



# Investor Presentation

**CLS Holdings USA, Inc.**

OTCQB: CLSH

CSE: CLSH.U

Winter 2019

# Forward Looking Statements



This presentation has been compiled by the Company solely for information purposes. The presentation is not, and under no circumstances is to be construed to be, an offering of securities. Neither this presentation, nor its delivery to the recipient shall constitute an offer to sell, or the solicitation of an offer to buy the assets described herein. It is provided solely for use by prospective investors in considering their interest. Any sale will be made pursuant to the terms of a subscription agreement with the Company. The information contained herein has been prepared to assist interested parties in making their own evaluation of the Company and its business and does not purport to contain all the information that prospective investors may require. Prospective investors should conduct their own investigation and analysis of the Company and its business and the information contained in this presentation as well as any additional information provided by the Company. The information contained in this presentation is not to be used for any other purpose. Certain statutory rights for Canadian investors and key business and industry risk factors are included near the end of the presentation.

## Forward-Looking Information and Risk Acknowledgement

- This document contains “forward-looking statements” and “forward-looking information” within the meaning of applicable securities laws (collectively, “forward-looking information”) with respect to the Company, including, but not limited to; completion of the loan and option to acquire In Good Health and its Brockton, MA facility and the CannAssist joint venture, information pertaining to the Nevada state dispensary licenses, the build-out of the cultivation and processing facility (the “Facility”), the Nevada market for cannabis, the potential yield and revenue of the Facility, the commercialization of the Company’s extraction technology, the ability of the Company to obtain additional dispensary or cultivation licenses, the expectation of legalization of cannabis in states in the United States, the future acquisition of cannabis companies in the United States, information on the slides “The Opportunity – Massachusetts Investments”, “Corporate Structure”, “In Good Health – Brockton Cultivation and Extraction”, “In Good Health – Brockton Near-Term Expansion”, “CannAssist – Leicester JV Cultivation & Extraction”, “M&A Growth Strategy”, “Completed and Future Milestones”, “Management & Board of Directors”, “Operating Details”, “Transaction Structure”, “Sources & Uses of Funds” and “Pro Forma Capitalization”, the application of the proceeds of the offering, and any other statement that may predict, forecast, indicate or imply future plans, intentions, levels of activity, results, performance or achievements, and involve known and unknown risks, uncertainties and other factors which may cause the actual plans, intentions, activities, results, performance or achievements of the Company to be materially different from any future plans, intentions, activities, results, performance or achievements expressed or implied by such forward-looking information. Often, but not always, forward-looking information can be identified by the use of words such as “plans”, “expects”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates”, “will”, “projects”, or “believes” or variations (including negative variations) of such words and phrases, or statements that certain actions, events, results or conditions “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved. Except for statements of historical fact, information contained herein constitutes forward-looking information.
- Forward-looking information is not a guarantee of future performance and is based upon a number of estimates and assumptions of management at the date the statements are made including among other things assumptions about: completion of the loan and option to acquire In Good Health and its Brockton, MA facility and the CannAssist joint venture, completion of the build-out of the Facility, favourable equity capital markets; the ability to raise sufficient capital to advance the business of the Company; favourable operating conditions; political and regulatory stability; obtaining all required licences and permits; receipt of governmental approvals and permits and all necessary third party financing on favourable terms; sustained labour stability; stability in financial and capital goods markets; the pricing of various cannabis products; and the level of demand for cannabis products. While the Company considers these assumptions to be reasonable, the assumptions are inherently subject to significant business, social, economic, political, regulatory, competitive and other risks and uncertainties, contingencies and other factors that could cause actual performance, achievements, actions, events, results or conditions to be materially different from those projected in the forward-looking information. Many assumptions are based on factors and events that are not within the control of the Company and there is no assurance they will prove to be correct.
- This presentation contains “forward-looking statements” made under the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995 that are based on current expectations, estimates, forecasts and assumptions and are subject to risks and uncertainties. Words such as “anticipate,” “assume,” “believe,” “estimate,” “expect,” “goal,” “intend,” “plan,” “project,” “seek,” “target,” and variations of such words and similar expressions are intended to identify forward-looking statements. Such forward-looking statements are subject to certain risks, uncertainties and assumptions that may cause actual results to differ materially from those expressed by the forward-looking statements, including, but not limited to, the following: general economic, industry and market sector conditions; the Company’s future growth and the ability to obtain additional financing to implement the Company’s growth strategy; the ability to anticipate and respond to industry trends and preferences; intense competition. In evaluating these statements, you should carefully consider these risks and uncertainties and those described under the headings “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Risk Factors” in the Company’s most recent Annual Report on Form 10-K and Quarterly Reports on Form 10-Q, including but not limited to the discussion under “Risk Factors” therein, which the Company has filed with the SEC and which may be viewed at <http://www.sec.gov>. All forward-looking statements speak only as of the date on which they are made. The Company undertakes no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement was made, except to the extent required by applicable securities laws. The professionals listed under the heading “Corporate Information” are identified solely for informational purposes. Such professionals have not reviewed or assisted in the preparation of this presentation and the inclusion of their contact information should not be construed as an endorsement or approval of the information contained herein.

# Investment Highlights



Oasis Cannabis dispensary in downtown Las Vegas supported by City Trees branded products and cultivation

- One of the top dispensaries supplying **42M** annual tourists; Currently completing over **350** orders per day at **~\$45** per order
- Phased buildout of **25,000** sqft cultivation and production facility to produce up to **6,600** lbs per year at full capacity



CLSH enters agreements on two Massachusetts assets via In Good Health's Brockton and CannAssist's Leicester

- Brockton opened in **2015** as the **2nd** medical dispensary in Massachusetts and currently serves over **225** patients per day
- Leicester facility has a footprint of **86,000** sqft for future cultivation and extraction capacity to support Brockton dispensary



Expanding national footprint creates licensing opportunities for core extraction technologies

- CLSH's proprietary extraction and conversion process recently received Notice of Allowance from the US Patent Office
- Processing services to be offered to third party producers in two major U.S. cannabis markets on a fee per gram of oil basis



Strength of Management team and Board to lead future growth through M&A

- Track record of successfully raising capital and integrating acquisitions; Oasis and IGH Founders to maintain key CLSH roles
- Unique strengths in start-ups, business management, community involvement and organizational leadership

# The Opportunity Massachusetts Investments

Massachusetts

## MASSACHUSETTS MARKET EXPOSURE

Access to strong Massachusetts market currently realizing retail flower prices of **~\$5,500** per lb

Number of state licenses have been limited by the need for non-opposition from local municipalities

## CORNERSTONES FOR FUTURE EXPANSION

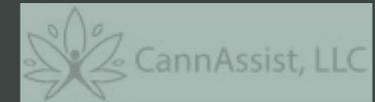
Established market presence will build a platform for east coast operations

Management team has a strong background in M&A to carry out this growth strategy

## PROPOSED INVESTMENTS

- ✓ **\$5M** loan and option to acquire In Good Health and its Brockton facility, one of **38** licensed medical dispensaries in Massachusetts
- ✓ CLSH to form joint venture with CannAssist on Leicester facility and fund **\$25-\$30M** construction capex

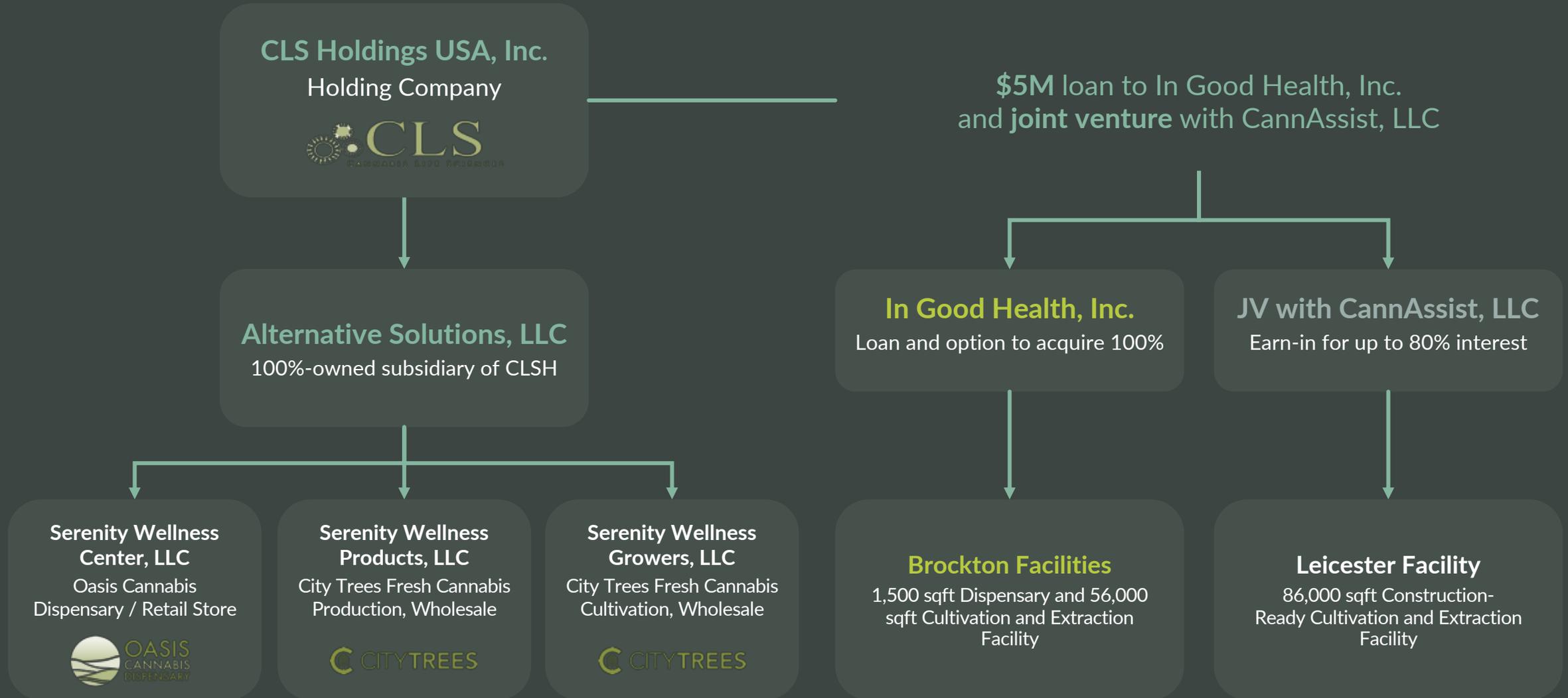
InGoodHealth  
FOR A BETTER QUALITY OF LIFE



## DISPENSARY AND CULTIVATION

- ✓ Brockton dispensary generating **~\$1.0M** revenue per month before the introduction of recreational-use
- ✓ Producing flower at a rate of **3,400** lbs per year, expanding to **9,000+** lbs
- ✓ Leicester construction designed for capacity of up to **28,000** lbs per year

# Corporate Structure



# In Good Health Brockton Dispensary Overview

Vertically integrated with cultivation, production and dispensary licenses in southeastern Massachusetts

2015

2018

Currently

Operational since September 2015 as a medical cultivator and dispensary;

Added wholesale / production operations in February 2018;

Adult use license from the city of Brockton, MA expected in Q2 2019

- ✓ Brockton is one of the top medical dispensaries in Massachusetts, serving **17,000** registered patients and delivering to **1,700** homes
- ✓ **>300,000** transactions processed since 2015; Average dispensary sale is **\$125** and the average delivery sale is **\$300**
- ✓ Capacity to serve **800 to 1,000** customers per day utilizing **12** registers



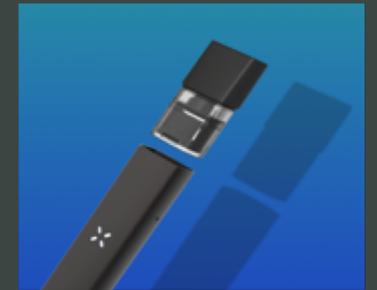
In Good Health Inc  
Brockton ~25 miles south of Boston

**1,500** sqft dispensary in close proximity to Boston, Fall River and Providence, Rhode Island; 25 miles from downtown Boston

# In Good Health Key Product Offerings



FLOWERS



CONCENTRATES



VAPES



EDIBLES



PRE-ROLLS



TINCTURES

# In Good Health

## Brockton Cultivation & Extraction

**20,000** sqft of the current **26,000** sqft facility is dedicated to cultivation

- Currently producing **21** strains at a rate of **3,400** lbs of flower per year
- **1,200** lbs are allocated for extraction which is operating at full capacity
- Extraction will triple output after expansion of facility is completed

Currently building out **30,000** sqft of which **20,000** is to be used for cultivation

- Potential to add incremental flower of up to **5,600** lbs per year – total **9,000+** lbs
- Construction well under-way and on track for Q2 2019 completion
- Establish recreational presence through high quality, popular cannabis strains

Production space will double to **2,000** sqft to meet demand for concentrates, edibles and infused product

- Brockton produces extracts, edibles and infused water under the Infinity brand
- IGH is the exclusive distributor in Massachusetts for PAX vape pens, Manna transdermal patches and Quicksilver sublingual products through 2020

Option Agreement: Terms

- US\$35M due November 2019
- Remaining \$10M seller note at 6% interest
- \$5M stock valued at market price November 2019

Brockton cultivation, production & dispensary facilities located at 1200 W. Chestnut St.



# In Good Health Brockton Near-Term Expansion

Current Footprint

26,000 sqft

Expansion Plans

30,000 sqft



## CONSTRUCTION PLANS

- ✓ Current facility: 26,000 sqft
- ✓ Expansion adds: 30,000 sqft
- ✓ Completion date: Q2 2019
- ✓ Expansion plans include 20,000 sqft cultivation and 1,000 sqft production

## FUTURE OUTLOOK

Further dispensary additions via acquisition or construction

Technology licensing to exploit proprietary extraction process

# CannAssist Leicester JV Cultivation & Extraction

## CLSH AND CANNASSIST TO FORM LEICESTER JOINT VENTURE

- ✓ CLSH will earn an **80%** interest by funding **\$25M-\$30M** construction capex
- ✓ Opportunity for CLSH to expand in Massachusetts cannabis market, currently realizing wholesale prices of **~\$3,500/lb** flower and **~\$40/g** oil equivalent

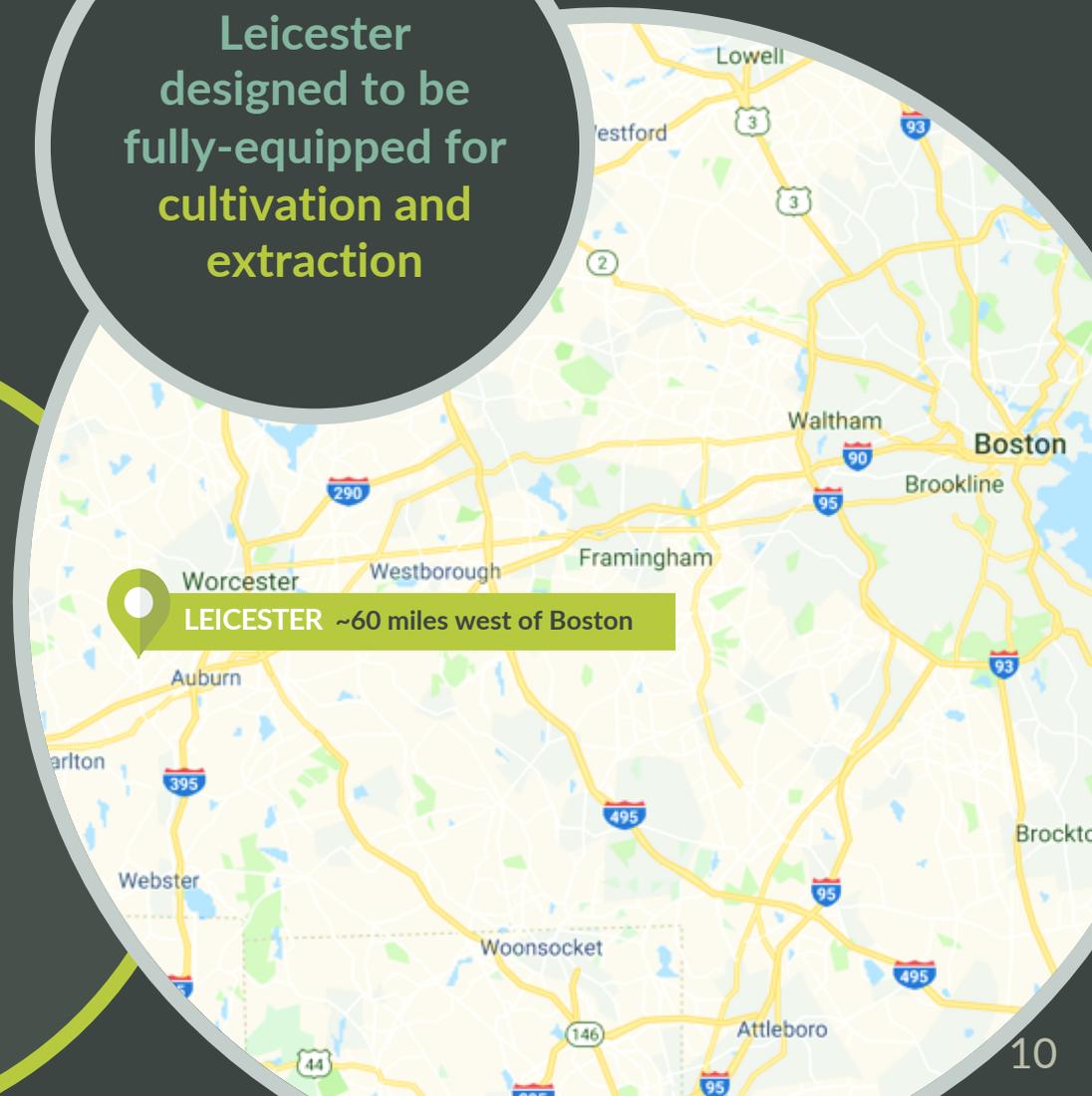
## CONSTRUCTION EXPECTED TO COMMENCE IN Q1 2019

- ✓ All local approvals received
- ✓ Fixed contract with the local community and favourable lease terms

**86,000** sqft footprint  
targeting annual flower  
capacity of up to **28,000** lbs

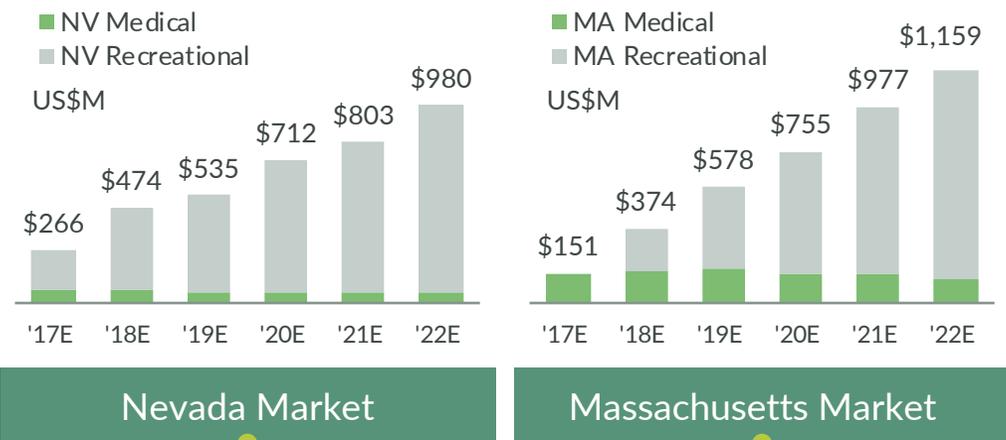
Installation of CLSH  
proprietary extraction  
technology for the processing  
of up to **~12,600** lbs per  
year of flower and trim

Leicester  
designed to be  
fully-equipped for  
cultivation and  
extraction



# Our Target Markets

## Nevada and Massachusetts

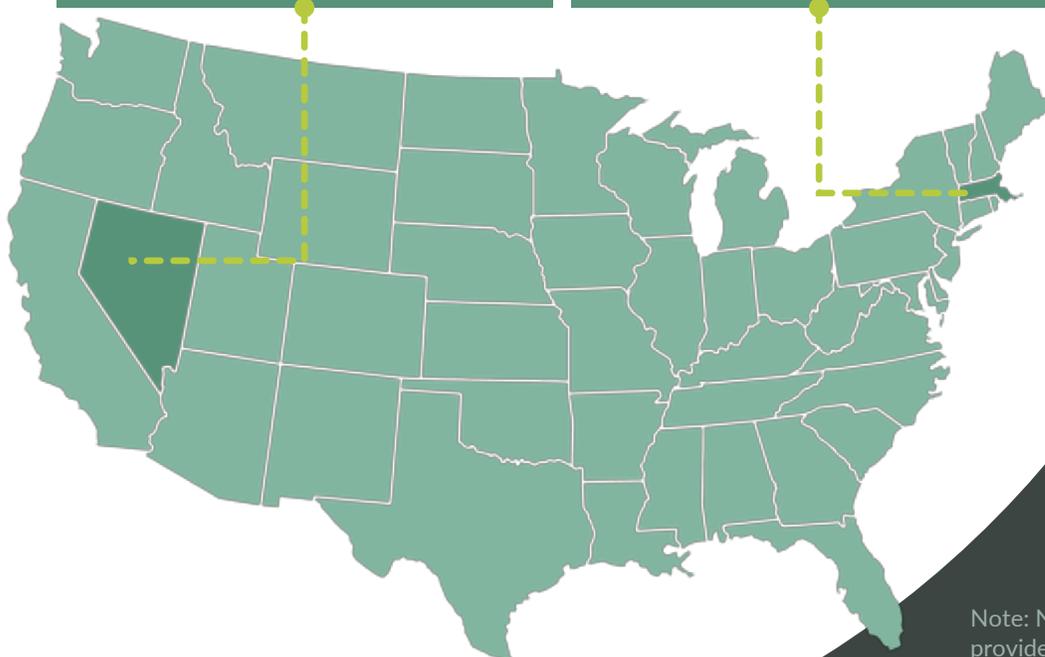


### LOW GEOGRAPHIC COVERAGE

**38** licensed medical dispensaries and **1** recreational license granted for retail and growing in Massachusetts

Only **45** dispensary licenses issued in greater Las Vegas area

- ### Additional License Opportunities
- ✓ **11** provisional recreational retail licenses issued in MA
- ### Recreational Use Approved
- ✓ Massachusetts approved on November 8, 2016
  - ✓ Nevada approved on July 1, 2017



### SIGNIFICANT MARKET POTENTIAL

- Population of **6.9M** in Massachusetts with **>3M** within a **35** mile radius of the **Brockton** location; **54k** registered patients
- Population of **3.0M** in Nevada with over **50k** registered patients; **Las Vegas** hosts more than **42M** tourists every year

Note: Nevada and Massachusetts market data reflect estimates provided by Canaccord Genuity's US equity research team

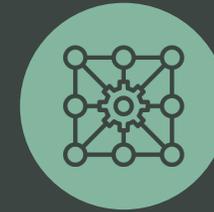
# M&A Growth Strategy



Management team has 120+ years of collective experience in capital markets; medical and real estate lends itself well to pursuing – and executing on – M&A transactions across the United States



CLSH is looking to acquire cannabis opportunities in the United States where medical and recreational marijuana businesses are prosperous with large potential growth and expansion. The investments in the Brockton and Leicester facilities will establish a presence on the east coast where CLSH hopes to pursue additional opportunities



With a disciplined approach to finding, evaluating and integrating target acquisitions, CLSH intends to actively pursue opportunities in the large, but highly fragmented cannabis industry

## TARGET CRITERIA

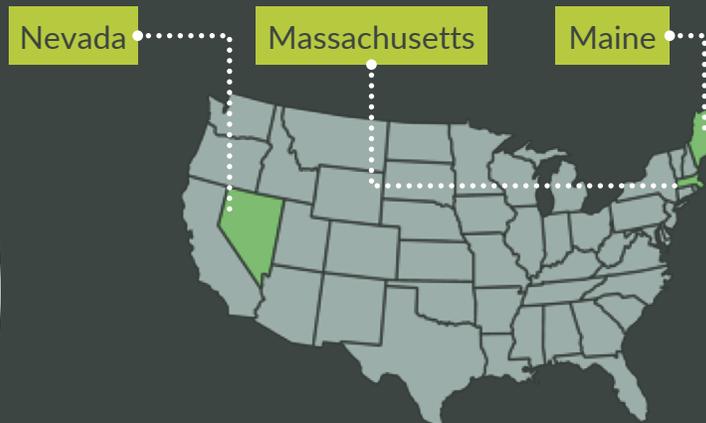


Current revenue close to **\$1.0M** per month

Capacity to reach **\$4-\$5M** per month

Medical and recreational

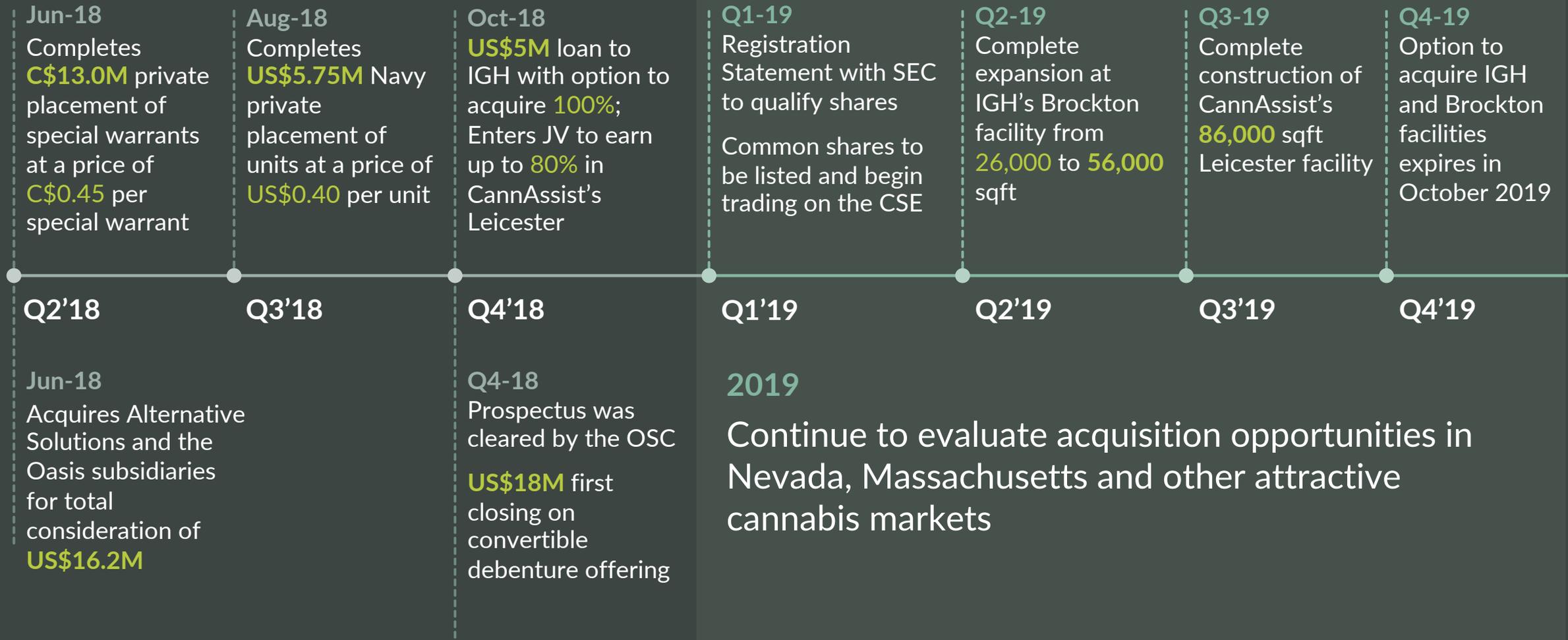
## CURRENTLY APPROACHING COMPANIES IN:



## OPPORTUNITY 1: BROCKTON AND LEICESTER

- ✓ Medical & recreational
- ✓ State: Massachusetts
- ✓ Potential market size: **US\$2.4B**
- ✓ Population: **6.9M**, **52,000** registered patients
- ✓ Dispensary: Yes

# Completed and Future Milestones



## 2019

Continue to evaluate acquisition opportunities in Nevada, Massachusetts and other attractive cannabis markets

# Management & Board of Directors



## MANAGEMENT TEAM

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**Jeffrey Binder**  
Co-Founder,  
Chairman &  
CEO

- Prior to founding CLSH, Mr. Binder served as founder, Chairman and President of Power 3 Network, Inc., a company that develops websites and back offices for home-based businesses
- Mr. Binder received his Juris Doctorate from the National Law Center, George Washington University, in 1971, and served as a legislative assistant to Adlai Stevenson II, an Illinois Senator.

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**Frank Tarantino**  
CFO

- Prior to joining CLSH, Mr. Tarantino was the COO/CFO of Wild Things, an outdoor clothing manufacture serving the US Military; worked as the VP of Finance at Cornerstone Brands and started his career as an auditor for Price Coopers in the Boston office.
- Mr. Tarantino earned a BS in Accounting and Finance from Babson College and his CPA Certificate from the State of MA.

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**David Noble**  
President &  
CEO,  
In Good  
Health

- As the Founder & CEO of In Good Health, Inc., Mr. Noble has been a leader in the Massachusetts cannabis industry
- Mr. Noble has significant experience in operating healthcare organizations including serving as nursing home administrator of a 164-bed facility for seven years

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**Ben Sillitoe**  
CEO, CLS  
Nevada

- Co-Founder of Oasis Cannabis and current CEO of CLS Nevada;
- Mr. Sillitoe has been actively involved in the Las Vegas cannabis industry, serving on the Board of Directors for the Nevada Dispensary Association (NDA) for over two years
- Mr. Sillitoe earned his Bachelor of Science in Business Administration with a major in Managerial Finance from UNLV.

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## BOARD OF DIRECTORS

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**Andrew Glashow**  
Director

- Mr. Glashow is the Managing Director and Founder of New World Merchant Partners, an investment banking firm specializing in microcap transactions in the \$5M to \$50M range
- Prior to New World Merchant Partners, he was a Partner in STAR Associates, a corporate finance firm specializing in the placement of capital for small and emerging growth companies
- Mr. Glashow is a graduate of the University of New Hampshire's Whittemore School of Business and Economics.

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**Raymond Keller**  
Founder of  
CLS  
Labs &  
Advisor

- Mr. Keller is a biologist and chemist who developed and secured intellectual property rights related to extraction and conversion of cannabinoids from the cannabis plant
- Founder and CEO of GoodCat, LLC, an FDA-licensed laboratory that produces e-cigarette liquid for distributors and brands
- Mr. Keller graduated from the College of Charleston with a degree in Biology in 1989

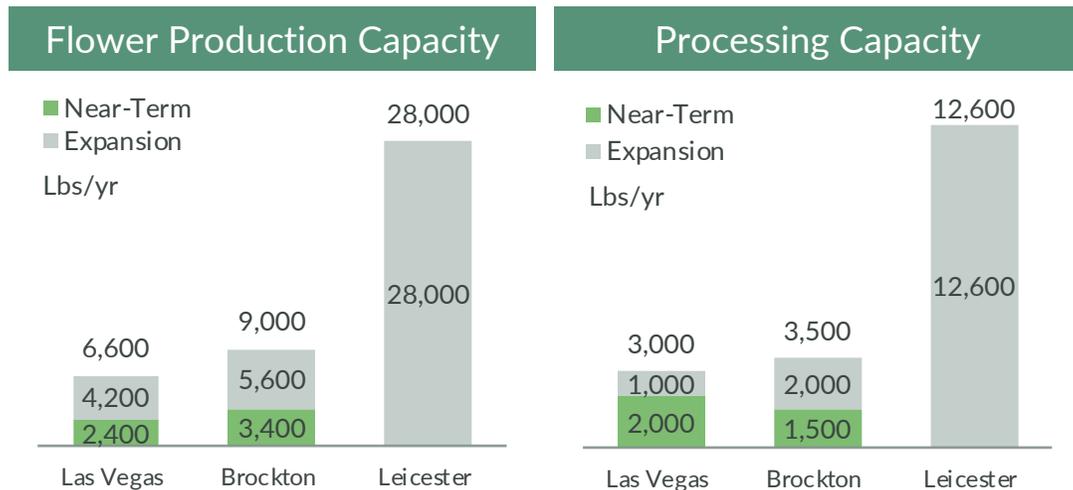
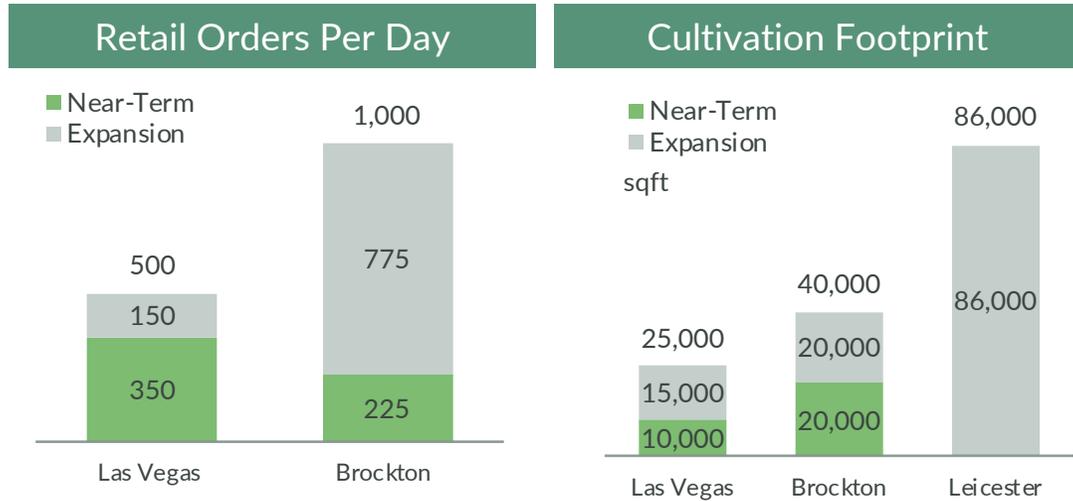
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**Frank Koretsky**  
Co-Founder  
& Director

- Mr. Koretsky has served as the President of East Coast News Corp., a leader in consumer packaged goods, since 1995
- As a result of business experience, Mr. Koretsky brings a strong background in management, marketing and branding to CLSH

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# Operating Details



## RETAIL DISPENSARIES

- Las Vegas currently completing **~350** orders per day at an average of **\$45**; Aiming for **~500** orders
- Brockton completing **~225** orders per day at an average of **\$125**; Targeting **~800-1,000** orders per day with introduction of recreational sales

## FACILITY EXPANSION AND CULTIVATION

- Near-term expansion at Las Vegas and Brockton to **6,600** lbs and **9,000** lbs per year, respectively
- New **86,000** sqft Leicester facility will add **28,000** lbs annual flower capacity (**80%** attrib. to CLSH)

## EXTRACTION TECHNOLOGIES

- CLSH plans to use **~35%** of flower production as input for production of oils, extracts and edibles
- Trim production to fill excess processing capacity

# Current Capitalization (US\$)



## BASIC SHARES OUTSTANDING

CLSH shares pre-Oasis acquisition	53,366,384
Shares issued to Alternative Solutions	22,058,823
Shares underlying special warrants	34,761,986
Shares issued in Navy private placement <sup>1</sup>	14,375,000
Shares issued to Yorkville private placement	1,656,250
<b>Current CLSH shares outstanding<sup>2</sup></b>	<b>126,218,443</b>

## MARKET VALUE

Share price as of January 10 (OTCQB: CLSH)	\$0.55
Basic market capitalization	\$69,420,144
Cash balance	\$15,300,000
Note receivable	\$5,000,000
Debt outstanding	\$22,600,000
<b>Enterprise value</b>	<b>\$72,320,144</b>

## CASH BALANCE

<b>Current CLSH cash balance</b>	<b>\$15,300,000</b>
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## NOTE RECEIVABLE

Note to In Good Health	\$5,000,000
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## DEBT OUTSTANDING

Yorkville convertible note <sup>3</sup>	\$700,000
Oasis promissory note <sup>4</sup>	\$4,000,000
Convertible Debentures	\$17,900,000
<b>Pro forma debt</b>	<b>\$22,600,000</b>

### Notes:

1. Shares have not been issued as of January 10, 2019
2. CLSH has 61,912,860 warrants outstanding with an average exercise price of US\$0.53 and 575,000 restricted shares vesting between Dec. 1st, 2018 and Jun. 30th, 2019
3. Yorkville convertible at US\$0.40, carries interest at 8.0% and matures Dec. 31st, 2019
4. Oasis note carries interest at 6.0% and matures Dec. 31st, 2019

# Sources & Uses of Funds (US\$)

## SOURCES

Current CLSH cash balance (December 31 <sup>st</sup> , 2018)	\$15,300,000
Convertible debentures gross proceeds	\$22,100,000
<b>Total sources of funds</b>	<b>\$37,400,000</b>

## USES

Required spending to earn Leicester JV with CannAssist, LLC	\$25,000,000
Improvements to North Las Vegas cultivation facilities	\$4,000,000
Working capital and potential strategic acquisitions	\$6,900,000
Agents' fees, legal and accounting expenses	\$1,500,000
<b>Total uses of funds</b>	<b>\$37,400,000</b>

# Pro Forma Capitalization (US\$)



## BASIC SHARES OUTSTANDING

CLSH shares pre-Oasis acquisition	53,366,384
Shares issued to Oasis	22,058,823
Shares underlying special warrants	34,761,986
Shares issued in Navy private placement <sup>1</sup>	14,375,000
Shares issued in Yorkville private placement	1,656,250
<b>Current CLSH shares outstanding<sup>2</sup></b>	<b>126,218,443</b>
Conversion price	\$0.80
Shares underlying convertible debentures <sup>5</sup>	50,000,000
<b>Pro forma shares</b>	<b>176,218,443</b>

## MARKET VALUE

Pro forma market cap (at conversion price)	\$140,974,754
Cash balance	\$35,500,000
Debt outstanding	\$4,700,000
<b>Enterprise value</b>	<b>\$105,174,754</b>

## CASH BALANCE

Current CLSH cash balance	\$15,000,000
Convertible debentures net proceeds	\$20,500,000
<b>Pro forma cash balance</b>	<b>\$35,500,000</b>

## DEBT OUTSTANDING

Yorkville convertible note <sup>3</sup>	\$700,000
Oasis promissory note <sup>4</sup>	\$4,000,000
<b>Pro forma debt</b>	<b>\$4,700,000</b>

### Notes:

1. Shares have not been issued as of January 10, 2019
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3. Yorkville convertible at US\$0.40, carries interest at 8.0% and matures Dec. 31st, 2019
4. Oasis note carries interest at 6.0% and matures Dec. 31st, 2019
5. Convertible into units comprised of 1 common share and ½ warrant. Each whole warrant will be exercisable at US\$1.10 for 36 months. Up to 25,000,000 warrants to be issued upon conversion

### Conflicts of Interest:

Canaccord Genuity Corp. and its employees own in the aggregate 4,714,675 common shares of the Company and an additional 9,350,358 warrants to acquire common shares of the Company. Such amounts include 6,084,334 compensation warrants issued to Canaccord Genuity Corp. as agent in the Company's private placement of special warrants in June 2018. In the aggregate, such common shares and warrants represent approximately 7.5% of the fully diluted outstanding common shares of the Company immediately prior to the Offering (or 10.5% of the outstanding common shares of the Company immediately prior to the Offering, assuming exercise of only the warrants held by Canaccord Genuity Corp. and its employees).



**Jeff Binder**

**Chairman & CEO**

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# Statutory Rights for Canadian Investors



Securities legislation in certain of the provinces of Canada provides purchasers with rights of rescission or damages, or both, where an offering memorandum or any amendment to it contains a misrepresentation. A “misrepresentation” is 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 any statement not misleading or false in the light of the circumstances in which it was made. These remedies must be commenced by the purchaser within the time limits prescribed and are subject to the defences contained in the applicable securities legislation. Each purchaser should refer to the provisions of the applicable securities laws for the particulars of these rights or consult with a legal advisor. The following rights are in addition to and without derogation from any other right or remedy which purchasers may have at law and are intended to correspond to the provisions of the relevant securities laws and are subject to the defences contained therein. The following summaries are subject to the express provisions of the applicable securities statutes and instruments in the below-referenced provinces and the regulations, rules and policy statements thereunder and reference is made thereto for the complete text of such provisions.

## Ontario Investors

Under Ontario securities legislation, certain purchasers who purchase securities offered by an offering memorandum during the period of distribution will have a statutory right of action for damages, or while still the owner of the securities, for rescission against the issuer or any selling security holder if the offering memorandum contains a misrepresentation without regard to whether the purchasers relied on the misrepresentation. The right of action for damages is exercisable not later than the earlier of 180 days from the date the purchaser first had knowledge of the facts giving rise to the cause of action and three years from the date on which payment is made for the securities. The right of action for rescission is exercisable not later than 180 days from the date on which payment is made for the securities. If a purchaser elects to exercise the right of action for rescission, the purchaser will have no right of action for damages against the issuer or any selling security holder. In no case will the amount recoverable in any action exceed the price at which the securities were offered to the purchaser and if the purchaser is shown to have purchased the securities with knowledge of the misrepresentation, the issuer and any selling security holder will have no liability. In the case of an action for damages, the issuer and any selling security holder will not be liable for all or any portion of the damages that are proven to not represent the depreciation in value of the securities as a result of the misrepresentation relied upon. These rights are not available for a purchaser that is (a) a Canadian financial institution or a Schedule III Bank (each as defined in National Instrument 45-106 – Prospectus Exemptions), (b) the Business Development Bank of Canada incorporated under the Business Development Bank of Canada Act (Canada), or (c) a subsidiary of any person referred to in paragraphs (a) and (b), if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by directors of that subsidiary. These rights are in addition to, and without derogation from, any other rights or remedies available at law to an Ontario purchaser. The foregoing is a summary of the rights available to an Ontario purchaser. Not all defences upon which an issuer, selling security holder or others may rely are described herein. Ontario purchasers should refer to the complete text of the relevant statutory provisions

## Alberta, British Columbia and Quebec

By purchasing Special Warrants of the Company, purchasers in Alberta, British Columbia and Quebec are not entitled to the statutory rights described above. In consideration of their purchase of the Special Warrants and upon accepting a purchase confirmation in respect thereof, these purchasers are hereby granted a contractual right of action for damages or rescission that is substantially the same as the statutory right of action provided to residents of Ontario who purchase Special Warrants.

## Saskatchewan Investors

Under Saskatchewan securities legislation, certain purchasers who purchase securities offered by an offering memorandum during the period of distribution will have a statutory right of action for damages against the issuer, every director and promoter of the issuer or any selling security holder as of the date of the offering memorandum, every person or company whose consent has been filed under the offering memorandum, every person or company that signed the offering memorandum or the amendment to the offering memorandum and every person or company who sells the securities on behalf of the issuer or selling security holder under the offering memorandum, or while still the owner of the securities, for rescission against the issuer or selling security holder if the offering memorandum contains a misrepresentation without regard to whether the purchasers relied on the misrepresentation. The right of action for damages is exercisable not later than the earlier of one year from the date the purchaser first had knowledge of the facts giving rise to the cause of action and six years from the date on which payment is made for the securities. The right of action for rescission is exercisable not later than 180 days from the date on which payment is made for the securities. If a purchaser elects to exercise the right of action for rescission, the purchaser will have no right of action for damages against the issuer or the others listed above. In no case will the amount recoverable in any action exceed the price at which the securities were offered to the purchaser and if the purchaser is shown to have purchased the securities with knowledge of the misrepresentation, the issuer and the others listed above will have no liability. In the case of an action for damages, the issuer and the others listed above will not be liable for all or any portion of the damages that are proven to not represent the depreciation in value of the securities as a result of the misrepresentation relied upon.

# Statutory Rights for Canadian Investors



## Saskatchewan Investors (continued)

Other defences in Saskatchewan legislation include that no person or company, other than the issuer, will be liable if the person or company proves that (a) the offering memorandum or any amendment to it was sent or delivered without the person's or company's knowledge or consent and that, on becoming aware of it being sent or delivered, that person or company immediately gave reasonable general notice that it was so sent or delivered, or (b) with respect to any part of the offering memorandum or any amendment to it purporting to be made on the authority of an expert, or purporting to be a copy of, or an extract from, a report, an opinion or a statement of an expert, that person or company had no reasonable grounds to believe and did not believe that there had been a misrepresentation, the part of the offering memorandum or any amendment to it did not fairly represent the report, opinion or statement of the expert. No person or company, other than the issuer, is liable for any part of the offering memorandum or the amendment to the offering memorandum not purporting to be made on the authority of an expert and not purporting to be a copy of or an extract from a report, opinion or statement of an expert, unless the person or company (a) failed to conduct a reasonable investigation sufficient to provide reasonable grounds for a belief that there had been no misrepresentation, or (b) believed there had been a misrepresentation. Similar rights of action for damages and rescission are provided in Saskatchewan legislation in respect of a misrepresentation in advertising and sales literature disseminated in connection with an offering of securities.

Saskatchewan legislation also provides that where an individual makes a verbal statement to a prospective purchaser that contains a misrepresentation relating to the security purchased and the verbal statement is made either before or contemporaneously with the purchase of the security, the purchaser has, without regard to whether the purchaser relied on the misrepresentation, a right of action for damages against the individual who made the verbal statement. No person or company, other than the issuer, is liable for any part of the offering memorandum or the amendment to the offering memorandum not purporting to be made on the authority of an expert and not purporting to be a copy of or an extract from a report, opinion or statement of an expert, unless the person or company (a) failed to conduct a reasonable investigation sufficient to provide reasonable grounds for a belief that there had been no misrepresentation, or (b) believed there had been a misrepresentation. Similar rights of action for damages and rescission are provided in Saskatchewan legislation in respect of a misrepresentation in advertising and sales literature disseminated in connection with an offering of securities.

Saskatchewan legislation also provides that where an individual makes a verbal statement to a prospective purchaser that contains a misrepresentation relating to the security purchased and the verbal statement is made either before or contemporaneously with the purchase of the security, the purchaser has, without regard to whether the purchaser relied on the misrepresentation, a right of action for damages against the individual who made the verbal statement. In addition, Saskatchewan legislation provides a purchaser with the right to void the purchase agreement and to recover all money and other consideration paid by the purchaser for the securities if the securities are sold by a vendor who is trading in Saskatchewan in contravention of Saskatchewan securities legislation, regulations or a decision of the Financial and Consumer Affairs Authority of Saskatchewan. The Saskatchewan legislation also provides a right of action for rescission or damages to a purchaser of securities to whom an offering memorandum or any amendment to it was not sent or delivered prior to or at the same time as the purchaser enters into an agreement to purchase the securities, as required by the Saskatchewan legislation. A purchaser who receives an amended offering memorandum has the right to withdraw from the agreement to purchase the securities by delivering a notice to the issuer or selling security holder within two business days of receiving the amended offering memorandum. These rights are in addition to, and without derogation from, any other rights or remedies available at law to a Saskatchewan purchaser. The foregoing is a summary of the rights available to a Saskatchewan purchaser. Not all defences upon which an issuer or others may rely are described herein. Saskatchewan purchasers should refer to the complete text of the relevant statutory provisions.

## Manitoba Investors

If an offering memorandum or any amendment thereto, sent or delivered to a purchaser contains a misrepresentation, the purchaser who purchases the security is deemed to have relied on the misrepresentation if it was a misrepresentation at the time of the purchase and has a statutory right of action for damages against the issuer, every director of the issuer at the date of the offering memorandum, and every person or company who signed the offering memorandum. Alternatively, the purchaser may elect to exercise a statutory right of rescission against the issuer, in which case the purchaser will have no right of action for damages against any of the aforementioned persons.

No action shall be commenced to enforce any of the foregoing rights more than: (a) in the case of an action for rescission, 180 days from the date of the transaction that gave rise to the cause of action, or (b) in the case of an action for damages, the earlier of (i) 180 days after the purchaser first had knowledge of the facts giving rise to the cause of action, or (ii) two years after the date of the transaction that gave rise to the cause of action.

# Statutory Rights for Canadian Investors



## Manitoba Investors (continued)

Securities legislation in Manitoba provides a number of limitations and defences to such actions, including:

- a. in an action for rescission or damages, no person or company will be liable if it proves that the purchaser purchased the securities with knowledge of the misrepresentation;
- b. in an action for damages, no person or company will be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the securities as a result of the misrepresentation relied upon; and
- c. in no case will the amount recoverable under the right of action described above exceed the price at which the securities were offered under the offering memorandum

## New Brunswick Investors

Under New Brunswick securities legislation, certain purchasers who purchase securities offered by an offering memorandum during the period of distribution will have a statutory right of action for damages, or while still the owner of the securities, for rescission against the issuer and any selling security holder in the event that the offering memorandum, or a document incorporated by reference in or deemed incorporated into the offering memorandum, contains a misrepresentation without regard to whether the purchasers relied on the misrepresentation. The right of action for damages is exercisable not later than the earlier of one year from the date the purchaser first had knowledge of the facts giving rise to the cause of action and six years from the date on which payment is made for the securities. The right of action for rescission is exercisable not later than 180 days from the date on which payment is made for the securities. If a purchaser elects to exercise the right of action for rescission, the purchaser will have no right of action for damages against the issuer or any selling security holder. In no case will the amount recoverable in any action exceed the price at which the securities were offered to the purchaser and if the purchaser is shown to have purchased the securities with knowledge of the misrepresentation, the issuer and any selling security holder will have no liability. In the case of an action for damages, the issuer and any selling security holder will not be liable for all or any portion of the damages that are proven to not represent the depreciation in value of the securities as a result of the misrepresentation relied upon.

These rights are in addition to, and without derogation from, any other rights or remedies available at law to a New Brunswick purchaser. The foregoing is a summary of the rights available to a New Brunswick purchaser. Not all defences upon which an issuer, selling security holder or others may rely are described herein. New Brunswick purchasers should refer to the complete text of the relevant statutory provisions.

## Nova Scotia Investors

Under Nova Scotia securities legislation, certain purchasers who purchase securities offered by an offering memorandum during the period of distribution will have a statutory right of action for damages against the issuer or other seller and the directors of the issuer as of the date the offering memorandum, or while still the owner of the securities, for rescission against the issuer or other seller if the offering memorandum, or a document incorporated by reference in or deemed incorporated into the offering memorandum, contains a misrepresentation without regard to whether the purchasers relied on the misrepresentation. The right of action for damages or rescission is exercisable not later than 120 days from the date on which payment is made for the securities or after the date on which the initial payment for the securities was made where payments subsequent to the initial payment are made pursuant to a contractual commitment assumed prior to, or concurrently with, the initial payment. If a purchaser elects to exercise the right of action for rescission, the purchaser will have no right of action for damages against the issuer or other seller or the directors of the issuer. In no case will the amount recoverable in any action exceed the price at which the securities were offered to the purchaser and if the purchaser is shown to have purchased the securities with knowledge of the misrepresentation, the issuer or other seller and the directors of the issuer will have no liability. In the case of an action for damages, the issuer or other seller and the directors of the issuer will not be liable for all or any portion of the damages that are proven to not represent the depreciation in value of the securities as a result of the misrepresentation relied upon.

In addition, a person or company, other than the issuer, is not liable with respect to any part of the offering memorandum or any amendment to the offering memorandum not purporting (a) to be made on the authority of an expert or (b) to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company (i) failed to conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no misrepresentation or (ii) believed that there had been a misrepresentation.

# Statutory Rights for Canadian Investors



## Prince Edward Island Investors

If an offering memorandum, together with any amendment thereto, is delivered to a purchaser and the offering memorandum, or any amendment thereto, contains a misrepresentation, a purchaser has, without regard to whether the purchaser relied on the misrepresentation, a statutory right of action for damages against (a) the issuer, (b) subject to certain additional defences, against every director of the issuer at the date of the offering memorandum and (c) every person or company who signed the offering memorandum, but may elect to exercise the right of rescission against the issuer (in which case the purchaser shall have no right of action for damages against the aforementioned persons or company). No action shall be commenced to enforce the right of action discussed above more than: (a) in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or (b) in the case of any action for damages, the earlier of: (i) 180 days after the purchaser first had knowledge of the facts giving rise to the cause of action; or (ii) three years after the date of the transaction that gave rise to the cause of action.

Securities legislation in Prince Edward Island provides a number of limitations and defences to such actions, including:

- a. no person or company will be liable if it proves that the purchaser purchased the securities with knowledge of the misrepresentation;
- b. in an action for damages, the defendant is not liable for all or any portion of the damages that it proves does not represent the depreciation in value of the securities as a result of the misrepresentation relied upon; and
- c. in no case shall the amount recoverable under the right of action described herein exceed the price at which the securities were offered under the offering memorandum, or any amendment thereto.

## Newfoundland and Labrador Purchasers

If an offering memorandum, together with any amendment thereto, contains a misrepresentation, a purchaser has, without regard to whether the purchaser relied on the misrepresentation, a statutory right of action for damages against (a) the issuer, (b) subject to certain additional defences, against every director of the issuer at the date of the offering memorandum and (c) every person who signed the offering memorandum, but may elect to exercise the right of rescission against the issuer (in which case the purchaser shall have no right of action for damages against the aforementioned persons).

No action shall be commenced to enforce the right of action discussed above more than: (a) in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or (b) in the case of any action for damages, the earlier of: (i) 180 days after the purchaser first had knowledge of the facts giving rise to the cause of action; or (ii) three years after the date of the transaction that gave rise to the cause of action.

Securities legislation in Newfoundland and Labrador provides a number of limitations and defences to such actions, including:

- a. no person will be liable if it proves that the purchaser purchased the securities with knowledge of the misrepresentation;
- b. in an action for damages, the defendant is not liable for all or any portion of the damages that it proves does not represent the depreciation in value of the securities as a result of the misrepresentation relied upon; and
- c. in no case shall the amount recoverable under the right of action described herein exceed the price at which the securities were offered under the offering memorandum, or any amendment thereto.

# Cautionary Note to European Investors



European laws, regulations and their enforcement, particularly those pertaining to anti-money laundering, relating to making and/or holding investments in cannabis-related practices or activities are in flux and vary dramatically from jurisdiction to jurisdiction. The enforcement of these laws – some of which carry criminal liability - and their effect on shareholders are uncertain and involve considerable risk. **Accordingly, all potential investors located in Europe (including without limitation, the United Kingdom) should take their own, independent legal advice based on their own circumstances prior to making any investment into the Company (whether directly or indirectly, or acting on an agency or principal basis).**

## Risk Factor

### Risk Factors Relating to the Legality of Cannabis

#### European Anti-Money Laundering Laws and Regulation

European laws, regulations and their enforcement, particularly those pertaining to anti-money laundering, relating to making and/or holding investments in cannabis-related practices or activities are in flux and vary dramatically from jurisdiction to jurisdiction across Europe (including without limitation, the United Kingdom). The enforcement of these laws and regulations and their effect on shareholders are uncertain and involve considerable risk. In the event that any of the Company's operations, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such operations are found to be in violation of such laws or regulation, such transactions (including holding of shares in the Company) could expose any shareholder(s) in that jurisdiction to potential prosecution and/or criminal and civil sanction.