

*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. See "Plan of Distribution".*

*The securities offered by this short form prospectus have not been, and will not be, registered under the United States Securities Act of 1933, as amended, (the "U.S. Securities Act") or any state securities laws and, subject to certain exceptions, may not be offered or sold within the United States except in compliance with exemptions from the registration requirements of the U.S. Securities Act and applicable state securities requirements. 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 Chief Executive Officer of Valens GroWorks Corp. at 230 Carion Road, Kelowna, British Columbia, V4V 2K5, telephone (778) 755-0052, and are also available electronically at [www.sedar.com](http://www.sedar.com).*

## SHORT FORM PROSPECTUS

New Issue

April 2, 2019



V A L E N S

**Valens GroWorks Corp.**

**\$37,499,999**  
**12,711,864 Units**  
**\$2.95 per Unit**

This short form prospectus (the "**Prospectus**") is being filed in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and Labrador (the "**Qualifying Jurisdictions**") by Valens GroWorks Corp. (the "**Company**") to qualify the distribution of 12,711,864 units of the Company (each a "**Unit**") at a price of \$2.95 per Unit (the "**Offering Price**") for gross proceeds of \$37,499,999 (the "**Offering**"). Each Unit is comprised of one common share of the Company (each a "**Common Share**" and collectively the "**Common Shares**") and one half of one Common Share purchase warrant (each whole such warrant, a "**Warrant**"). Each Warrant entitles the holder thereof to purchase one additional Common Share (each a "**Warrant Share**") at a price of \$4.00 per Warrant Share at any time on or before 5:00 p.m. (Toronto time) on the date that is 24 months after the date of closing of the Offering (the "**Closing Date**"), subject to adjustment in certain events. In the event that the volume weighted average trading price of the Common Shares on the Canadian Securities Exchange ("**CSE**") for 10 consecutive trading days exceeds \$6.00, the Company has the right to accelerate the expiry date of the Warrants upon not less than 15 trading days' notice.

The Units will be issued and sold pursuant to an underwriting agreement dated March 25, 2019, as amended on March 29, 2019, (the "**Underwriting Agreement**") between the Company and AltaCorp Capital Inc., as lead underwriter and sole bookrunner ("**AltaCorp**" or "**Lead Underwriter**"), and including GMP Securities L.P., Raymond James Ltd., Haywood Securities Inc., and Mackie Research Capital Corp. (collectively with AltaCorp, the "**Underwriters**"). The Offering Price was determined by negotiation between the Company and AltaCorp, on behalf of the Underwriters. See "**Plan of Distribution**".

The Company has granted to the Underwriters an over-allotment option (the “**Over-Allotment Option**”), exercisable in whole or in part, at any time and from time to time in the sole discretion of the Underwriters, for a period of 30 days after the Closing Date, to purchase up to an additional 1,906,780 Units. The Over-Allotment Option may be exercisable by the Underwriters in respect of: (i) Units at the Offering Price (the “**Option Units**”); or (ii) Common Shares (“**Over-Allotment Common Shares**”) at a price of \$2.83; or (iii) Warrants (“**Over-Allotment Warrants**”) at a price of \$0.24; or (iv) any combination of Over-Allotment Common Shares and/or Over-Allotment Warrants, so long as the aggregate number of Over-Allotment Shares and Over-Allotment Warrants which may be issued under the Over-Allotment Option does not exceed 1,906,780 Over-Allotment Common Shares and 953,390 Over-Allotment Warrants, representing up to 15% of the Units issued pursuant to the Offering, to cover over-allocations, if any, and for market stabilization purposes. This Prospectus also qualifies the grant of the Over-Allotment Option and the distribution of the Option Units, the Over-Allotment Common Shares and/or the Over-Allotment Warrants issuable pursuant to the exercise of the Over-Allotment Option. A purchaser who acquires Option Units, Over-Allotment Common Shares and/or Over-Allotment Warrants forming part of the Underwriters’ over-allocation position acquires such Option Units, Over-Allotment Common Shares and/or Over-Allotment Warrants 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. References in this Prospectus to the “Units” includes the Option Units, and references in this Prospectus to the “Offering” includes the Over-Allotment Option, if and to the extent exercised. See “*Plan of Distribution*”.

The Common Shares are traded on the CSE under the symbol “VGW” and are quoted on the OTCQB Venture Market in the United States under the symbol “WGWCF”. On March 18, 2019, the last trading day prior to the announcement of the Offering, the closing price of the Common Shares on the CSE and the OTCQB Venture Market, were \$3.20 and \$2.38USD, respectively, and on April 1, 2019, the last trading day prior to the filing of this Prospectus, the closing prices of the Common Shares on the CSE and the OTCWB Venture Market, were \$2.91 and \$2.18USD, respectively.

	<b>Price to the Public<sup>(1)</sup></b>	<b>Underwriters’ Fee<sup>(2)</sup></b>	<b>Net Proceeds to the Company<sup>(3)</sup></b>
Per Unit	\$2.95	\$0.177	\$2.773
Total <sup>(4)</sup>	\$37,499,999 <sup>(5)</sup>	\$2,250,000 <sup>(6)</sup>	\$35,250,000 <sup>(7)</sup>

*Notes:*

- (1) The Offering Price was determined by arm’s length negotiation between the Company and AltaCorp, on behalf of the Underwriters, with reference to the prevailing market price of the Common Shares.
- (2) In consideration for the services rendered by the Underwriters in connection with the Offering, the Underwriters will be paid a cash fee (the “**Underwriters’ Fee**”) equal to 6% of the gross proceeds of the Offering (including pursuant to any exercise of the Over-Allotment Option). In addition, the Underwriters will be issued non-transferable warrants (“**Broker Warrants**”) entitling the Underwriters to purchase that number of Units equal to 6% of the number of Units sold pursuant to the Offering (including pursuant to any exercise of the Over-Allotment Option) (the “**Broker Units**”), and each Broker Warrant entitles the holder to purchase one Broker Unit at the Offering Price for a period of 24 months after the Closing Date. This Prospectus qualifies the grant of the Broker Warrants to the Underwriters. See “*Plan of Distribution*” and “*Description of Securities Being Distributed – Broker Warrants*”.
- (3) After deducting the Underwriters’ Fee, but before deducting expenses of the Offering (estimated to be approximately \$250,000), including in connection with the preparation and filing of this Prospectus, which will be paid from the gross proceeds of the Offering.
- (4) If the Over-Allotment Option is exercised in full through the purchase of Option Units, the total Price to the Public, Underwriters’ Fee and Net Proceeds to the Company will be \$43,125,000, \$2,587,500 and \$40,537,500, respectively, before deducting the expenses of the Offering.
- (5) Amount rounded up from \$37,499,998.80.
- (6) Amount rounded up from \$2,249,999.93.
- (7) Amount rounded up from \$35,249,998.87.

The following table sets out the number of options and other compensation securities that have been issued or may be issued by the Company to the Underwriters and which are exercisable to acquire Common Shares:

<b>Underwriters’ Position</b>	<b>Maximum Number of Securities Available</b>	<b>Exercise Period</b>	<b>Exercise Price</b>
Over-Allotment Option <sup>(1)</sup>	1,906,780 Option Units (1,906,780 Over-Allotment Common Shares and 953,390 Over-Allotment Warrants, or any combination thereof)	30 days after the Closing Date.	\$2.95 per Option Unit (\$2.83 per Over-Allotment Common Share and \$0.24 per Over-Allotment Warrant)

Underwriters' Position	Maximum Number of Securities Available	Exercise Period	Exercise Price
Over-Allotment Warrants	953,390 Warrant Shares	24 months after the Closing Date. In the event that the volume weighted average trading price of the Common Shares on the CSE for 10 consecutive trading days exceeds \$6.00, the Company has the right to accelerate the expiry date of the Warrants upon not less than 15 trading days' notice.	\$4.00 per Warrant Share
Broker Warrants <sup>(1)</sup>	877,119 Broker Units <sup>(2)</sup> (877,119 Common Shares and 438,560 Warrants)	24 months after the Closing Date.	\$2.95 per Broker Unit
Warrants partially comprising the Broker Units	438,560 Warrant Shares	24 months after the Closing Date. In the event that the volume weighted average trading price of the Common Shares on the CSE for 10 consecutive trading days exceeds \$6.00, the Company has the right to accelerate the expiry date of the Warrants upon not less than 15 trading days' notice.	\$4.00 per Warrant Share
Total	4,175,849 Common Shares <sup>(2)</sup>		

*Notes:*

- (1) This Prospectus qualifies the grant of the Over-Allotment Option and the issuance of the Option Units issuable upon exercise of the Over-Allotment Option, as well as the grant of the Broker Warrants to the Underwriters. See “*Plan of Distribution*”.
- (2) Assumes Broker Warrants to purchase 877,119 Broker Units are issued to the Underwriters in connection with the full exercise of the Over-Allotment Option. If the Over-Allotment Option is not exercised, Broker Warrants to purchase only 762,712 Broker Units will be issued and the aggregate maximum number of Units that may be issued will be 13,474,576.

The Underwriters, as principals, conditionally offer the Units, 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. See “*Plan of Distribution*”.

The Offering Price for the Units offered under this Prospectus was determined by arm’s length negotiation between the Company and AltaCorp, on behalf of the Underwriters. **The Underwriters may offer the Units at a price lower than the Offering Price.** See “*Plan of Distribution*”. Notwithstanding any such reduction by the Underwriters in the Offering Price, the Company will still receive net proceeds of \$2.773 per Unit purchased by the Underwriters under the Offering.

Subscriptions for the Offering will be received subject to rejection or allotment in whole or in part, and the right is reserved to close the subscription books at any time without notice. Closing of the Offering is expected to occur on or about April 9, 2019, or such other date as the Lead Underwriter and the Company may agree upon; however, the Units offered pursuant to this Prospectus are to be taken up by the Underwriters, if at all, on or before a date that is not later than 42 days after the date of the receipt for the final short form prospectus. The Common Shares and Warrants will be issued as non-certificated securities registered in the name of CDS Clearing and Depository Services Inc. (“**CDS**”), and no certificates representing Common Shares or Warrants will be issued under the Offering, except in certain limited circumstances. See “*Plan of Distribution*” and “*Depository Services*”. A purchaser of Units, including a purchaser of Units in the United States that is a “qualified institutional buyer” as defined in Rule 144A under the U.S. Securities Act (“**Qualified Institutional Buyer**”), will receive only a customer confirmation from the CDS participant through which Units are

purchased. See “*Depository Services*”. Notwithstanding the foregoing, a purchaser of Units that is an “accredited investor” within the meaning of Rule 501(a) of Regulation D under the U.S. Securities Act (“**U.S. Accredited Investor**”) will definitive physical certificates representing the Common Shares and Warrants.

Certain legal matters in connection with the Offering and this Prospectus have been or will be reviewed on behalf of the Company by Irwin Lowy LLP and on behalf of the Underwriters by Borden Ladner Gervais LLP.

**An investment in securities of the Company involves a high degree of risk and must be considered speculative due to the nature of the Company’s business and the current stage of operations. An investment in the securities of the Company (including the Units) is subject to certain risks. Prospective investors should carefully review and consider the risk factors described in and incorporated by reference in this Prospectus. See “*Forward-Looking Information*” and “*Risk Factors*” in this Prospectus, in the AIF (as defined herein) and “*Forward Looking Statements*”, “*Financial Risk Factors*” and “*Risks and Uncertainties*” in the Annual MD&A (as defined herein).**

**There is currently no market through which the Warrants may be sold and purchasers may not be able to resell the Warrants purchased under this short form prospectus. This may affect the pricing of the Warrants in the secondary market, the transparency and availability of trading prices, the liquidity of the Warrants, and the extent of issuer regulation. See “*Risk Factors*”.**

You should rely only on the information contained in this Prospectus (including the documents incorporated herein by reference). Neither the Company nor the Underwriters have authorized anyone to provide you with information different from that contained in this Prospectus. Readers should not assume that the information contained or incorporated by reference in this Prospectus is accurate as of any date other than the date on the front of this Prospectus or the respective dates of the documents incorporated by reference herein. The Company does not undertake to update the information contained or incorporated by reference herein, except as required by applicable securities laws.

The Company’s head office and registered office is located at 230 Carion Road, Kelowna, British Columbia, V4V 2K5.

All references herein to “\$” are to Canadian dollars unless otherwise specified.

**This Prospectus qualifies the distribution of securities of an entity with U.S. marijuana-related activities. While some states in the United States have authorized the use and sale of cannabis, it remains illegal under U.S. federal law. An increase in federal enforcement efforts with respect to current U.S. federal laws applicable to cannabis could have an adverse financial effect on the Company. While the Company's U.S. marijuana-related activities are ancillary, enforcement of the U.S. federal law is a significant risk.**

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

**Given the current illegality of cannabis under United States federal law, the Company’s ability to access both public and private capital may be hindered by the fact that most financial institutions are regulated by the United States federal government and are thus prohibited from providing financing to companies engaged in cannabis related activities. The Company may, however, be able to access public and private capital markets in Canada in order to support continuing operations.**

**The Company’s investments in the United States cannabis market may subject the Company to heightened scrutiny by regulators, stock exchanges, clearing agencies and other U.S. and Canadian authorities. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the issuer’s ability to operate in the United States or any other jurisdiction. For more information regarding the foregoing and the other risk factors applicable in respect of an investment in the Company, please see “*U.S. Marijuana Industry Involvement*” in the AIF and “*Risk Factors*” in the AIF.**

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## FORWARD-LOOKING INFORMATION

This Prospectus and the documents incorporated by reference in this Prospectus contain forward-looking statements and forward-looking information within the meaning of applicable Canadian securities laws (such forward-looking information being collectively referred to herein as “forward-looking statements”). Such forward-looking statements are based on expectations, estimates and projections as at the date of this Prospectus. Any statements that involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often but not always using phrases such as “expects”, “is expected”, “anticipates”, “plans”, “budget”, “scheduled”, “forecasts”, “estimates”, “believes” or “intends”, or variations of such words and phrases (including negative and grammatical variations), or stating that certain actions, events or results “may”, “could”, “would”, “should”, “might” or “will” be taken, occur or be achieved) are not statements of historical fact and may be forward-looking statements and are intended to identify forward-looking statements. These forward-looking statements include, but are not limited to, statements and information concerning: availability of financing, changes in domestic and international government regulation, general economic condition, general business conditions, limited time being devoted to business by directors, escalating professional fees, escalating transaction costs, completion of acquisitions and/or sales, construction of facilities, competition, fluctuation in foreign exchange rates, competition, stock market volatility, unanticipated operating events and liabilities inherent in industry. Readers are cautioned that the foregoing list of important factors and assumptions is not exhaustive. Forward-looking statements are not guarantees of future performance and are inherently uncertain. Events or circumstances could cause the Company's actual results to differ materially from those estimated or projected and expressed in, or implied by, these forward-looking statements.

Forward-looking statements are based on the beliefs of the Company's management, as well as on assumptions, which such management believes to be reasonable based on information available at the time such statements were made. Certain forward-looking statements herein and incorporated by reference relating to medical and recreational marijuana, extracts, domestic and international markets and regulation, the general expectations of the Company related thereto, and the Company's business and operations are based on estimates prepared by the Company using data from publicly available government sources, as well as from market-research and industry analysis and on assumptions based on data and knowledge of this industry that the Company believes to be reasonable. However, by their nature, forward-looking statements are based on assumptions and involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Forward-looking statements are subject to a variety of risks, uncertainties and other factors which could cause actual results, performance or achievements to differ from those expressed or implied by the forward-looking statements, including, without limitation, related to the following: credit risk; liquidity risk; market risk; currency risk; interest risk; concentration risk; dependence on senior management; sufficiency of insurance; competition; general business risk and liability; regulation of the marijuana industry; regulatory risks; change in laws, regulations and guidelines; reliance on license renewal; reliance on a single facility; limited operating history; factors which may prevent realization of growth targets; risks inherent in an agricultural business; vulnerability to rising energy costs; publicity or consumer perception; product liability; product recalls; reliance on key inputs; difficulties with forecasts; exchange restrictions on business; management of growth; litigation; dividends; limited market for securities; environmental and employee health and safety regulations, which are outlined under the heading “*Risk Factors*” in the AIF (defined herein), which is incorporated herein by reference. In addition, the global financial and credit markets have experienced significant debt and equity market and commodity price volatility which could have a particularly significant, detrimental and unpredictable effect on forward-looking statements.

The lists of risk factors set out herein and/or in the documents incorporated by reference into this Prospectus are not exhaustive of the factors that may affect any forward-looking statements of the Company. Forward-looking statements are statements about the future and are inherently uncertain. Actual results, performance or achievements could differ materially from those projected in the forward-looking statements as a result of the matters set out or incorporated by reference in this Prospectus generally and certain economic and business factors, some of which may be beyond the control of the Company. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements or the foregoing list of factors, whether as a result of new information or future events or otherwise, except as may be required under applicable securities laws. For all of these reasons, prospective investors should not place undue reliance on forward-looking statements.

## FINANCIAL INFORMATION

The financial statements of the Company incorporated by reference in this Prospectus have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and are reported in Canadian dollars.

## ELIGIBILITY FOR INVESTMENT

In the opinion of Irwin Lowy LLP, counsel to the Company, and Borden Ladner Gervais LLP, counsel to the Underwriters, based on the provisions of the *Income Tax Act* (Canada) (the “**Tax Act**”) and the regulations thereunder in force on the date hereof, proposals to amend the Tax Act or the regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof and the current published administrative policies and assessing practices of the Canada Revenue Agency (“**CRA**”), the Common Shares, Warrants, and the Warrant Shares, if issued on the date hereof, would be qualified investments under the Tax Act for a trust governed by a registered retirement savings plan (“**RRSP**”), registered retirement income fund (“**RRIF**”), registered education savings plan (“**RESP**”), registered disability savings plan (“**RDSP**”), tax-free savings account (“**TFSA**”, and collectively “**Registered Plans**”) or a deferred profit sharing plan, provided that:

- (i) in the case of the Common Shares and the Warrant Shares, the common shares of the Company are listed on a “designated stock exchange” as defined in the Tax Act (which currently includes the CSE); and
- (ii) in the case of Warrants, either (a) the Warrants are listed on a “designated stock exchange” as defined in the Tax Act (which currently includes the CSE), or (b) the Warrant Shares are qualified investments as described in (i) above and neither the Company, nor any person with whom the Company does not deal at arm’s length for the purposes of the Tax Act, is an annuitant, a beneficiary, an employer or a subscriber under, or a holder of, the particular Registered Plan or deferred profit sharing plan.

Notwithstanding the foregoing, if the Common Shares, Warrant Shares or Warrants are a “**prohibited investment**” (as defined in the Tax Act) for a particular Registered Plan, the annuitant, holder, or subscriber of the particular Registered Plan, as the case may be, will be subject to a penalty tax as set out in the Tax Act. The Common Shares, Warrant Shares or Warrants will not be a “prohibited investment” for a trust governed by a Registered Plan provided the annuitant of the RRSP or RRIF, the holder of the TFSA or RDSP, or the subscriber of the RESP, as the case may be, deals at arm’s length with the Company for purposes of the Tax Act and does not have a “significant interest”, within the meaning of ss. 207.01(4) of the Tax Act, in the Company. In addition, the Common Shares and Warrant Shares and Warrants will not be a prohibited investment if such securities are “excluded property”, for purposes of the prohibited investment rules, for a Registered Plan. Annuitants under an RRSP or RRIF, holders of a TFSA or RDSP and subscribers under an RESP should consult their own tax advisors as to whether the Common Shares or Warrants will be a prohibited investment for such Registered Plan in their particular circumstances.

## DOCUMENTS INCORPORATED BY REFERENCE

**Information has been incorporated by reference in this Prospectus from documents filed with the securities commissions or similar authorities in Canada.** Copies of the documents incorporated herein by reference may be obtained on request without charge from the Chief Executive Officer of the Company at 230 Carion Road, Kelowna, British Columbia, V4V 2K5, telephone (778) 755-0052, and are also available electronically at [www.sedar.com](http://www.sedar.com). The filings of the Company through the System for Electronic Document Analysis and Retrieval (“**SEDAR**”) are not incorporated by reference in this Prospectus except as specifically set out herein.

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

- a) the annual information form of the Company, dated March 25, 2019, for the year ended November 30, 2018 (the “**AIF**”);
- b) the audited consolidated financial statements of the Company for the year ended November 30, 2018 and the related notes thereto and auditors' report thereon (the “**Annual Financial Statements**”);

- c) the Company's management's discussion and analysis for the year ended November 30, 2018 (the "Annual MD&A");
- d) the management information circular of the Company dated August 31, 2018, in respect of the Company's annual meeting of shareholders held on October 5, 2018,
- e) the template version of the term sheet for the Offering dated as of March 19, 2019, summarizing the terms of the Offering and the revised term sheet for the Offering dated as of March 20, 2019, detailing the revised terms of the Offering; and
- f) the material change report dated April 2, 2019 of the Company related to the purchase of the Kelowna Facility (as hereinafter defined).

Any other documents of the type referred to in National Instrument 44-101 — *Short Form Prospectus Distributions* ("NI 44-101") required to be incorporated by reference in a short form prospectus, including any annual information forms, material change reports (except confidential material change reports), financial statements and related management's discussion and analysis, business acquisition reports and information circulars, if filed by the Company with the provincial securities commissions or similar authorities in Canada subsequent to the date of this Prospectus and prior to the completion of the distribution of the Units, are deemed to be incorporated by reference in this Prospectus.

**Any statement contained in this Prospectus or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is, or is deemed to be, incorporated by reference herein, modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document or statement that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed 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 shall not be deemed to constitute a part of this Prospectus, except as so modified or superseded.**

## MARKETING MATERIALS

Any "template version" of any "marketing materials" (as such terms are defined under applicable Canadian securities laws) that is used by the Underwriters in connection with the Offering does not form a part of this Prospectus to the extent that the contents of the template version of the marketing materials have been modified or superseded by a statement contained in this Prospectus. Any template version of any marketing materials that has been, or will be, filed under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com) before the termination of the distribution under the Offering (including any amendments to, or an amended version of, any template version of any marketing materials) is deemed to be incorporated by reference into this Prospectus.

## THE COMPANY

The Company was incorporated under the laws of British Columbia as "Mayen Minerals Ltd." on January 14, 1981. Initially, the Company was a mineral exploration stage company engaged in acquiring, exploring and developing resource properties. In order to reflect the change of business of the Company to focus on oil and gas initiatives, on September 25, 2012 the Company changed its name to "Rift Basin Resources Corp." and it further changed its name to "Asean Energy Corp." on August 22, 2014.

In response to falling oil and gas prices, on March 16, 2015, the Company completed a corporate restructuring pursuant to a plan of arrangement approved by the Supreme Court of British Columbia pursuant to which the Company distributed most of its assets to the shareholders of the Company and effective August 14, 2015, it changed its name to "Genovation Capital Corp."



On November 24, 2016, the Company changed its name to its current name, “Valens GroWorks Corp.”, to reflect the change in its business activities following the completion of the acquisition, pursuant to a reverse takeover, of Valens Agritech Ltd. (“VAL”).

The Company's registered office is located at 230 Carion Road, Kelowna, British Columbia, V4V 2K5. The Company is a reporting issuer in each of the provinces of Canada, excluding Quebec. The Common Shares trade under the trading symbol “VGW” on the CSE and are quoted on the OTCQB Venture Market in the United States under the symbol “WGWCF”.

## BUSINESS OF THE COMPANY

### General

The Company is a research-driven, vertically integrated Canadian cannabis company focused on downstream secondary extraction methodology, distillation and cannabinoid isolation and purification, as well as associated quality testing through the VAL Analytical Testing Licence (as hereinafter defined), the VAL Standard Cultivation and Processing Licence (as hereinafter defined) and the Supra Analytical Testing Licence (as hereinafter defined).

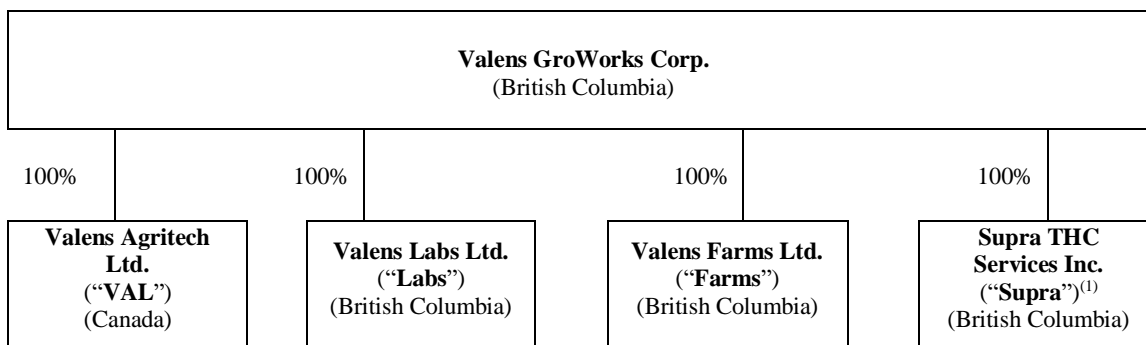
The Company currently operates through its four wholly-owned subsidiaries, VAL, Supra THC Services Inc. (“Supra”), Valens Farms Ltd. (“Farms”) and Valens Labs Ltd. (“Labs”), all of which are based in the Okanagan Valley of British Columbia.

VAL was incorporated under the *Canada Business Corporations Act* on April 14, 2014 and holds the VAL Standard Cultivation and Processing Licence and the VAL Analytical Testing Licence.

Supra was incorporated under the *Business Corporations Act* (British Columbia) on December 10, 2015 and holds the Supra Analytical Testing Licence. The Company is in the process of completing the RotoGro Transaction (as hereinafter defined) pursuant to which the Company will sell Supra together with the Supra Analytical Testing Licence to RotoGro International Limited. All of the remaining assets of Supra will be transferred to Labs, a wholly-owned subsidiary of the Company incorporated on October 18, 2018 under the *Business Corporations Act* (British Columbia) in connection with the RotoGro Transaction.

Farms was incorporated under the *Business Corporations Act* (British Columbia) on July 19, 2018 to hold the interest of the Kosha Joint Venture (as defined in the AIF).

Set out below is the corporate structure of the Company and its subsidiaries, including the corporate jurisdiction and the percentage of shares of the applicable subsidiary owned, controlled or directed by the Company.



Note:

- (1) The Company is in the process of completing the RotoGro Transaction pursuant to which the Company will sell Supra together with the Supra Analytical Testing Licence to RotoGro International Limited.

The Company operates out of its 25,000 square foot extraction, post processing and analytical testing facility located at 230 Carion Road in Kelowna, British Columbia (the “Kelowna Facility”). Initially, the Company leased the Kelowna Facility from NorthOk Properties Inc. (“NorthOk”). NorthOk is a company controlled by Ashley McGrath,

a director of the Company. The lease agreement provided the Company an option to purchase the Kelowna Facility. On March 19, 2019, the Company announced that it was exercising its option to acquire the Kelowna Facility for the purchase price of \$4,400,000. The acquisition of the Kelowna Facility by the Company was completed on March 20, 2019.

## Licences

The Company holds the following licences:

1. Licence issued by Health Canada to VAL on October 12, 2018 pursuant to the *Access to Cannabis for Medical Purposes Regulations* (Canada) ("**ACMPR**") which granted VAL the ability to cultivate cannabis as well as produce cannabis oil which was transitioned, on November 9, 2018, to equivalent licences under the *Cannabis Act* (Canada) (the "**Cannabis Act**") through the granting of a standard cultivation and processing licence which permits VAL to possess cannabis, to obtain dried cannabis, fresh cannabis, cannabis plants or cannabis plant seeds by cultivating, propagating and harvesting cannabis, to produce cannabis through extraction and to produce cannabis products (the "**VAL Standard Cultivation and Processing Licence**"). The VAL Standard Cultivation and Processing Licence expires on October 12, 2021 and allows the Company to sell, distribute, send or deliver cannabis plants that are cannabis products and cannabis plant seeds that are cannabis products to other holders of a licence for sale of, or persons authorized to sell, cannabis. The VAL Standard Cultivation and Processing Licence permits the sale of cannabis extracts by the Company to other licensed holders.
2. Licence initially issued by Health Canada to VAL on January 13, 2017 pursuant to the *Controlled Drugs and Substances Act* (Canada) ("**CDSA**"), granting VAL the authority to conduct research, possess, produce, sell, transport and deliver cannabis, cannabis resin, THC and CBD which was transitioned, on January 11, 2019, to a licence for analytical testing under the Cannabis Act (the "**VAL Analytical Testing Licence**") which permits VAL to possess cannabis for the purpose of testing and to obtain cannabis by altering its chemical or physical properties by any means for the purpose of testing. The VAL Analytical Testing Licence expires on December 31, 2019.
3. Licence initially issued by Health Canada to Supra on February 27, 2017 pursuant to the CDSA granting Supra the authority to conduct research, possess, produce, sell, transport and deliver cannabis, cannabis resin, THC and CBD which was transitioned, on March 8, 2019, to a licence for analytical testing under the Cannabis Act (the "**Supra Analytical Testing Licence**") which permits Supra to possess cannabis for the purpose of testing and to obtain cannabis by altering its chemical or physical properties by any means for the purpose of testing. The Supra Analytical Testing Licence expires on December 31, 2019.

## Material Agreements

### Kosha Agreement

On June 15, 2018, the Company entered into a binding facility development and option agreement (the "**Kosha Agreement**") with Kosha Projects Inc. ("**Kosha**") and Kosha's shareholders, McGrath Farms BC Inc. ("**McGrath Farms**") and Gibson Family Trust (the "**Gibson Trust**"), for the construction and development of a purpose-built commercial cannabis production facility to be located on a property owned by Kosha at 4065 Salmon River Road, Armstrong, British Columbia (the "**Kosha Facility**"). McGrath Farms is a company controlled by Ashley McGrath, who subsequently became a director of the Company on September 4, 2018. Accordingly, at the time of entering into of the Kosha Agreement, the parties were at arm's length. The Gibson Trust was, at the time of the entering into of the Kosha Agreement, and still is at arm's length with the Company. McGrath Farms and Gibson Trust each own 50% of the issued and outstanding common shares of Kosha.

Pursuant to the Kosha Agreement, Kosha will contribute land and will manage the facility construction and development process, all in accordance with plans and budgets approved by the Company. The completion of the construction and development of the Kosha Facility is expected to be completed in three phases. The estimated costs of construction and development (i) for phase one of 50,000 square feet of the Kosha Facility are \$13,300,000, (ii) for phase two of an additional 100,000 square feet of the Kosha Facility are \$17,700,000 and (iii) for phase three of an additional 250,000 square feet of the Kosha Facility are \$44,000,000 for an aggregate 400,000 square feet facility for

an aggregate cost of \$75,000,000. All such costs which will be borne by Kosha in accordance with budgets approved by the Company.

During the construction and development of the Kosha Facility, the Company will provide design and outfitting inputs, budgetary guidance, consulting and advisory services.

Once the first phase of the construction of the Kosha Facility is completed, the Company intends to apply for a standard cultivation licence under the Cannabis Act in order to commence operations at the Kosha Facility. Upon receipt of the required standard cultivation licence, the Company intends to enter into a lease agreement with Kosha pursuant to which the Company will lease the Kosha Facility (the "**Kosha Lease**") and commence planned operations to grow, cultivate, extract, produce, sell and distribute cannabis and cannabis-related products.

After commencement of operations at the Kosha Facility, the Company has the option to acquire a 51% equity interest in Kosha ("**Ownership Interest**") by paying to Kosha, from net revenues from the operations conducted at the Kosha Facility, an amount equal to the costs incurred by Kosha in developing the Kosha Facility. Once the Company acquires the Ownership Interest, the Kosha Lease will terminate. The Company will continue to conduct the operations at the Kosha Facility and all net revenue of the operations conducted at the Kosha Facility will be divided equally (50/50) between the Company and Kosha. The net revenue represents all the revenue derived from the sale of cannabis that is produced or grown at the Kosha Facility after deducting the following costs and expenses: (i) property taxes, (ii) costs of maintenance and repairs, (iii) costs of utilities, (iv) costs of insurance premium and (v) costs of labour incurred at the Kosha Facility. The Company and Kosha will divide the expenses relating to the operations at the Kosha Facility equally (50/50).

The Kosha Agreement will automatically terminate if the Company fails to receive the required standard cultivation licence under the Cannabis Act for the Kosha Facility for reasons outside the control of the Company, upon the wind-up or dissolution of Kosha or upon mutual agreement between the parties. Kosha may terminate the Kosha Agreement if the Company fails to commence operations upon receipt of the required standard cultivation licence or to continuously, actively and diligently carry on operations after receipt, if the Company fails to perform any of its obligations under the Kosha Agreement or Kosha Lease, if the parties fail to agree on the design of the Kosha Facility, if the Company does not receive the required standard cultivation licence in a reasonable period of time, if Kosha is materially underpaid by the Company in respect of net revenues payable by the Company to Kosha under the Kosha Agreement or upon certain insolvency circumstances. The Company may terminate the Kosha Agreement if the parties fail to agree on the design of the Kosha Facility, if Kosha fails to commence or continuously, actively and diligently carry on and complete the construction and development of the Kosha Facility, if Kosha fails to observe or perform any of its obligations under the Kosha Agreement, the Kosha Lease or Kosha's shareholder agreement or if the Company does not receive the required standard cultivation licence in a reasonable period of time.

#### RotoGro Agreement

On October 23, 2018, the Company entered into an arm's length binding share purchase agreement (the "**RotoGro Agreement**") with Australian-based RotoGro International Limited ("**RotoGro**") to sell to RotoGro all of the common shares of Supra for total consideration equal to \$11,000,000 (the "**RotoGro Transaction**"). The shares of RotoGro are traded on the Australian Securities Exchange ("**ASX**").

Under the RotoGro Agreement, concurrently with the closing of the RotoGro Transaction, the Company will transfer all of the remaining assets of Supra, except the Supra Analytical Testing Licence, to Labs. The purchase price will be paid by RotoGro in four installments and will be comprised of \$2,000,000 in cash and 18,900,000 ordinary shares of RotoGro with an estimated value of \$9,000,000, for an aggregate purchase price equal to \$11,000,000. Of the aggregate purchase price, RotoGro made its first payment to the Company of \$200,000 in cash on November 27, 2018, and issued to the Company 2,250,000 ordinary shares of RotoGro on December 7, 2018, with a value of \$888,800. Such payment is non-refundable if the RotoGro Transaction is not completed, other than for the failure of the Company to satisfy its obligations under the RotoGro Agreement.

The completion of the RotoGro Transaction is conditional upon RotoGro receiving both shareholder, Health Canada and ASX approval. The required RotoGro shareholder approval was obtained at the meeting of the shareholders of RotoGro held on February 28, 2019 and the ASX approval for the RotoGro Transaction is pending as at the date

hereof. In addition, the Company and RotoGro are currently waiting for approval from Health Canada with respect to the transfer of the Supra Analytical Testing Licence from British Columbia to a RotoGro facility in Ontario in order to complete the RotoGro Transaction. The RotoGro Agreement provides that either party could have terminated the RotoGro Agreement if the RotoGro Transaction was not completed by December 21, 2018. Neither RotoGro nor the Company has terminated the RotoGro Agreement and both parties expect to receive the remaining ASX approvals and intend to complete the RotoGro Transaction shortly thereafter.

## **Other Agreements**

### Tarukino Manufacturing and Sales Licence Agreement

On September 21, 2018, the Company entered into a manufacturing and sales licence agreement (the "**Tarukino Manufacturing and Sales Licence Agreement**") with Tarukino Holdings, Inc. ("**Tarukino**"), a Delaware corporation operating in the state of Washington. During the term of the Tarukino Manufacturing and Sales Licence Agreement and subject to certain performance milestones, the Company is granted an exclusive licence to Tarukino-branded marijuana-derived cannabinoid and terpenes ("**CT**") in both liquid and powder form. The Tarukino Manufacturing and Sales Licence Agreement also allows the Company to produce, manufacture, market, sell and distribute CT-infused and hemp derived CBD-infused beverages, edibles and other consumer products within Canada under the Company's brand, or affiliate or partner brands and any such future brands as may be made by the Company.

In connection with the Tarukino Manufacturing and Sales Licence Agreement, the Company (i) issued Tarukino 4,300,000 Common Shares valued at \$9,288,000 and 1,000,000 Common Share purchase warrants valued at \$1,958,226 that vest based on certain future milestones and are exercisable at prices ranging from \$3.50 to \$4.00 per Common Share for a five year term after the date of issue; and (ii) granted Tarukino a decreasing royalty on revenue related to the associated products and technologies over the term of the Tarukino Manufacturing and Sales Licence Agreement. If the Company does not achieve specified performance milestones, the licenses granted in the Tarukino Manufacturing and Sales Licence Agreement will become non-exclusive for the balance of the agreement's term.

The term of the Tarukino Manufacturing and Sales Licence Agreement will begin on the date Health Canada approves ("**Health Canada Approval Date**") the distribution of CT-infused and hemp derived CBD-infused beverages, edibles and other consumer products in Canada and will continue until December 31, 2024. The agreement will automatically renew for periods of one year after the initial term unless terminated by either party 120 days' written notice prior to the date of renewal. Either party may terminate the Tarukino Manufacturing and Sales Licence Agreement if the other party materially breaches the agreement or in certain insolvency circumstances. Tarukino may terminate the Tarukino Manufacturing and Sales Licence Agreement if the Company is not in compliance with the performance milestones by the third anniversary date of the agreement. The Company expects that on the Health Canada Approval Date, the VAL Standard Cultivation and Processing Licence will provide the Company with the required cannabis licence to fulfil its obligations under the Tarukino Manufacturing and Sales Licence Agreement for business-to-business transactions. The Company will require a sales amendment to the VAL Standard Cultivation and Processing Licence before the Company can sell directly to consumers. The Company submitted its sales amendment application to Health Canada on March 4, 2019. See *Risk Factors – Regulatory Risks* in the AIF.

### 180 Carion Road Acquisition Agreement

On March 19, 2019, the Company announced that it had entered into an arm's length binding agreement with Modulux Design Ltd. to purchase a 18,000 square foot property located at 180 Carion Road in Kelowna, British Columbia (the "**180 Carion Road Property**"), which is adjoining the Kelowna Facility (the "**180 Carion Road Acquisition**"). The 180 Carion Road Property is expected to be used for the purposes of retrofitting an existing building into a new facility (the "**180 Carion Road Facility**") in order to increase extraction production space, product development and to allow for additional white-labelling service capacity to the Company's current and future clients as well as additional office space for the Company's corporate team. The purchase price of \$4,000,000 for the 180 Carion Road Acquisition was negotiated at arm's length and the 180 Carion Road Acquisition was completed on April 1, 2019. The Company intends to apply for the required permits to begin construction of the 180 Carion Road Facility and will commence the application process for the required licence approvals under the Cannabis Act to commence production at the 180 Carion Road Facility.

## Letters of Intent

Each of the non-binding letters of intent entered into in 2018 between the Company and (i) R Gold Venture Inc., (ii) Eticann S.A.S. Zomac and (iii) Medigrowth Australia Pty Ltd. terminated and definitive agreements were never entered into.

## Recent Developments

The Company filed a prospectus dated October 3, 2018 (the “**2018 Prospectus**”). Since the 2018 Prospectus, the Company has progressed with its business plan and continues to remain substantially in line with the budget and timing estimates disclosed in the 2018 Prospectus. Set out below is an approximate breakdown of the funds spent by the Company to date from the proceeds disclosed in the 2018 Prospectus, compared with the estimated expenditures as disclosed in the 2018 Prospectus:

Expected Expenditures	Expected Expenditures for 2018 (As per the 2018 Prospectus)	Approximate Actual Expenditures for 2018	Expected Expenditures for 2019 (As per the 2018 Prospectus)	Approximate Actual Expenditures for 2019 (to February 28, 2019)
Acquisition of the Kelowna Facility	\$4,000,000	-	-	-
Acquisition of additional extraction and post-processing equipment at the Kelowna Facility to meet demand	\$6,000,000	\$425,000	-	\$2,700,000
Complete domestic geographic expansion analysis and acquire facility in strategic location	-	-	\$4,000,000	-
Complete buildout of facility selected for geographic expansion	-	-	\$2,000,000	-
Acquire equipment for new facility selected for geographic expansion	-	-	\$5,000,000	-
<b>Total Expenditures</b>	<b>\$10,000,000</b>	<b>\$425,000</b>	<b>\$11,000,000</b>	<b>\$2,700,000</b>

Starting to meet the Company's milestones, the Company's current plans are to expand its operations by continuing to increase extraction capacity to meet the growing demand from industry partners and buildout its white label production capacity for beverages, edibles, capsules, tinctures, vaporizers and other auxiliary products for legalization by October, 2019.

## CONSOLIDATED CAPITALIZATION

The following table sets forth the consolidated share capitalization of the Company as at November 30, 2018: (i) on an actual basis, (ii) on an adjusted basis to give effect to the Offering (prior to any exercise of the Over-Allotment Option), and (iii) on an adjusted basis to give effect to the Offering assuming the full exercise of the Over-Allotment Option. This table should be read in conjunction with the Annual Financial Statements and the Annual MD&A that are incorporated by reference in this Prospectus.

	As at November 30, 2018 before giving effect to the Offering	As at November 30, 2018 after giving effect to the Offering (prior to any exercise of the Over-Allotment Option)	As at November 30, 2018 after giving effect to the Offering (assuming full exercise of the Over- Allotment Option)
Common Shares	\$271,251,742 <sup>(1)</sup> (93,213,657 Common Shares)	\$308,243,266 <sup>(2)</sup> (105,925,521 Common Shares)	\$313,791,996 <sup>(3)</sup> (107,832,301 Common Shares)

Warrants	8,899,445	15,255,377	16,208,767
Broker Warrants	860,852	1,623,564	1,737,971
Stock Options	6,607,129 <sup>(4)</sup>	6,607,129 <sup>(4)</sup>	6,607,129 <sup>(4)</sup>

Notes:

- (1) Calculation based on a price of \$2.91, the last closing price of the Company's Common Shares listed on the CSE as of April 1, 2019.
- (2) Calculation based on net proceeds to the Company of \$35,250,000 (assuming the Over-Allotment Option is not exercised) and after deducting payment of the Underwriters' Fee of \$2,250,000, but before deducting expenses of the Offering, estimated to be approximately \$250,000.
- (3) Calculation based on net proceeds to the Company of \$40,537,500 (assuming the Over-Allotment Option is exercised in full) and after deducting payment of the Underwriters' Fee of \$2,587,500, but before deducting expenses of the Offering, estimated to be approximately \$250,000.
- (4) Granted pursuant to the Company's stock option plan exercisable for 141,667 Common Shares at a price of \$0.30 per share until August 31, 2020; for 50,000 Common Shares at a price of \$0.30 per share until September 22, 2020; for 1,938,462 Common Shares at a price of \$0.65 per share until November 30, 2021; for 150,000 Common Shares at a price of \$1.00 per share until November 7, 2020; for 100,000 Common Shares at a price of \$1.95 per share until October 31, 2019; for 1,000,000 Common Shares at a price of \$2.50 per share until February 23, 2023; for 625,000 Common Shares, at a price of \$1.07 per share until July 9, 2023; for 2,552,000 Common Shares at a price of \$1.95 per share until October 13, 2023 and 50,000 Common Shares at a price of \$1.25 per share until November 27, 2020.
- (5) As at March 25, 2019, Computershare Investor Services Inc. confirmed the remaining balance of the escrow agreement dated October 20, 2016 was 11,002,500 Common Shares held by six shareholders; and the remaining balance of shares subject to the escrow agreement dated March 31, 2017 was 900,000 Common Shares held by five shareholders. The remaining Common Shares will be released from escrow upon the first day of May and November of each year, until November 1, 2019. *See the AIF.*

There have been no material changes in the consolidated share and loan capital of the Company since November 30, 2018.

## USE OF PROCEEDS

### Proceeds

The net proceeds to the Company from the Offering (excluding any exercise of the Over-Allotment Option) are expected to be \$35,250,000 after deducting the payment of the Underwriters' Fee of approximately \$2,250,000 payable to the Underwriters, but before deducting the expenses of the Offering (estimated to be approximately \$250,000). As at February 28, 2019, the Company had working capital of \$26,410,000.

The use of the net proceeds of the Offering by the Company is consistent with the Company's stated business objectives (see "*Business Objectives and Milestones*" below) and which the Company plans to allocate as follows during the 12-month period after the Closing Date (see "*Forward-Looking Information*"):

Expenditure	Amount
General & Administrative Budget	\$2,000,000
Retrofit building located on the 180 Carion Road Property <sup>(1)</sup>	\$9,000,000
Purchase equipment for the 180 Carion Road Property	\$11,300,000
Expansion of processing facility and extraction capacity at the Kelowna Facility <sup>(1)</sup>	\$5,200,000
Source and secure strategic partnerships and joint venture opportunities <sup>(1)</sup>	\$7,000,000
Estimated Offering Costs <sup>(2)</sup>	\$250,000
Unallocated Funds Added to Working Capital	\$500,000
<b>Total Expenditures</b>	<b>\$35,250,000</b>

Notes:

- (1) See "*Use of Proceeds - Business Objectives and Milestones*", below.

- (2) Estimate includes out of pocket expenses of the Underwriters, legal fees of each of the Company and the Underwriters, auditor fees of the Company, and filing and regulatory fees.

The estimated administration costs for the Company to achieve its stated business objectives over the next financial year following the completion of the Offering are an aggregate of \$2,000,000. An estimated breakdown of these costs are as follows:

	<b>Estimated Cost</b>
Executive Salaries	\$925,000
Office and Operating Costs	\$100,000
Information Technology	\$525,000
Legal and Audit Fees	\$250,000
Investor Relations	\$200,000
<b>General and Administrative Budget</b>	<b>\$2,000,000</b>

In the event that the Over-Allotment Option is exercised in full, the additional \$5,287,500 of the net proceeds will be allocated in such amounts as may be determined by management of the Company for potential future expansions or for unallocated working capital.

The Company currently intends to expend the net proceeds of the Offering in accordance with the tables above. However, there may be circumstances where, for sound business reasons, a reallocation of funds may be deemed prudent or necessary. See “*Risk Factors*”.

During the last financial year ended November 30, 2018, the Company had negative operating cash flow because its revenues did not exceed its operating expenses. In the first quarter of fiscal 2019, the Company commenced commercial production and began generating revenue from extraction operations. However, the Company’s cash flow from operations may continue to be affected in the future by expenditures incurred by the Company to continue to develop its products and services. The amounts set out above for use as working capital may be used to offset this anticipated negative operating cash flow. See “*Risk Factors*”.

### **Business Objectives and Milestones**

Using the net proceeds of the Offering as set out under “*Use of Proceeds*” above, the Company intends, over the next 12 months, to continue to execute on its primary business objective of being the leading provider of extraction, post processing, analytical testing and high-quality white label and branded cannabis products to the domestic and international markets. The Company plans to more than double its current 25,000 square foot extraction and post processing footprint with the strategic acquisition of the 180 Carion Road Property. To achieve these business objectives the Company intends to bring on additional key management and operations personnel. The Company further plans to complete a strategic review to identify and execute on geographic expansion opportunities that would allow it to capitalize on anticipated demand from key customers throughout the Canadian market.

The following table sets out the steps that the Company intends to complete by the end of 2019 and over the next financial year in order to achieve the continued expansion of its products and services, and the anticipated expenditures required in order to complete such steps.

<b>Event</b>	<b>Timeframe</b>	<b>Estimated Cost</b>
Commence build out of 180 Carion Road Facility	April 2019	\$9,000,000
Commence build out of 10,000 square foot expansion at the Kelowna Facility	May 2019	\$3,100,000

Acquisition of additional extraction, post processing and auxiliary product manufacturing equipment <sup>(1)</sup>	October 2019	\$13,400,000
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*Notes:*

- (1) For both the 180 Carion Road Property and the Kelowna Facility.

The Company acquired the 180 Carion Road Property, which is strategically located adjacent to the Company's existing production facility (the Kelowna Facility), on April 1, 2019. The addition of this new property will allow the Company to expand its product and service offering on a much larger scale to include formulation and production of beverages, vaporizer cartridges, soft gels as well as other auxiliary products requested by our industry partners.

In addition, the Company plans to complete a 10,000 square foot expansion on the existing extraction and post processing facility (the Kelowna Facility) to further increase the extraction capacity, from the current 240,000 kg per year, for hemp and cannabis biomass to meet the growing demand for the Company's extraction services.

The Company plans to source and secure partnerships and joint venture opportunities with other leaders in the industry to continue to deliver innovative products to the market. The Company plans to supply our industry partners with beverage, edible, vaporizer and other cannabis products set to be legalized by October, 2019.

The Company continues to have resources allocated, consistent with the disclosure in the 2018 Prospectus, to complete a strategic analysis to identify the optimal location to build out a second extraction and post-processing facility in Canada. Once the strategic analysis is complete, the Company will use the funds raised from the 2018 Prospectus to execute on the acquisition and build out of a facility and acquire the extraction and post processing equipment to ensure it is fully operational.

While the Company has not identified specific investment opportunities, other than those indicated above, the board of directors of the Company (the "**Board**") and management team are aware that the Company's current capital is allocated to specific projects. The Board believes it is prudent to have access to additional capital for use, as previously unknown opportunities arise. The competitive nature of the Canadian cannabis industry is expected to continue to increase under the Cannabis Act, together with the diverse provincial regulatory regimes implemented to regulate the adult use cannabis market. It is important for the Company to be able to pursue previously unforeseen domestic and international opportunities. The Board is specifically contemplating the need to reserve funds for future investment in the following two main areas:

- a) as demand increases, the Company will be presented with attractive international investment opportunities outside of Canada and the United States and intends to explore the financial and regulatory possibilities of developing international relationships in those international jurisdictions where there are legal cannabis regimes; and
- b) the Company may need to make investments in specific provinces in Canada, as the provincial regulatory regimes continue to develop. While the Company would not expand to have a presence in each province, it would focus its funds where the demands in that province support the investment. However, currently there is insufficient information to know whether these potential investments will need to be made.

### **PLAN OF DISTRIBUTION**

This Prospectus is being filed in the Qualifying Jurisdictions to qualify the distribution of up to 12,711,864 Units and up to 1,906,780 Option Units pursuant to the Offering.

Subject to the terms and conditions of the Underwriting Agreement, the Company has agreed to sell to the Underwriters, and the Underwriters have agreed to purchase from the Company, as principal, a total of 12,711,864 Units at the Offering Price for total consideration of \$37,499,999 payable in cash to the Company against delivery of the Units. In addition, the Company has granted to the Underwriters the Over-Allotment Option, exercisable in whole or in part, at any time and from time to time in the sole discretion of the Underwriters, for a period of 30 days after the Closing Date, to purchase up to an additional 1,906,780 Option Units at the Offering Price, representing up to 15% of the Units to be issued pursuant to the Offering, to cover over-allocations, if any, and for market stabilization purposes. The Underwriters can elect to exercise the Over-Allotment Option for Option Units, Over-Allotment Common Shares and/or Over-Allotment Warrants, or any combination thereof. This Prospectus also qualifies the



distribution of Option Units pursuant to the exercise of the Over-Allotment Option, and the grant of the Over-Allotment Option. A purchaser who acquires Option Units, Over-Allotment Common Shares and/or Over-Allotment Warrants forming part of the Underwriters' over-allocation position acquires such Option Units, Over-Allotment Common Shares and/or Over-Allotment Warrants 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.

In connection with the Offering, the Company has agreed to pay the Underwriters' Fee of \$0.177 per Unit for an approximate aggregate fee of \$2,250,000 (\$2,587,500 if the Over-Allotment Option is exercised in full). The Offering Price was determined by arm's length negotiation between the Company and AltaCorp, on behalf of the Underwriters. As additional compensation, the Underwriters will be issued Broker Warrants entitling the Underwriters to purchase that number of Broker Units equal to 6% of the number of Units sold pursuant to the Offering (including any exercise of the Over-Allotment Option). Each Broker Warrant entitles the holder to purchase one Broker Unit at the Offering Price for a period of 24 months after the Closing Date. This Prospectus qualifies the grant of the Broker Warrants to the Underwriters.

Subscriptions for Units will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription book at any time without notice. The closing of the Offering is expected to occur on or about April 9, 2019, or such other date as the Company and the Underwriters may agree; however, the Units offered pursuant to this Prospectus are to be taken up by the Underwriters, if at all, on or before a date that is not later than 42 days after the date of the receipt for the final short form prospectus.

Under the terms of the Underwriting Agreement, the obligations of the Underwriters may be terminated at the Underwriters' discretion upon the occurrence of certain stated events. Such events include, but are not limited to: (i) if there is a material change or a change in a material fact or new material fact, or there should be discovered any previously undisclosed material fact required to be disclosed in the Prospectus that has or would be expected to have, a material adverse change or effect on the business or affairs of the Company or its subsidiaries or on the market price or the value of the securities of the Company; (ii) if any proceeding is commenced, announced or threatened or any order made by any governmental department, the CSE or any securities regulatory authority or any law or regulation is enacted or changed that operates to prevent or materially restrict the trading of the company's securities or the market price or value of same; (iii) if there should develop any event or law that materially adversely affects the business, operations or affairs of the Company and its subsidiaries; (iv) if the Company is in breach of the Underwriting Agreement or any representation or warranty given by the Company in the Underwriting Agreement is or becomes false; or (v) if a cease trade or other suspension order affecting the securities of the Company is made or threatened and has not been withdrawn.

The Company has agreed to indemnify the Underwriters and its affiliates and each of their respective directors, officers, employees, shareholders, partners, advisors and agents against certain liabilities and expenses.

The Common Shares comprising the Units will be issued as non-certificated securities registered in the name of CDS, and no certificates representing Common Shares will be issued under this Offering, except in certain limited circumstances and to U.S. Accredited Investors.

The Company's management and the Board agree not to, commencing on the date hereof and for a period of 120 days after the Closing Date, directly or indirectly, offer, sell, dispose of or otherwise monetize the economic value of any securities in the Company beneficially owned by such shareholder as of the date hereof, other than: (i) if the Company receives an offer, which has not been withdrawn, to enter into a transaction or arrangement, or proposed transaction or arrangement, pursuant to which, if entered into or completed substantially in accordance with its terms, a party could, directly or indirectly acquire an interest (including an economic interest) in, or become the holder of, 100% of the total number of common shares in the Company, whether by way of takeover offer, scheme of arrangement, shareholder approved acquisition, capital reduction, share buyback, securities issue, reverse takeover, dual-listed corporate structure or other synthetic merger, transaction or arrangement; (b) in respect of sales to affiliates of such shareholder; and (c) as a result of the death of any individual shareholder, without the prior written consent of AltaCorp, such consent not to be unreasonably withheld. The definitive terms of such lock-up agreement shall be negotiated between the parties in good faith and contain customary provisions.

Pursuant to the Underwriting Agreement, the Company has agreed that it will not directly or indirectly, for a period commencing on the date of the Underwriting Agreement and ending 90 days after the Closing Date, without the prior written consent of AltaCorp, on behalf of the Underwriters, such consent not to be unreasonably withheld or delayed, authorize, sell or issue or announce its intention to authorize, sell or issue, or negotiate or enter into an agreement to sell or issue, any securities of the Company (including those that are convertible or exchangeable into securities of the Company) other than (i) pursuant to this Offering; (ii) the issuance of non-convertible debt securities; (iii) upon the exercise of convertible securities, options or warrants of the Company outstanding as of the date of the Underwriting Agreement; (iv) pursuant to the Company's stock option plan or any other share compensation arrangement of the Company; (v) pursuant to any acquisition of shares or assets of arm's length persons; or (vi) in connection with any strategic transactions, investments or supply agreements between the Company and a third party, including any stock options that may be issued to any arm's length persons in connection with such strategic transactions, investments or supply agreements.

**Evidence of ownership of the Common Shares and Warrants comprising the Units will be issued in non-certificated form to CDS or its nominee and will be deposited with CDS on the day of closing of the Offering. Except in certain limited circumstances, including issuances to U.S. Accredited Investors, no certificates evidencing the Common Shares and Warrants comprising the Units will be issued, and registration will be made only through the depository services of CDS.**

The Underwriters propose to offer the Units initially at the Offering Price. After the Underwriters have made a reasonable effort to sell all of the Units at the Offering Price, the Offering Price may be decreased, and the compensation realized by the Underwriters will be decreased by the amount that the aggregate price paid by purchasers for the Units is less than the gross proceeds paid by the Underwriters to the Company. Any such reduction will not affect the gross proceeds received by the Company or the compensation paid to the Underwriters by the Company.

The Company has given notice to list the Common Shares, Warrant Shares, Over-Allotment Common Shares, Over-Allotment Warrant Shares, Broker Unit Shares, Broker Shares and the Warrants and Over-Allotment Warrants to be distributed under this Prospectus on the CSE. Listing will be subject to the Company fulfilling all listing requirements of the CSE. There is currently no market through which the Warrants may be sold and purchasers may not be able to resell the Warrants purchased under this Prospectus. This may affect the pricing of the Warrants in the secondary market, the transparency and availability of trading prices, the liquidity of the Warrants, and the extent of issuer regulation. See "*Risk Factors*".

None of the Common Shares or Warrants comprising the Units have been or will be registered under the U.S. Securities Act or any state securities laws and, subject to registration under the U.S. Securities Act and applicable state securities laws or certain exemptions therefrom, may not be offered, sold, transferred, delivered or otherwise disposed of, directly or indirectly, within the United States. The Underwriters have agreed that, except as permitted under the Underwriting Agreement, they will not offer, sell, transfer, deliver or otherwise dispose of, directly or indirectly, the Units at any time within the United States, except pursuant to an exemption from registration under the U.S. Securities Act.

The Underwriting Agreement permits the Underwriters, acting through their registered United States broker-dealer affiliates, to (i) offer and resell the Units in the United States to Qualified Institutional Buyers, provided such offers and sales are made in accordance with Rule 144A under the U.S. Securities Act, or (ii) offer the Units in the United States to persons to whom the Company will sell such securities directly as substituted purchasers where such persons are U.S. Accredited Investors in compliance with Rule 506(b) of Regulation D under the U.S. Securities Act, and, in each case, in compliance with similar exemptions under applicable state securities laws. Moreover, the Underwriting Agreement provides that the Underwriters will offer and sell the Units outside the United States only in accordance with Rule 903 of Regulation S under the U.S. Securities Act. The Units that are sold in the United States will be restricted securities within the meaning of Rule 144 of the U.S. Securities Act and may only be offered, sold or otherwise transferred pursuant to certain exemptions from the registration requirements of the U.S. Securities Act.

This short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the Units in the United States. In addition, until 40 days after the commencement of the Offering, an offer or sale of the Units within the United States by any dealer (whether or not participating in the Offering) may violate the registration

requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with an exemption from registration under the U.S. Securities Act and similar exemptions under applicable state securities laws.

## DESCRIPTION OF SECURITIES BEING DISTRIBUTED

This Prospectus qualifies the distribution of the Units, the grant of the Over-Allotment Option, the distribution of the Option Units (if any), the Over-Allotment Common Shares, and/or the Over-Allotment Warrants pursuant to the exercise of the Over-Allotment Option and the grant of the Broker Warrants.

### Authorized Share Capital

The authorized share capital of the Company consists of an unlimited number of Common Shares without par value. As at the date hereof, there are 94,046,242 Common Shares issued and outstanding.

### Common Shares

All of the Common Shares are of the same class and, once issued, rank equally as to entitlement to dividends, voting powers (one vote per share) and participation in assets upon dissolution or winding up. No Common Shares have been issued subject to call or assessment.

The Common Shares contain no pre-emptive rights, no conversion or exchange rights, no redemption, retraction, purchase for cancellation or surrender provisions. There are no sinking or purchase fund provisions, no provisions permitting or restricting the issuance of additional securities or any other material restrictions, and there are no provisions which are capable of requiring a securityholder to contribute additional capital.

### Warrants

The Warrants will be governed by an agreement to be entered into on the Closing Date (the “**Warrant Indenture**”) between the Company and Computershare Trust Company of Canada (the “**Warrant Agent**”). The Company will designate the Warrant Agent, as agent for the Warrants. Prior to the closing of the Offering, the Company may name any other agent with respect to the Warrants.

The following is a summary of the principal attributes of the Warrants and certain anticipated provisions of the Warrant Indenture mentioned hereunder. The summary does not purport to be complete and is subject in its entirety to the detailed provisions of the Warrant Indenture. A copy of the Warrant Indenture will be available electronically on the Closing Date at [www.sedar.com](http://www.sedar.com) and reference should be made to the Warrant Indenture for the full text of the attributes of the Warrants.

Each Warrant issued pursuant to the Offering will entitle the holder thereof to purchase one Common Share at a price of \$4.00 per Common Share at any time on or before 5:00 p.m. (Toronto time) on the date that is 24 months after the Closing Date. In the event that the volume weighted average trading price of the Common Shares for 10 consecutive trading days on the CSE exceeds \$6.00, the Company has the right to accelerate the expiry date of the Warrants upon not less than 15 trading days’ notice.

The Warrant Indenture will provide for adjustment in the number of Warrant Shares issuable upon the exercise of the Warrants and/or the exercise price per Common Share upon the occurrence of certain events, including: (i) the issuance of Common Shares or securities exchangeable for or convertible into Common Shares to all or substantially all of the holders of the Common Shares as a stock dividend or other distribution or a distribution of Common Shares, upon the exercise of Warrants or pursuant to the exercise of stock options granted under the stock option plan of the Company; (ii) the subdivision, redivision or change of the outstanding Common Shares into a greater number of Common Shares; (iii) the reduction, combination or consolidation of the outstanding Common Shares into a lesser number of shares; (iv) the fixing of a record date for the distribution to all or substantially all of the holders of the outstanding Common Shares of rights, options or warrants under which such holders are entitled, for a period expiring not more than 45 days after such record date, to subscribe for or purchase Common Shares, or securities exchangeable or exercisable for or convertible into Common Shares, at a price per share to the holder (or at an exchange, exercise or conversion price per share) of less than 95% of the “current market price” (as defined in the Warrant Indenture), for the Common

Shares on such record date; and (v) the fixing of a record date for the issuance or distribution to all or substantially all of the holders of the Common Shares of (a) shares of any class other than the Common Shares; (b) rights, options or warrants to acquire Common Shares or securities exchangeable or convertible into Common Shares; (c) evidences of indebtedness; or (d) any property or other assets. The Warrant Indenture also provides for adjustments in the class and/or number of securities issuable upon exercise of the Warrants and/or exercise price per security in the event of the following additional events: (i) reclassifications of the Common Shares or a capital reorganization other than as described above; or (ii) consolidations, amalgamations, plan of arrangements, mergers or other business combination of the Company with or into another entity (other than a consolidation, amalgamation, plan of arrangement or merger which does not result in any reclassification of the outstanding Common Shares or a change of the Common Shares into other shares).

The Company will also covenant under the Warrant Indenture that, during the period in which the Warrants are exercisable, it will give notice to holders of Warrants of certain stated events, including events that would result in an adjustment to the exercise price for the Warrants or the number of Warrant Shares issuable upon exercise of the Warrants, at least 14 days prior to the record date or effective date, as the case may be, of such event.

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

From time to time, the Company and the Warrant Agent, may amend or supplement the Warrant Indenture for certain purposes, including curing defects or inconsistencies or making any change that does not adversely affect the rights of any holder of Warrants. Any amendment or supplement to the Warrant Indenture that adversely affects the interests of the holders of the Warrants may only be made by “extraordinary resolution”, which will be defined in the Warrant Indenture as a resolution either: (i) passed at a meeting of the holders of Warrants at which there are holders of Warrants present in person or represented by proxy representing at least 25% of the aggregate number of the then outstanding Warrants and passed by the affirmative vote of holders of Warrants representing not less than 66.67% of the aggregate number of all the then outstanding Warrants represented at the meeting and voted on the poll upon such resolution; or (ii) adopted by an instrument in writing signed by the holders of Warrants representing not less than 66.67% of the aggregate number of all the then outstanding Warrants.

The Common Shares and Warrants have not been and will not be registered under the U.S. Securities Act or any applicable state securities laws, and the Warrants are not exercisable by or on behalf of a person in the United States or a U.S. Person, nor will certificates representing the Warrant Shares be registered or delivered to an address in the United States, unless an exemption is available from the registration requirements of the U.S. Securities Act.

The Warrants will only be exercisable (i) in the United States by the original purchaser of the Units who is a Qualified Institutional Buyer exercising the Warrants for its own account or the account of a Qualified Institutional Buyer over which it exercises sole investment discretion; or (ii) by a holder that is not in the United States, is not a U.S. Person and is not exercising the Warrants for the account or benefit of a U.S. Person or a person in the United States, was not offered and did not acquire the Warrants in the United States, and did not execute or deliver the notice of exercise in the United States.

The foregoing discussion of the material terms and provisions of the Warrants is qualified in its entirety by reference to the detailed provisions of the Warrant Indenture.

### **Broker Warrants**

For their services in connection with the Offering, the Underwriters will receive non-transferrable Broker Warrants to purchase an aggregate of 762,712 Units (877,119 in the event the Over-Allotment Option is exercised in full). Each Broker Warrant entitles the holder of the Broker Warrant to acquire one unit (“**Broker Unit**”) comprised of one Common Share (“**Broker Unit Share**”) and one-half of one Common Share purchase warrant (“**Broker Unit Warrant**”) at an exercise price equal to the Offering Price for a period of 24 months after the Closing Date, pursuant to the terms of the broker warrant certificates (the “**Broker Warrant Certificates**”). Each Broker Unit Warrant will entitle the holder to purchase one Broker Share at an exercise price of \$4.00. The Broker Warrants have a term of 24 months after the Closing Date. The terms set out on the Broker Warrant Certificates include, among other things,

customary provisions for the appropriate adjustment of the number of Common Shares issuable pursuant to any exercise of the Broker Warrants upon the occurrence of certain events, including any subdivision, consolidation or reclassification of the Common Shares, any capital reorganization of the Company, or any merger, consolidation or amalgamation of the Company with another corporation or entity, as well as customary amendment provisions. The Underwriters, as holders of the Broker Warrants, will not as such have any voting right or other right attached to Common Shares until and unless the Broker Warrants and the Broker Unit Warrants are duly exercised as provided for in the certificates representing the Broker Warrants.

### PRIOR SALES

The following table summarizes details of all issuances of Common Shares, or securities convertible or exchangeable into Common Shares, during the 12-month period prior to the date of this Prospectus.

Date of Issuance	Security	Issue/Exercise Price per Security (\$)	Number of Securities
<b>Common Shares</b>			
March 20, 2018	Common Shares <sup>(1)</sup>	\$1.50	5,000
March 29, 2018	Common Shares	\$1.94	73,000
April 5, 2018	Common Shares <sup>(1)</sup>	\$1.50	7,500
May 1, 2018	Common Shares <sup>(1)</sup>	\$1.50	8,750
July 31, 2018	Common Shares	\$1.11	270,000
September 5, 2018	Common Shares <sup>(2)</sup>	\$1.00	400,000
September 12, 2018	Common Shares <sup>(1)</sup>	\$1.50	156,000
September 18, 2018	Common Shares <sup>(1)</sup>	\$1.50	30,000
October 4, 2018	Common Shares <sup>(1)</sup>	\$1.50	5,000
October 10, 2018	Common Shares <sup>(14)</sup>	\$1.95	12,820,513
October 10, 2018	Common Shares <sup>(14)</sup>	\$1.83	1,130,977
October 10, 2018	Common Shares <sup>(2)</sup>	\$1.00	1,225,000
October 10, 2018	Common Shares <sup>(2)</sup>	\$0.65	461,538
October 26, 2018	Common Shares	\$2.16	4,300,000
October 26, 2018	Common Shares	\$1.52	125,000
October 26, 2018	Common Shares <sup>(1)</sup>	\$1.50	2,500
January 3, 2019	Common Shares <sup>(1)</sup>	\$1.50	6,500
January 4, 2019	Common Shares	\$1.76	125,000
February 22, 2019	Common Shares	\$3.07	145,000
February 22, 2019	Common Shares <sup>(2)</sup>	\$1.07	25,000
March 7, 2019	Common Shares	\$2.56	345,000
March 7, 2019	Common Shares	\$1.95	86,085
March 8, 2019	Common Shares <sup>(2)</sup>	\$1.00	100,000
<b>Stock Options</b>			
November 7, 2017	Stock Options	\$1.00	150,000 <sup>(3)</sup>
February 27, 2018	Stock Options	\$2.50	1,000,000 <sup>(4)</sup>
July 9, 2018	Stock Options	\$1.07	625,000 <sup>(5)</sup>
October 14, 2018	Stock Options	\$1.95	100,000 <sup>(6)</sup>
October 14, 2018	Stock Options	\$1.95	2,552,000 <sup>(7)</sup>
November 27, 2018	Stock Options	\$1.25	50,000 <sup>(8)</sup>
<b>Warrants</b>			
October 10, 2018	Warrants	\$2.54	7,371,795 <sup>(9)</sup>
October 10, 2018	Warrants	\$1.95	860,852 <sup>(10)</sup>
October 26, 2018	Warrants	\$3.50	400,000 <sup>(11)</sup>
October 26, 2018	Warrants	\$3.75	300,000 <sup>(12)</sup>
October 26, 2018	Warrants	\$4.00	300,000 <sup>(13)</sup>
March 8, 2019	Warrants	\$2.54	43,042 <sup>(9)</sup>

Notes:

- (1) Issued upon exercise of warrants.
- (2) Issued upon exercise of stock options.
- (3) The stock options are exercisable at a price of \$1.00 per Common Share until November 7, 2020.
- (4) The stock options are exercisable at a price of \$2.50 per Common Share until February 23, 2023.
- (5) The stock options are exercisable at a price of \$1.07 per Common Share until July 9, 2023.
- (6) The stock options are exercisable at a price of \$1.95 per Common Share until October 31, 2019.
- (7) The stock options are exercisable at a price of \$1.95 per Common Share until October 13, 2023.
- (8) The stock options are exercisable at a price of \$1.25 per Common Share until November 27, 2020.
- (9) The warrants are exercisable at a price of \$2.54 and can be accelerated to the date that is 15 days following the date the Company issues a news release announcing the published closing price of the Common Shares on the CSE has been equal to or greater than \$3.81 for any 10 consecutive trading days.
- (10) The broker warrants entitle the holder to purchase one unit at a price of \$1.95 per unit, comprised of one Common Share and one-half of one Common Share purchase warrant. Each full warrant can be exercised at a price of \$2.54 and can be accelerated to the date that is 15 days following the date the Company issues a news release announcing the published closing price of the Common Shares on the CSE has been equal to or greater than \$3.81 for any 10 consecutive trading days.
- (11) The warrants are exercisable at a price of \$3.50 per Common Share until October 26, 2023.
- (12) The warrants are exercisable at a price of \$3.75 per Common Share until October 26, 2023.
- (13) The warrants are exercisable at a price of \$4.00 per Common Share until October 26, 2023.
- (14) Short form prospectus offering.

## TRADING PRICE AND VOLUME

### Common Shares

The Common Shares are listed for trading on the CSE under the trading symbol “VGW”. The following table sets out the high and low closing market prices and the volume traded of the Common Shares on the CSE since March, 2018:

Month	HIGH	LOW	VOLUME
18-Mar	\$2.26	\$1.78	982,252
18-Apr	\$2.10	\$1.33	827,566
18-May	\$1.47	\$1.23	1,082,965
18-Jun	\$1.33	\$1.15	2,504,641
18-Jul	\$1.20	\$1.01	1,385,792
18-Aug	\$1.40	\$1.04	4,186,009
18-Sep	\$3.05	\$1.45	23,681,538
18-Oct	\$2.04	\$1.40	8,791,889
18-Nov	\$1.75	\$1.17	4,231,767
18-Dec	\$1.63	\$1.16	4,207,903
19-Jan	\$2.55	\$1.58	11,070,916
19-Feb	\$3.18	\$2.59	10,617,348
19-Mar	\$3.24	\$2.56	14,907,967
19-April-1	\$2.91	\$2.91	329,637

## CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Irwin Lowy LLP, counsel to the Company, and Borden Ladner Gervais LLP, counsel to the Underwriters, the following is a general summary, as of the date hereof, of the principal Canadian federal income tax considerations under the Tax Act generally applicable to a purchaser who acquires Units, consisting of Common Shares and Warrants, pursuant to this Offering. For purposes of this summary, references to Common Shares include Common Shares and Warrant Shares unless otherwise indicated. This summary applies only to a purchaser who, for the purposes of the Tax Act and at all relevant times: (i), is, or is deemed to be, resident in Canada; (ii) deals at arm’s length and is not affiliated with the Company or the Underwriters; and (iii) holds any Common Shares and Warrants as capital property. Purchasers meeting such requirements are referred to as a “**Holder**” or “**Holders**” herein, and this summary only addresses such Holders.

Common Shares and Warrants will generally be capital property to a Holder unless they are held in the course of carrying on a business of trading or dealing in securities or were acquired in one or more transactions considered to be an adventure or concern in the nature of trade. Purchasers who are residents of Canada for purposes of the Tax Act

and whose Common Shares do not otherwise qualify as capital property may in certain circumstances make an irrevocable election in accordance with subsection 39(4) of the Tax Act to have their Common Shares, and every other “Canadian security” (as defined in the Tax Act) owned by them in the taxation year of the election and in all subsequent taxation years, be deemed to be capital property. Purchasers whose Common Shares might not otherwise be considered to be capital property should consult their own tax advisors concerning this election. Such election is not available in respect of Warrants.

This summary is not applicable to a Holder (i) that is a “financial institution” for the purpose of the mark-to-market rules; (ii) that is a “specified financial institution”; (iii) an interest in which would be a “tax shelter investment”; (iv) that has made an election to determine its Canadian tax results in a foreign currency; or (v) that enters into, with respect to their Common Shares or Warrants, a “derivative forward agreement”, all within the meaning of the Tax Act. Such Holders should consult their own tax advisors with respect to their own particular circumstances.

This summary is based upon the current provisions of the Tax Act and the regulations thereunder (the “**Regulations**”), all specific proposals to amend the Tax Act or the Regulations that have been publicly announced by, or on behalf of, the Minister of Finance (Canada) prior to the date hereof (the “**Proposed Amendments**”), and counsel’s understanding of the current published administrative policies and assessing practices of the CRA. No assurance can be given that the Proposed Amendments will be enacted in the form proposed, or at all. This summary is not exhaustive of all possible Canadian federal income tax considerations and, except as mentioned above, does not take into account or anticipate any changes in law, administrative policy or assessing practice, whether by legislative, regulatory, administrative, governmental or judicial decision or action, nor does it take into account the tax laws of any province or territory of Canada or of any jurisdiction outside of Canada, which may differ significantly from the Canadian federal income tax considerations discussed herein.

**This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Holder. Accordingly, Holders should consult their own tax advisors having regard to their own particular circumstances.**

#### *Allocation of Cost*

A Holder who acquires Units pursuant to this Offering will be required to allocate the purchase price paid for each Unit on a reasonable basis between the Common Share and half Warrant comprising each Unit in order to determine their respective costs to such Holder for the purposes of the Tax Act.

The Company has allocated \$2.83 of the Offering Price of each Unit as consideration for the issue of each Common Share and \$0.12 for each half Warrant forming part of such Unit. This summary assumes that such allocations represent the fair market value of each security. Such allocations are not binding on the CRA or the Holder and counsel expresses no opinion with respect to such allocations.

The adjusted cost base to a Holder who already owns Common Shares or Warrants of each Common Share or Warrant comprising a part of a Unit will be determined by averaging the cost of such newly acquired Common Share or Warrant with the adjusted cost base to such Holder of all other Common Shares (if any) or Warrants held by the Holder as capital property immediately prior to the acquisition.

#### *Exercise or Expiry of Warrants*

No gain or loss will be realized by a Holder upon the exercise of a Warrant to acquire a Warrant Share. When a Warrant is exercised, the Holder’s cost of the Warrant Share acquired thereby will be the aggregate of the Holder’s adjusted cost base of such Warrant and the exercise price paid for the Warrant Share. The Holder’s adjusted cost base of the Warrant Share so acquired will be determined by averaging such cost with the adjusted cost base to the Holder of all Common Shares owned by the Holder as capital property immediately prior to such acquisition. The expiry of an unexercised Warrant will generally result in a capital loss to the Holder equal to the adjusted cost base of the Warrant to the Holder immediately before its expiry. See the discussion below under the heading “Taxation of Capital Gains and Capital Losses”.

#### *Dispositions of Common Shares and Warrants*

Upon a disposition or deemed disposition of a Common Share or a Warrant (other than on the exercise or expiry of a Warrant), a capital gain (or loss) will generally be realized by a Holder in the year of disposition to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the Common Share or the Warrant, as the case may be, to the Holder immediately before the disposition. Any such capital gain (or capital loss) will be subject to the treatment described below under the heading “Taxation of Capital Gains and Capital Losses”.

#### *Taxation of Capital Gains and Capital Losses*

Generally, a 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 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 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 by a Holder that is a corporation on a disposition of Common Shares may, in certain circumstances, be reduced by the amount of dividends received or deemed to have been received by it on such Common Shares to the extent and under the circumstances specified in the Tax Act. Similar rules apply to a partnership or trust of which a corporation, partnership or trust is a member or beneficiary. Holders to whom these rules may be relevant should consult their own tax advisors.

A Holder that is throughout the year a “Canadian-controlled private corporation” (as defined in the Tax Act) may be liable for a refundable tax on “aggregate investment income” (as defined in the Tax Act), which includes amounts in respect of taxable capital gains.

#### *Dividends*

Dividends received or deemed to be received by a Holder on the Common Shares will be included in computing the Holder’s income for purposes of the Tax Act. In the case of a Holder that is an individual (other than certain trusts), such dividends will be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends received from taxable Canadian corporations, including the enhanced gross-up and dividend tax credit provisions where the Company provides notice to the recipient designating the dividend as an “eligible dividend” for purposes of the Tax Act. There may be limitations on the ability of the Company to designate dividends as “eligible dividends”.

Dividends received or deemed to be received on the Common Shares by a Holder that is a corporation will generally be deductible in computing its taxable income. In certain circumstances, subsection 55(2) of the Tax Act will treat a taxable dividend received or deemed to be received by a Holder that is a corporation as proceeds of disposition of a capital gain. Holders that are corporations should consult their own tax advisors having regard to their own circumstances.

A Holder that is a “private corporation” (as defined in the Tax Act) or any other corporation 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 refundable tax under Part IV of the Tax Act on dividends received or deemed to be received on the Common Shares to the extent that such dividends are deductible in computing the Holder’s taxable income. Holders to whom these rules may be relevant should consult their own tax advisors.

#### *Alternative Minimum Tax*

Capital gains realized and dividends received by a Holder that is an individual or a trust, other than certain specified trusts, may give rise to an alternative minimum tax under the Tax Act. Holders should consult their own tax advisors with respect to the application of minimum tax.



## MATERIAL CONTRACTS

The following contracts of the Company are material and have been filed on the Company's SEDAR profile:

- the RotoGro Agreement; and
- the Kosha Agreement.

## RISK FACTORS

A prospective purchaser of Units should carefully consider the risk factors set out below or contained elsewhere in this Prospectus, along with the risk factors described in the documents incorporated by reference in this Prospectus, including in the Annual MD&A and the risk factors described under the heading "*Risk Factors*" in the AIF. Other than as described below including the risks relating to the Offering, there has been no significant change in the Company's risk factors from those described in the Annual MD&A and the AIF.

The risks presented in this Prospectus may not be all of the risks that the Company may face, although they are management's current reasonable assessment of the risk factors that may cause actual results to be different from expected and historical results. The risks and uncertainties described herein are not the only ones the Company faces. Additional risks and uncertainties, including those that the Company does not know about now or that it currently deems immaterial, may also adversely affect the Company's business. If any of the following risks actually occur, the Company's business may be harmed and its financial condition and results of operations may suffer significantly.

### *Risks Related to the Offering*

#### **Dilution**

While the net proceeds of the Offering are expected to enhance the Company's liquidity, to the extent that a portion of the net proceeds of the Offering remain as cash, the Offering may dilute the interest of holders of Common Shares. In the future, the Company may raise funds through the sale of additional Common Shares or securities convertible or exchangeable into or exercisable for Common Shares. Any such issuances may dilute the interests of the then-current holders of Common Shares and may have a negative impact on the market price of the Common Shares.

#### **Unallocated Proceeds of the Offering**

The Company intends to use the net proceeds in the manner discussed in the "*Use of Proceeds*," however, the Company's management will have broad discretion concerning the use of the net proceeds of the Offering as well as the timing of their expenditures and there can be no assurance as to how funds will be allocated, especially if the Company determines to revise its business plan or growth strategy. The failure of the Company to apply these funds effectively could negatively impact the success of the Company's business.

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

There is currently no market through which the Warrants may be sold. The Company will give notice to list the Warrants, but such listing may not occur. Accordingly, the purchasers may not be able to resell the Warrants purchased under this short form prospectus. This may affect the pricing of the Warrants in the secondary market, the transparency and availability of trading prices and the liquidity of the Warrants.

#### **Volatile Market Price of the Common Shares**

The market price of the Common Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company's control. This volatility may affect the ability of holders of Common Shares to sell their securities at an advantageous price. Market price fluctuations in the Common Shares may be due to the Company's operating results failing to meet expectations of securities analysts or investors in any period, downward revision in securities analysts' estimates, adverse changes in general market conditions, regulatory environment or economic trends, acquisitions, dispositions or other material public announcements by the Company or its competitors, along with a variety of additional factors. These broad market fluctuations may adversely affect the market price of the Common Shares.

Financial markets historically at times experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the Common Shares may decline even if the Company's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue, the Company's operations could be adversely impacted and the trading price of the Common Shares may be materially adversely affected.

### **Acquisition of the 180 Carion Road Property**

The Company has acquired the 180 Carion Road Property. In pursuit of this acquisition, the Company may have failed to negotiate appropriate acquisition terms or to conduct sufficient due diligence to determine all related liabilities and regulatory requirements. In addition, the Company may encounter difficulties in transitioning the 180 Carion Road Property into its existing business. The Company cannot provide assurance that any such acquisition will ultimately benefit the business.

### **Facility Expansions**

The Company may face delays, shortages of materials, delayed construction permits and labour disruption in connection with the expansion of the Kelowna Facility and 180 Carion Road Property. The failure of the Company to successfully complete the expansion of the Kelowna Facility in the anticipated timeline could materially adversely affect the business, financial condition and results of operations of the Company and may result in the Company not meeting anticipated or future demand when it arises.

### **Negative Operating Cash Flow**

During the financial year ended November 30, 2018, the Company had negative operating cash flow because its operating expenses exceeded its revenue. In addition, as a result of the Company's business plans for the development of its services, the Company expects cash flow from operations to be negative until the Company can commence commercial production to generate revenue to offset its operating expenditures. The Company's cash flow from operations may be affected in the future by expenditures incurred by the Company to continue to develop its products and services.

### **Dependence on Contracts**

The Company currently has, and expects in the future to enter into further, extraction services agreements with third parties from which the Company derives its revenues. Although some of the agreements contain requirements related to minimum delivery to the Company of extraction material for extraction purposes, not all of the agreements contain such commitments. As a result, the Company may not be able to foresee the amount of revenue it will receive from such agreements. The revenue of the Company from its extraction operations could fluctuate in the future. In addition, if any of the extraction services agreements is terminated, or terminates and is not renewed, there is no assurance that the Company will be able to secure future commitments. Accordingly, the Company's revenues could be materially affected by the termination of any one of the extraction services agreements, which could have a material adverse effect on the business, financial conditions, results of operations and prospects of the Company.

### **Risks related to Foreign Investors**

Prospective investors in a foreign jurisdiction should be aware that the purchase of the Company's Common Shares, or the payment of any dividends, distributions, profits or revenues accruing from such Common Shares, may violate laws or regulations of such jurisdiction. Any such transactions may be viewed as the proceeds of crime under certain statutes or any other applicable legislation of that jurisdiction, and could result in the investor being criminally liable for such transactions.

## **DEPOSITORY SERVICES**

Except in certain limited circumstances, including issuances to U.S. Accredited Investors: (i) the Common Shares and Warrants will be issued and deposited in electronic form with CDS or its nominee pursuant to the book-based system administered by CDS; (ii) certificates evidencing the Common Shares and Warrants will not be issued to purchasers; and (iii) purchasers of Common Shares and Warrants will receive only a customer confirmation from the Underwriters or other registered dealer who is a CDS participant and from or through whom a beneficial interest in the Common Shares and Warrants are purchased. Holders of Common Shares and Warrants who are not issued a certificate evidencing the Common Shares or Warrants are entitled under the *Business Corporations Act* (British Columbia) to request that a certificate be issued in their name. Such a request will need to be made through the CDS participant through whom the beneficial interest in the securities are held at the time of the request. The ability of a beneficial owner of Common Shares and Warrants to pledge such securities or otherwise take action with respect to such owner's interest in such securities (other than through a CDS participant) may be limited due to the lack of a physical certificate.

Neither the Company nor the Underwriters will assume any liability for: (i) any aspect of the records relating to the beneficial ownership of the Common Shares and Warrants held by CDS or the payments relating thereto; (ii) maintaining, supervising or reviewing any records relating to the Common Shares and Warrants; or (iii) any advice or representation made by or with respect to CDS and those contained in this Prospectus and relating to the rules governing CDS or any action to be taken by CDS or at the direction of its CDS participants. The rules governing CDS provide that it acts as the agent and depository for the CDS participants. As a result, CDS participants must look solely to CDS and persons, other than CDS participants, having an interest in the Common Shares and Warrants must look solely to CDS participants for payments made by or on behalf of the Company to CDS in respect of the Common Shares and Warrants.

#### **INTEREST OF EXPERTS**

The following persons or companies whose profession or business gives authority to the report, valuation, statement or opinion made by the person or company are named in this Prospectus as having prepared or certified a report, valuation, statement or opinion in this Prospectus.

Irwin Lowy LLP, counsel for the Company, and Borden Ladner Gervais LLP, counsel for the Underwriters, may pass upon on certain legal matters related to the Offering. As of the date hereof, partners and associates of Irwin Lowy LLP and Borden Ladner Gervais LLP, each as a group, own, directly or indirectly, in the aggregate, less than 1% of the securities of the Company. Chris Irwin is a partner of Irwin Lowy LLP and a director of the Company.

The auditor of the Company, Davidson & Company LLP, Chartered Professional Accountants, has informed the Company that it is independent with respect to the Company within the meaning of the Code of Professional Conduct of Chartered Professional Accountants of British Columbia.

#### **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 of Canada, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revision 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, revision of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal advisor.

In an offering of Warrants, investors are cautioned that the statutory right of action for damages for a misrepresentation contained in a prospectus is limited, in certain provincial securities legislation, to the price at which the Warrant is offered to the public under the prospectus offering. This means that, under the securities legislation of certain provinces, if the purchaser pays additional amounts upon conversion, exchange or exercise of the security, those amounts may not be recoverable under the statutory right of action for damages that applies in those provinces. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of this right of action for damages or consult with a legal advisor.

**CERTIFICATE OF THE COMPANY**

Dated: April 2, 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 Prospectus as required by the securities legislation of each of the provinces of Canada, other than Quebec.

Signed: *Tyler Robson*  
Chief Executive Officer

Signed: *Chris Buysen*  
Chief Financial Officer

On behalf of the Board of Directors

Signed: *Chris Irwin*  
Director

Signed: *Nitin Kaushal*  
Director

**CERTIFICATE OF THE UNDERWRITER**

Dated: April 2, 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, other than Quebec.

Signed: *Jeff Fallows*  
Managing Director  
AltaCorp Capital Inc.

Signed: *Kyle Gould*  
Director  
GMP Securities L.P.

Signed: *Marwan Kubursi*  
Managing Director  
Raymond James Ltd.

Signed: *Beng Lai*  
Managing Director  
Haywood Securities Inc.

Signed: *Jeff Reymers*  
Managing Director  
Mackie Research Capital Corp.