the Company's financial condition,

results of operations, contractual restrictions, capital requirements, business prospects and other factors that the board considers relevant.

Significant Sales of Common Shares

Although Common Shares held by existing shareholders of Common Shares are freely tradable under applicable securities legislation, certain Common Shares held by the Company's directors, executive officers, control persons and certain other securityholders of the Company are subject to escrow and seed share resale restrictions pursuant to the policies of the TSXV. Sales of a substantial number of the Common Shares in the public market after the expiry of such restrictions or the perception that these sales could occur, which could adversely affect the market price of the Common Shares and may make it more difficult for investors to sell Common Shares at a favourable time and price.

Future Sales Affecting Market Price

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

Forward-Looking Information May Prove to be Inaccurate

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

Management Discretion Concerning Use of Proceeds

The Company currently intends to allocate the net proceeds received from the Offering as described under the heading "Use of Proceeds" in this Prospectus. However, management will have discretion in the actual application of the proceeds, and may elect to allocate proceeds differently from that described under the heading "Use of Proceeds" if it believes that it would be in the best interests of the Company to do so if circumstances change. The failure by management to apply these funds effectively could have a material adverse effect on the business of the Company.

Risks Relating to Business Objectives and Milestones

The Company expects to use a significant portion of the net proceeds of the Offering for development purposes. As indicated under the heading "Use of Proceeds", the Company's next significant milestones are: the continued growth and development of the Company's Canadian and Australian facilities and the expansion into new international markets. The ability of the Company to meet its anticipated milestones, or to meet the time period contemplated, may be impacted by a number of factors, including the ability to successfully source, install and test applicable equipment, the passing of the expected amendments to the Act, and the ability to successfully source, negotiate and close applicable transactions related to the Company's expansion. There is no assurance that the Company's anticipated milestones will be achieved within the time periods specified, or at all. The failure to achieve the milestones could negatively impact the financial viability of the Company.

Analyst Coverage

The trading market for the Common Shares will, to some extent, depend on the research and reports that securities or industry analysts publish about the Company or its business. The Company will not have any control over these analysts. If one or more of the analysts who covers the Company should downgrade the Common Shares or change their opinion of the Company's business prospects, the Company's share price would likely decline. If one or more of these analysts ceases coverage of the Company or fails to regularly publish reports on the Company, the Company could lose visibility in the financial markets, which could cause the Company's share price or trading volume to decline.

Tax Issues

There may be income tax consequences in relation to the acquisition, holding, and disposition of the Common Shares, which will vary according to circumstances of each investor. Prospective investors should seek independent advice from their own tax and legal advisers.

INTEREST OF EXPERTS

Certain legal matters relating to the Offering will be passed upon by Aird & Berlis LLP on behalf of the Company. As at the date hereof and immediately following the closing of the Offering, Aird & Berlis LLP and its partners, employees or consultants beneficially own, directly or indirectly, less than 1.0% of the outstanding Common Shares.

Certain legal matters relating to the Offering will be passed upon by Stikeman Elliott LLP on behalf of the Underwriters. As at the date hereof and immediately following the closing of the Offering, Stikeman Elliott LLP and its partners, employees or consultants beneficially own, directly or indirectly, less than 1.0% of the outstanding Common Shares.

Certain financial statements incorporated by reference in this Prospectus have been audited by the Company's auditor Dale Matheson Carr-Hilton Labonte LLP, Chartered Professional Accountants. Dale Matheson Carr-Hilton Labonte LLP has confirmed that it is independent of the Company in accordance with the relevant rules and related interpretation prescribed by the Institute of Chartered Professional Accountants of British Columbia.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The independent auditor of the Company is Dale Matheson Carr-Hilton Labonte LLP, Chartered Professional Accountants, Vancouver, British Columbia. Such firm is independent of the Company within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of British Columbia.

The transfer agent and registrar for the Common Shares is TSX Trust Company at its principal office in Toronto, Ontario.

STATUTORY 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, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal advisor.

CERTIFICATE OF MEDIPHARM LABS CORP.

Dated: June 10, 2019

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 Canada, excluding Québec.

(Signed) "*Patrick McCutcheon*"
Chief Executive Officer

(Signed) "*Christopher Hobbs*"
Chief Financial Officer

On behalf of the Board of Directors of
MediPharm Labs Corp.

(Signed) "*Keith Strachan*"
Director

(Signed) "*Marufur Raza*"
Director

CERTIFICATE OF THE UNDERWRITERS

Dated: June 10, 2019

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 Canada, excluding Québec.

SCOTIA CAPITAL INC.

(Signed) “*Sean McIntyre*”
Managing Director

GMP SECURITIES L.P.

(Signed) “*Steve Ottaway*”
Managing Director

BMO NESBITT BURNS INC.

(Signed) “*Andrew Warkentin*”
Managing Director

CANACCORD GENUITY CORP.

(Signed) “*Derek Ham*”
Managing Director

MACKIE RESEARCH CAPITAL CORP.

(Signed) “*Jeff Reymers*”
Managing Director

PI FINANCIAL CORP.

(Signed) “*Vay Tham*”
Managing Director

ALTACORP CAPITAL INC.

(Signed) “*Adam Carlson*”
Managing Director