

A copy of this preliminary short form prospectus has been filed with the securities regulatory authorities in each of the provinces of Canada, except Québec, but has not yet become final for the purpose of the sale of securities. Information contained in this preliminary short form prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the short form prospectus is obtained from the securities regulatory authorities.

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 only by persons permitted to sell these securities in those jurisdictions.

Information has been incorporated by reference in this preliminary 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 Financial Officer of Westleaf Inc. at 1000, 517 – 10th Avenue SW, Calgary, Alberta, T2R 0A8, Canada, telephone (403) 618-5411, and are also available electronically at www.sedar.com.

PRELIMINARY SHORT FORM PROSPECTUS

New Issue

April 16, 2019



WESTLEAF INC.

\$12,000,000

9.5% UNSECURED CONVERTIBLE DEBENTURE UNITS

PRICE: \$1,000 PER CONVERTIBLE DEBENTURE UNIT

This preliminary short form prospectus (the “**Prospectus**”) qualifies the distribution and offering (the “**Offering**”) of 12,000 unsecured convertible debenture units (the “**Debenture Units**”) of Westleaf Inc. (“**Westleaf**” or the “**Corporation**”) at a price of \$1,000 per Debenture Unit (the “**Offering Price**”) for total gross proceeds of \$12,000,000. Each Debenture Unit will consist of one 9.5% senior unsecured convertible debenture of the Corporation in the principal amount of \$1,000 (each a “**Convertible Debenture**”) and 235 common share purchase warrants of the Corporation (each a “**Warrant**”).

The Debenture Units are being issued pursuant an underwriting agreement (the “**Underwriting Agreement**”) entered into as of April 16, 2019 between the Corporation, Canaccord Genuity Corp., as lead underwriter (the “**Lead Underwriter**”), and GMP Securities L.P. (together with the **Lead Underwriter**, the “**Underwriters**”).

The Convertible Debentures will bear interest at a rate of 9.5% per annum from the date of issue, payable semi-annually in arrears on the last business day of June and December in each year, commencing June 30, 2019, and will mature on the date which is three years from the closing of the Offering (the “**Maturity Date**”). Interest will be computed on the basis of a 360-day year composed of twelve 30-day months. The June 30, 2019 interest payment will represent accrued interest for the period from the date of Closing (as defined herein) of the Offering (the “**Closing Date**”), up to and including June 30, 2019.

At the option of a holder of Convertible Debentures, the principal amount of each Convertible Debenture, being \$1,000 (the “**Principal Amount**”), shall be convertible, for no additional consideration into common shares of the Corporation (the “**Conversion Shares**”) at any time prior to the earlier of: (i) the close of business on the Maturity Date, and (ii) the business day immediately preceding the Redemption Date (as defined herein) specified by the Corporation for redemption of the Convertible Debentures upon a Change of Control (as defined herein), at a conversion price equal to \$2.13, subject to adjustment in certain events (the “**Conversion Price**”). If the holder elects to convert the Convertible Debentures after a period that is six months and one day following the Closing Date, then the holder will also receive an amount of interest equal to the interest that the holder would have received if the holder held the Convertible Debentures until the Maturity Date (the “**Effective Interest**”), payable at the option of the holder:

(a) in common shares (“**Effective Interest Shares**”) in the capital of the Corporation (the “**Common Shares**”) at a price equal to the daily volume weighted average trading price of the Common Shares on the TSX Venture Exchange (the “**TSXV**”) for the consecutive 20 trading days of the Common Shares on the TSXV preceding the date of such election, or if such trading price is lower than the maximum discount permitted by the TSXV for such Common Shares, at a price equal to the maximum permitted discount for the issuance of the Common Shares under TSXV policies (the “**Common Share Interest Price**”); or (b) in cash. Notwithstanding the foregoing, the Corporation, acting reasonably, will be permitted at its option to override the foregoing option of the holder and pay the Effective Interest in any combination of cash or Common Shares issuable at the Common Share Interest Price, as it determines.

The Convertible Debentures will be governed by a debenture indenture (the “**Debenture Indenture**”) to be entered into on the Closing Date between the Corporation and Computershare Trust Company of Canada, as debenture trustee. See “*Description of Securities Being Distributed – Convertible Debentures*”.

Each Warrant will entitle the holder thereof to purchase one Common Share (each a “**Warrant Share**”) at an exercise price equal to \$2.75 per Warrant Share (the “**Exercise Price**”) for a period of three years following the Closing Date (subject to adjustment in certain customary events).

The Warrants will be governed by a warrant indenture (the “**Warrant Indenture**”) to be entered into on the Closing Date between the Corporation and Computershare Trust Company of Canada, as warrant agent. See “*Description of Securities Being Distributed - Warrants*”.

The Common Shares are listed on the TSXV under the symbol “WL” and on the OTCQB under the trading symbol “WSLFF”. On April 10, 2019, the last trading day prior to the announcement of the Offering, the closing price per Common Share was \$2.13 on the TSXV and USD\$1.60 on the OTCQB. On April 15, 2019, the last trading day prior to the date of this Prospectus, the closing price per Common Share was \$1.46 on the TSXV and USD\$1.10 on the OTCQB.

The Corporation has applied to the TSXV to list the Convertible Debentures, the Warrants, the Conversion Shares, the Effective Interest Shares, the Warrant Shares and the Common Shares issuable upon exercise of the Broker Warrants (as defined herein) on the TSXV. Listing will be subject to the Corporation fulfilling all of the listing requirements of the TSXV. **There is currently no market through which either of the Convertible Debentures or the Warrants may be sold and purchasers may not be able to resell such Convertible Debentures or Warrants purchased under this Prospectus. This may affect the pricing of the Convertible Debentures and the Warrants in the secondary market, the transparency and availability of trading prices, the liquidity of the Debenture Units, the Convertible Debentures and the Warrants and the extent of issuer regulation. See “Risk Factors”.**

	Price to Public (\$) ⁽¹⁾	Underwriters’ Fee ⁽²⁾ (\$)	Net Proceeds to the Corporation ⁽²⁾⁽³⁾ (\$)
Per Debenture Unit	\$1,000.00	\$70.00	\$930.00
Total Offering ⁽⁴⁾	\$12,000,000.00	\$840,000.00	\$11,160,000.00

Notes:

- (1) The Offering Price was determined by arm’s length negotiation between the Corporation and Underwriters with reference to the prevailing market price of the Common Shares.
- (2) Pursuant to the Underwriting Agreement, the Corporation will pay to the Underwriters an aggregate cash fee equal to 7.0% of gross proceeds raised in respect of the Offering (including any gross proceeds raised on exercise of the Over-Allotment Option (as defined herein)) (collectively, the “**Underwriters’ Fee**”). As additional consideration for the services rendered in connection with the Offering, the Corporation has agreed to issue to the Underwriters such number of non-transferable broker warrants (the “**Broker Warrants**”) as is equal to 7.0% of the gross proceeds raised in respect of the Offering divided by the Conversion Price. Each Broker Warrant will entitle the holder thereof to acquire one Common Share (a “**Broker Share**”) at an exercise price of \$2.13 per Broker Share for a period of three years following the Closing Date (subject to adjustment in certain customary events, including the Anti-Dilution Adjustments (as defined herein)). This Prospectus qualifies the distribution of the Broker Warrants. See “*Plan of Distribution*”.
- (3) After deducting the Underwriters’ Fee, but before deducting the expenses of the Offering, estimated to be \$350,000 (excluding taxes and disbursements), which, together with the Underwriters’ Fee, will be paid out of the gross proceeds of the Offering.
- (4) The Corporation has agreed to grant the Underwriters an over-allotment option, exercisable, in whole or in part, in the sole discretion of the Underwriters at any time, and from time to time, on or before 1:00 p.m. (MST) on the 30th day (the “**Over-Allotment Deadline**”) following the Closing Date, to acquire Additional Securities (as defined herein) equal to up to 15% of the aggregate number of Debenture Units sold under the Offering, to cover the Underwriters’ over-allocation position, if any (the “**Over-Allotment Option**”). The Over-Allotment Option is exercisable by the Lead Underwriter, on behalf of the Underwriters in respect of acquiring: (i) additional Debenture Units (each an “**Over-**

Allotment Unit” and collectively, the **“Over-Allotment Units”**) at the Offering Price, each such Over-Allotment Unit comprised of one Convertible Debenture (each an **“Additional Debenture”** and, collectively, the **“Additional Debentures”**) and 235 Warrants (each an **“Additional Warrant”** and, collectively, the **“Additional Warrants”**); (ii) Additional Debentures at a price of \$932 per Additional Debenture; (iii) Additional Warrants at a price of \$0.29 per Additional Warrant; or (iv) any combination of Over-Allotment Units, Additional Debentures and Additional Warrants (collectively, the **“Additional Securities”**), so long as the aggregate number of Additional Debentures and Additional Warrants which may be issued under the Over-Allotment Option (including those comprising the Over-Allotment Units) does not exceed 1,800 Additional Debentures and/or 423,000 Additional Warrants. The Additional Securities will otherwise be issued on the same terms and conditions as the Offering. The Over-Allotment Option is exercisable by the Lead Underwriter, on behalf of the Underwriters, giving notice to the Corporation prior to the Over-Allotment Deadline, which notice shall specify the number of Additional Securities to be purchased. If the Over-Allotment Option is exercised in full, the total “Price to the Public”, “Underwriters’ Fee” and “Net Proceeds to the Corporation” will be \$13,800,000, \$966,000 and \$12,834,000 (after deducting the Underwriters’ Fee, but before deducting the expenses of the Offering, estimated to be \$350,000 (excluding taxes and disbursements)), respectively. This Prospectus qualifies the grant of the Over-Allotment Option and the distribution of the Additional Securities issuable upon exercise of the Over-Allotment Option. A purchaser who acquires Additional Securities forming part of the Underwriters’ over-allocation position acquires those Additional Securities 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. See *“Plan of Distribution”*.

The following table sets out information relating to the Over-Allotment Option and the Broker Warrants:

Underwriters’ Position	Maximum Number of Securities Available	Exercise Period	Exercise Price
Over-Allotment Option	Up to 1,800 Over-Allotment Units Up to 1,800 Additional Debentures Up to 423,000 Additional Warrants	For a period of 30 days from and including the Closing Date	\$1,000 per Over-Allotment Unit \$932 per Additional Debenture \$0.29 per Additional Warrant
Broker Warrants	394,366 (up to 453,521 assuming the full exercise of the Over-Allotment Option)	Three years from the Closing Date	\$2.13 per Broker Share

Unless the context otherwise requires, when used herein, all references to “Offering” include the exercise of the Over-Allotment Option and all references to “Debenture Units” include the Additional Securities issuable upon exercise of the Over-Allotment Option, all references to “Convertible Debentures” include Additional Debentures and all references to “Warrants” include Additional Warrants.

An investment in the Debenture Units involves a high degree of risk and should only be made by persons who can afford the total loss of their investment. Prospective purchasers should carefully review and evaluate the risk factors described under “Risk Factors” in this Prospectus and in the AIF (as defined herein), which can be found on SEDAR at www.sedar.com, before purchasing the Debenture Units. See “Cautionary Statement Regarding Forward-Looking Information” and “Risk Factors”.

The Underwriters, as principals, conditionally offer the Debenture Units, subject to prior sale, if, as and when issued by the Corporation and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under *“Plan of Distribution”*, subject to the approval of certain legal matters on behalf of the Corporation by Borden Ladner Gervais LLP and on behalf of the Underwriters by Miller Thomson LLP.

Subscriptions for the Debenture Units will be received subject to rejection or allotment, in whole or in part, and the Underwriters reserve the right to close the subscription books at any time without notice. Closing of the Offering (the **“Closing”**) is expected to take place on or about May 2, 2019 or such other date, not later than 42 days from the receipt of the (final) short form prospectus, as the Lead Underwriter and the Corporation may mutually agree, acting reasonably. See *“Plan of Distribution”*.

In connection with the Offering, and subject to applicable laws, the Underwriters may over-allot or effect transactions that are intended to stabilize or maintain the market price of the Convertible Debentures or the Warrants, as applicable at levels other than that which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time. See *“Plan of Distribution”*.

Purchasers of Debenture Units will receive only a customer confirmation from the registered dealer from or through which the Debenture Units are purchased and who is a Clearing and Depository Services Inc. (**“CDS”**) depository service participant. No certificates will be issued to purchasers except in certain limited circumstances, and registration will be made in the depository service of CDS. See *“Plan of Distribution – Non-Certificated Inventory System”*.

The Underwriters propose to offer the Debenture Units to the public initially at the Offering Price. After the Underwriters have made reasonable efforts to sell all of the Debenture Units at the Offering Price, the Offering Price for the Debenture Units may be decreased and may be further changed from time to time, and the compensation realized by the Underwriters will be decreased by the amount that the aggregate price paid by the purchasers of the Debenture Units is less than the amount paid by the Underwriters to the Corporation. Any such reduction will not affect the net proceeds received by the Corporation. See “*Plan of Distribution*”.

The Convertible Debentures are not “deposits” within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under the provisions of that act or any other legislation.

The earnings coverage ratio in respect of the Convertible Debentures for the 12 month period ended December 31, 2018 of (31.28) times is less than one-to-one. See “*Earnings Coverage Ratios*”.

Prospective purchasers should rely only on the information contained or incorporated by reference in this Prospectus. The Corporation and the Underwriters have not authorized anyone to provide prospective purchasers with information different from that contained or incorporated by reference in this Prospectus. The Underwriters are offering to sell and seeking offers to buy the Debenture Units only in jurisdictions where, and to persons to whom, offers and sales are lawfully permitted. Prospective purchasers should not assume that the information contained in this Prospectus is accurate as of any date other than the date on the cover page of this Prospectus.

Prospective purchasers are advised to consult their own tax advisors regarding the application of Canadian federal income tax laws to their particular circumstances, as well as any other provincial, foreign and other tax consequences of acquiring, holding or disposing of the Debenture Units, Convertible Debentures, Warrants, Effective Interest Shares, Conversion Shares and/or Warrant Shares.

The Corporation’s head office is located at Suite 1000, 517 – 10th Avenue SW, Calgary, Alberta, T2R 0A8, Canada, and its registered office is located at Suite 1900, 520 – 3rd Avenue SW, Calgary, Alberta, T2P 0R3, Canada.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This Prospectus and the documents incorporated by reference herein contain information which may constitute “forward-looking information” within the meaning of applicable Canadian securities legislation. Forward-looking information involves statements that are not based on historical information, but rather relate to future operations, strategies, financial results or other developments. Forward-looking information is necessarily based upon estimates and assumptions, which are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the Corporation’s control and many of which, regarding future business decisions, are subject to change. These uncertainties and contingencies can affect actual results and could cause actual results to differ materially from those expressed in any forward-looking information made by or on the Corporation’s behalf. Although the Corporation has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. All factors should be considered carefully and investors should not place undue reliance on the Corporation’s forward-looking information as actual results may vary. The forward-looking statements in this Prospectus reflect the current expectations, assumptions, or beliefs of the Corporation based on information currently available to it and on management’s experience and expertise. Examples of such statements include, but are not limited to, statements related to: (i) the intention to grow cannabis and the performance of the business and operations of Westleaf; (ii) the issuance of licences from Health Canada and other applicable regulatory authorities; (iii) the expected completion dates of The Plant (as defined herein) and the Thunderchild Facility (as defined herein); (iv) the expected production and processing outputs at The Plant and the Thunderchild Facility; (v) the issuance of retail store licences and the opening of retail stores; (vi) the expected use of proceeds of the Offering; (vii) product demands; (viii) competition; (ix) government regulation; (x) closing of the Offering and the timing thereof; and (xi) the Corporation’s anticipated cash needs and its needs for additional financing.

Many factors could cause the actual results, performance, or achievements to be materially different from any future results, performance, or achievements that may be expressed or implied by such forward-looking statements, including, without limitation, those listed in the “*Risk Factors*” section of this Prospectus. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results, performance, or achievements may vary materially from those expressed or implied by the forward-looking statements contained in this Prospectus. These factors should be considered carefully and prospective investors should not place undue reliance on the forward-looking statements.

Factors that could cause actual results or events to differ materially from current expectations include, but are not limited to: timing and closing of the Offering; satisfaction of the conditions to closing of the Offering, including receipt, in a timely manner, of regulatory (including TSXV) and other required approvals; the use of the net proceeds of the Offering; results and performance of Westleaf; failure to receive licences from Health Canada for The Plant and the Thunderchild Facility; failure to receive retail licences for any of the proposed retail locations; failure to obtain desirable retail locations on favourable terms; growth expectations and any proposed acquisitions by Westleaf; the tax horizon of Westleaf; changes in market dynamics including business relationships and competition; capital expenditure programs and the timing and funding thereof; the impact of federal, state, provincial, territorial, and other governmental regulation on Westleaf, relative to other issuers of similar size participating in similar business environments; increased governmental regulation; expectations relating to the ability of Westleaf to raise capital; treatment under governmental regulatory regimes and tax laws; conflicts of interest; changes in key management; expansion plans of Westleaf not being completed as expected or at all; trademark challenges; and realization of the anticipated benefits of acquisitions and dispositions.

Prospective purchasers are cautioned that the foregoing list is not exhaustive of all factors that could cause actual results to differ materially. Although the Corporation has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such forward-looking information and statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such information and statements.

Forward-looking information reflects the Corporation’s current views with respect to expectations, beliefs, assumptions, estimates and forecasts about the Corporation’s business and the industry and markets in which the Corporation operates. Forward-looking information is not a guarantee of future performance and involves risks,

uncertainties and assumptions, which are difficult to predict. Assumptions underlying the Corporation's expectations regarding forward-looking statements or information contained in this Prospectus include, among others: (i) the Corporation's ability to comply with applicable governmental regulations and standards; (ii) the Corporation's success in implementing its strategies and achieving its business objectives; (iii) the Corporation's ability to raise sufficient funds from equity or other financings in the future to support its operations; and (iv) general business and economic conditions. In addition to the foregoing, material factors or assumptions involved in developing forward-looking statements include, without limitation, that:

- the proposed laws, regulations and guidelines generally applicable to the adult-use recreational cannabis industry not changing in ways currently unforeseen by the Corporation;
- the Corporation has the ability to compete for market share with other companies, including Federal Licence Holders (as defined herein), which may have longer operating histories and more financial resources, manufacturing and marketing experience than the Corporation;
- the Corporation is able to attract or retain key personnel with sufficient experience in the adult-use recreational cannabis industry, and has the ability to attract, develop, and retain additional employees required for the Corporation's development and future success;
- there is adequate cannabis supply available to warrant the Corporation's expansion plans;
- renovation and construction in respect of both The Plant and the Thunderchild Facility will be completed in accordance with the estimated timelines provided by Westleaf's general contractors;
- the Corporation will receive applicable licences and approvals from Health Canada in respect of both The Plant and the Thunderchild Facility;
- the Corporation will be able to secure real estate, finalize lease agreements, obtain provincial and municipal approvals (including approvals of the AGLC (as defined herein), which has currently suspended retail cannabis store approvals) and obtain financing in addition to the proceeds of the Offering, in order to meet its target of 30 to 50 cannabis retail store openings over the next 12 to 24 months;
- the Corporation will have sufficient working capital and be able to secure additional funding necessary for the continued development of its products and business interests;
- the Corporation will successfully integrate acquired businesses and assets; and
- the Corporation will continue to be successful in acquiring assets and investments that strategically fit and at competitive prices.

Prospective purchasers should not place undue reliance on forward-looking information and statements, including the documents incorporated herein by reference, as statements containing forward-looking information involve significant risks and uncertainties and should not be read as guarantees of future results, performance, achievements, prospects and opportunities. The forward-looking information and statements contained herein are presented for the purposes of assisting prospective purchasers in understanding the Corporation's expected financial and operating performance and the Corporation's plans and objectives and may not be appropriate for other purposes.

The forward-looking statements contained in this Prospectus speak only as of the date of this Prospectus. The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement. The cautionary statements contained or referred to in this section should be considered in connection with any subsequent written or oral forward-looking statements that the Corporation and/or persons acting on its behalf may issue. The Corporation does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required under securities legislation.

GENERAL MATTERS

Prospective purchasers should rely only on the information contained or incorporated by reference in this Prospectus and are not entitled to rely on parts of the information contained or incorporated by reference in this Prospectus to the exclusion of others. Neither the Corporation nor the Underwriters have authorized any other person to provide

prospective purchasers with additional or different information from that contained or incorporated by reference into the Prospectus. If a prospective purchaser is provided with additional, different or inconsistent information, the prospective purchaser should not rely on such information. The information contained on the Corporation's website is not a part of this Prospectus and is not incorporated by reference into this Prospectus despite any references to such information in this Prospectus or the documents incorporated by reference, and prospective investors should not rely on such information when deciding whether or not to invest in the Debenture Units. Other than this Prospectus in electronic format, the information on the Underwriters' website and any information contained in any other website maintained by the Underwriters or their affiliates is not part of this Prospectus, has not been approved and/or endorsed by the Corporation or the Underwriters and should not be relied upon by prospective purchasers.

Neither the Corporation nor the Underwriters are making an offer to sell in any jurisdiction where the offer or sale is not permitted. The information contained or incorporated by reference in this Prospectus is accurate only as of the date of this Prospectus (or the date of the document incorporated by reference herein, as applicable), regardless of the time of delivery of this Prospectus or any sale of the Debenture Units. The business, financial condition, results of operations and prospects of the Corporation may have changed since those dates. The Corporation does not undertake to update the information contained or incorporated by reference herein, except as required by applicable Canadian securities laws.

This Prospectus shall not be used by anyone for any purpose other than in connection with the Offering.

Unless the context otherwise requires, any references in this Prospectus to the "Corporation", "Westleaf" or "WL" refer to Westleaf Inc. and its subsidiaries.

MARKET AND INDUSTRY DATA

Unless otherwise indicated, information contained in this Prospectus, including the documents incorporated herein by reference, concerning the Corporation's industry and the markets in which it operates or seeks to operate is based on information from third party sources, industry reports and publications, websites and other publicly available information, and management studies and estimates. Unless otherwise indicated, the Corporation's estimates are derived from publicly available information released by third party sources as well as data from the Corporation's own internal research and include assumptions which the Corporation believes to be reasonable based on management's knowledge of the Corporation's industry and markets. The Corporation's internal research and assumptions have not been verified by any independent source, and the Corporation has not independently verified any third-party information. In addition, projections, assumptions and estimates of the Corporation's future performance or the future performance of the industry and markets in which the Corporation operates are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described in this Prospectus under "*Risk Factors*" and "*Cautionary Statement Regarding Forward-Looking Information*" and in the AIF under "*Risk Factors*".

CURRENCY PRESENTATION AND EXCHANGE RATES

Unless the context otherwise requires, all references to "\$" and "dollars" mean references to the lawful money of Canada.

ELIGIBILITY FOR INVESTMENT

In the opinion of Borden Ladner Gervais LLP, counsel to the Corporation, and Miller Thomson LLP, counsel to the Underwriters, based on the current provisions of the *Income Tax Act* (Canada) and the regulations thereunder (collectively, the "**Tax Act**") as of the date hereof, the Convertible Debentures, the Warrants, the Warrant Shares, the Effective Interest Shares and the Conversion Shares, if issued on the date hereof, would be "qualified investments" under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans, registered disability savings plans (except in certain limited circumstances) and tax-free savings accounts, each as defined in the Tax Act (collectively "**Registered Plans**") and trusts governed by deferred profit sharing plans, provided that:

- (a) in the case of Convertible Debentures, either (i) the Convertible Debentures are listed on a “designated stock exchange” as defined in the Tax Act (which currently includes the TSXV), or (ii) the Common Shares are listed on a “designated stock exchange” as defined in the Tax Act (which currently includes the TSXV);
- (b) in the case of Warrants, either (i) the Warrants are listed on a “designated stock exchange” as defined in the Tax Act (which currently includes the TSXV), or (ii) the Common Shares are listed on a “designated stock exchange” as defined in the Tax Act (which currently includes the TSXV) and the Corporation is not a “connected person” under the Registered Plan. For this purpose, a “connected person” under a Registered Plan is a person who is an annuitant, beneficiary, employer or subscriber under, or holder of, the Registered Plan, and each person that does not deal at arm’s length with that person; and
- (c) in the case of Warrant Shares, Effective Interest Shares and Conversion Shares, such Warrant Shares, Effective Interest Shares and Conversion Shares, as the case may be, are listed on a “designated stock exchange” as defined in the Tax Act (which currently includes the TSXV).

Notwithstanding the foregoing, holders, annuitants or subscribers of Registered Plans other than profit sharing plans (each a “**Controlling Individual**”) will be subject to a penalty tax in respect of the Convertible Debentures, Warrants, Warrant Shares, Effective Interest Shares and Conversion Shares held in a trust governed by a Registered Plan if such Convertible Debentures, Warrants, Warrant Shares, Effective Interest Shares or Conversion Shares, as the case may be, are a “prohibited investment” under the Tax Act for the particular Registered Plan. Convertible Debentures, Warrants, Warrant Shares, Effective Interest Shares or Conversion Shares will generally not be a “prohibited investment” for a Registered Plan unless the Controlling Individual of the Registered Plan (i) does not deal at arm’s length with the Corporation for purposes of the Tax Act; or (ii) has a “significant interest”, as defined in the Tax Act, in the Corporation. However, Warrant Shares, Effective Interest Shares and Conversion Shares will not be a “prohibited investment” if such securities are “excluded property” (as defined in the Tax Act for purposes of the prohibited investment rules) for trusts governed by a Registered Plan.

Persons who intend to hold Convertible Debentures, Warrants, Warrant Shares, Effective Interest Shares or Conversion Shares in a Registered Plan, should consult their own tax advisors in regard to the application of these rules 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 regulatory authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Chief Financial Officer of the Corporation at 1000, 517 – 10th Avenue SW, Calgary, Alberta, T2R 0A8, Canada, telephone (403) 618-5411, and are also available electronically at www.sedar.com.

The following documents filed with the securities commission or similar regulatory authority in the provinces of Canada (other than Québec) are specifically incorporated by reference into this Prospectus:

- (a) the amended and restated annual information form of the Corporation dated April 15, 2019 for the year ended December 31, 2018 (the “**AIF**”);
- (b) the audited consolidated financial statements of the Corporation, and the notes thereto, for the year ended December 31, 2018, together with the notes thereto and the auditor’s report thereon (the “**Annual Financial Statements**”);
- (c) the management’s discussion and analysis of the financial condition and results of operations of the Corporation for the year ended December 31, 2018;
- (d) the material change report dated January 3, 2019 regarding the closing of the Amalgamation (as defined herein);

- (e) the material change report dated January 10, 2019 regarding the announcement of the execution of a definitive agreement pursuant to which: (i) Westleaf Cannabis Inc. (“**Westleaf Cannabis**”) acquired a 21.4% interest in Canndara Canada Inc. for \$7.5 million in cash; and (ii) the Corporation was granted an option by the shareholders of Canndara Canada Inc. to acquire all of the remaining issued and outstanding Class “A” common voting shares of Canndara Canada Inc. at a pre-determined value of \$48.4 million in an all-share transaction;
- (f) the material change report dated February 4, 2019 regarding the closing of the January 31, 2019 acquisition by the Corporation of the issued and outstanding Class “A” common voting shares of Canndara Canada Inc. (not already held by Westleaf or its subsidiary Westleaf Cannabis) for an aggregate purchase price of \$48.4 million, payable in Common Shares at a deemed price of \$2.24 per Common Share;
- (g) the amended and restated material change report dated February 11, 2019 regarding the closing of the Amalgamation;
- (h) the material change report dated April 15, 2019 regarding the announcement of the Offering;
- (i) the management information circular of the Corporation dated October 18, 2018, prepared in connection with an annual and special meeting of shareholders of the Corporation held on November 22, 2018; and
- (j) the investor presentation entitled “Westleaf Inc. – Investor Presentation” dated April 10, 2019 and a template version of the term sheet in respect of the Offering dated April 10, 2019 (collectively, the “**Investor Presentation**”).

Any documents of the types referred to in the preceding paragraphs (a) through (j), or required by Item 11.1 of Form 44-101F1 – *Short Form Prospectus*, filed by the Corporation with a securities commission or similar regulatory authority pursuant to the requirements of applicable securities legislation after the date of this Prospectus and prior to the termination of the distribution of this Offering shall be deemed to be incorporated by reference into this Prospectus.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein will be deemed to be modified or superseded for the purposes of this Prospectus to the extent that a statement contained in this Prospectus or in any subsequently filed document that also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded will not constitute a part of this Prospectus, except as so modified or superseded. 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 statement or document that it modifies or supersedes. The making of such a modifying or superseding statement will not be deemed an admission for any purpose 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 in its unmodified or superseded form to constitute part of this Prospectus.

MARKETING MATERIALS

The Investor Presentation and any “template version” of any other “marketing materials” (as such terms are defined in National Instrument 41-101 – *General Prospectus Requirements*) that are utilized by the Underwriters in connection with the Offering, are not part of this Prospectus to the extent that the contents of the Investor Presentation or other marketing materials, as the case may be, have been modified or superseded by a statement contained in this Prospectus or any amendment.

In addition, any template version of any marketing materials that is filed under the Corporation’s profile on SEDAR at www.sedar.com with the securities commission or similar authority in each of the provinces of Canada, except Québec, in connection with the Offering after the date of this Prospectus and before the termination of the distribution of the Offering (including any amendments to, or an amended version of, any template version of any marketing materials) is deemed to be incorporated by reference into this Prospectus.

SUMMARY DESCRIPTION OF THE BUSINESS

The Corporation was first incorporated as 433034 BC Ltd. under the *Business Corporations Act* (British Columbia) (“**BCBCA**”) on September 28, 1992. On March 22, 2018, the Common Shares were consolidated on the basis of one post-consolidation Common Share for every ten pre-consolidation Common Shares. On December 27, 2018 the Corporation continued from a corporation under the BCBCA under the name of IGC Resources Inc. to a corporation under the *Business Corporations Act* (Alberta) (“**ABCA**”) under the name Westleaf Inc. and completed a share consolidation on the basis of one post-consolidation Common Share for every 2.9233 pre-consolidation Common Shares.

2147378 Alberta Ltd. (“**2147378**”) was incorporated under the ABCA on October 4, 2018, as a wholly-owned subsidiary of the Corporation. 2147378 was incorporated for the purposes of participating in the Amalgamation and did not carry on any active business prior to the Amalgamation.

Westleaf Cannabis was first incorporated as Westleaf Capital Corp. on August 22, 2017, pursuant to the ABCA and on January 16, 2018, Westleaf Capital Corp. changed its name to Westleaf Cannabis Inc. On February 22, 2018, Westleaf Cannabis amended its Articles of Incorporation pursuant to the ABCA to change every one (1) issued and outstanding common share in the capital of Westleaf Cannabis into one hundred fifty (150) common shares in the capital of Westleaf Cannabis.

On December 28, 2018, in accordance with the terms of an amalgamation agreement dated October 4, 2018, as amended on November 21, 2018, among the Corporation, Westleaf Cannabis, and 2147378, Westleaf Cannabis and 2147378 amalgamated under the ABCA to form a new corporation under the corporate name “Westleaf Enterprises Inc.” constituting a “reverse takeover transaction” of the Corporation pursuant to Policy 5.2 – *Changes of Business and Reverse Takeovers* of the TSXV (the “**Amalgamation**”). Westleaf Enterprises Inc. became a wholly-owned subsidiary of the Corporation. Upon completion of the Amalgamation, Common Shares were issued to former shareholders of Westleaf Cannabis and the business and shareholders of Westleaf Cannabis became the business and shareholders of Westleaf.

The registered office of the Corporation is located at 1900, 520 – 3rd Avenue SW, Calgary, Alberta T2P 0R3. The head office of the Corporation is located at 1000, 517 – 10th Avenue SW, Calgary, Alberta T2R 0A8.

The Common Shares are listed on the TSXV under the symbol “WL” and on the OTCQB under the trading symbol “WSLFF”. The Corporation is currently a reporting issuer in Canada in the Provinces of British Columbia and Alberta.

The following chart illustrates, as of the date hereof, the Corporation’s material subsidiaries, including their respective jurisdiction of incorporation/governing law and the percentage of voting securities beneficially owned, directly or indirectly, by the Corporation.

Company Name	Ownership interest by Westleaf	Jurisdiction of Incorporation
Westleaf Enterprises Inc.	100%	Alberta
Westleaf Cultivation Management I Inc.	100%	Alberta
Westleaf Cultivation Management II Inc.	100%	Alberta
Westleaf Holdings Inc.	100%	Alberta
Westleaf Retail Inc.	100%	Alberta
Westleaf Retail BC Inc.	100%	British Columbia
Westleaf Labs Inc.	100%	Alberta
Westleaf Labs LP	100%	Alberta
Canndara Canada Inc.	100%	Alberta
Canndara Alberta Inc.	100%	Alberta
Canndara Retail West Ltd.	100%	British Columbia
Canndara Retail 101 Inc.	100%	Alberta

Canndara Franchise Inc.	100%	Canada
Westleaf International Inc. ⁽¹⁾	100%	Delaware

Note:

- (1) Westleaf International Inc. does not conduct cannabis related business outside of Canada and there is no current intention for the Corporation to expand its business to the United States.

All references in this Prospectus to the Corporation or Westleaf also include references to the subsidiaries of the Corporation as applicable, unless the context requires otherwise.

Description of the Business of the Corporation

Westleaf is building a vertically integrated cannabis company focused on innovative retail experiences, engaging cannabis brands, and premium cannabis production. Westleaf is developing a retail footprint for its retail concept “Prairie Records”, which leverages the instinctual tie of recreational cannabis and music. Westleaf is constructing cannabis production and extraction facilities in Alberta and Saskatchewan.

The Corporation does not engage in, and has no current intention to engage in, any U.S. marijuana-related activities as defined in Canadian Securities Administrators Staff Notice 51-352 (Revised) dated February 8, 2018. To the extent that the Corporation pursues international expansion, it currently only intends to conduct business in jurisdictions outside of Canada where such operations are legally permissible in accordance with the laws of the jurisdiction and applicable Canadian regulatory and stock exchange obligations.

Retail Cannabis – Prairie Records

With the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Newfoundland & Labrador permitting the sale of recreational cannabis products through private retail operators, Westleaf has invested in the development of a high-quality retail store concept, “Prairie Records”. To date, the Corporation has applied for cannabis retail store licences for Prairie Records stores in British Columbia, Alberta and Saskatchewan and has pre-qualified to apply for retail permits in Manitoba (applied for Manitoba’s Phase II Request for Pre-Qualification (as defined herein) for retailers). Westleaf intends to continue to pursue additional retail store licences, where appropriate, in the aforementioned provinces.

On November 14, 2018, the Government of Ontario released regulations permitting private retail of cannabis and subsequently, on December 13, 2018, the Alcohol and Gaming Commission of Ontario (“AGCO”) announced a temporary cap of 25 cannabis retail store authorizations with a lottery process to distribute these authorizations. Westleaf is evaluating establishing retail locations in Ontario, however, such operations may be operated by way of a franchise model or other structure as the Ontario regulations currently do not permit the granting of retail operator licences to corporations if more than 9.9% of the corporation is owned or controlled, directly or indirectly, by one or more Federal Licence Holders or their affiliates. Westleaf is closely following developments in Ontario and is evaluating potential retail possibilities and store locations throughout the province.

Westleaf has a portfolio of prospective premium retail locations across Western Canada and continues to target densely populated, high traffic, and resort-style areas. Additionally, Westleaf has created an immersive retail store design to differentiate itself from competitors and attract consumers. As a part of the broader strategy, Westleaf is targeting privatized cannabis retail provinces to build a recognized retail brand to maximize its share of the Canadian cannabis market. Westleaf is targeting between 30 to 50 retail store openings over the next 12 to 24 months, subject to securing real estate, finalizing lease agreements, additional financing (in addition to any proceeds raised from the Offering) and completing provincial and municipal approvals.

With a significant retail distribution footprint, Westleaf can ensure product distribution for its planned cultivation and production operations and build consumer awareness for its product brands. Westleaf is currently in the process of evaluating its prospective retail location portfolio, and in this process, current locations with development permits may be disposed or divested as necessary to fit within the Corporation’s strategic development plan.

Alberta

Privatized cannabis retail is regulated by the *Gaming, Liquor and Cannabis Act* and the *Gaming, Liquor and Cannabis Regulation*. Alberta Gaming, Liquor and Cannabis (“AGLC”) issues retail licences to private entities. Cannabis suppliers may sell cannabis products to the AGLC. The AGLC may sell cannabis products to a holder of a cannabis retail licence. The AGLC requires prospective storeowners to pass personal and financial background checks on the applicant, as well as associates and key employees. An application corporation must also be registered or incorporated in Alberta. The retail store for which the licence is applied for must have a point-of-sale area, a shipping/receiving area that is separate from other businesses, a secure storage area, an alarm system, a video surveillance system, and a secure product display. Municipal approval for the location is also required before the AGLC will issue a licence.

Westleaf is currently engaged in AGLC’s due diligence process for retail licensees. On April 11, 2019, the AGLC granted the Corporation conditional due diligence approval for a one-year period in respect of its subsidiary Westleaf Retail Inc., and its associated applicants and key personnel in relation to its applications for retail cannabis store licences. The conditional approval will remain valid while the AGLC conducts its due diligence review of Westleaf Retail Inc. and its key personnel. Receipt of a retail licence is also subject to AGLC’s licensing requirements.

On November 21, 2018, the AGLC temporarily suspended accepting new applications and issuing any additional cannabis retail licences until further notice due to cannabis supply shortages. Subsequent to period end, on January 25, 2019, the AGLC issued ten additional licences to the first ten applicants to have met all licensing conditions after the decision to temporarily stop issuing licences (which did not include Westleaf). There is significant uncertainty as to when more licences will be issued.

Licensees may only purchase cannabis products from the AGLC for sale to consumers. Currently, Alberta has limited the number of retail licences per company to 15% of total cannabis retail licences in the province. Westleaf expects the Alberta cannabis retail market to be extremely competitive, forcing retail operators to compete on pricing, branding and innovative concepts to attract consumers. The provincial government has stated that this will be reviewed in July 2019. The AGLC will be the sole provider of online sales in the province.

Westleaf is targeting a total of up to 37 retail store locations under the current Alberta regulatory regime. As of the date hereof, Westleaf has received a total of 28 approved municipal development permits, with six of such municipal development permits in Calgary, Alberta, eleven municipal development permits in Edmonton, Alberta, three municipal development permits in northern Alberta and eight municipal development permits in central/south Alberta. In addition, Westleaf has also applied for two municipal development permits in central Alberta. Westleaf has submitted 28 retail cannabis provincial applications all of which remain under AGLC review until the current licensing suspension has been lifted.

Each of Westleaf’s proposed cannabis retail locations in Alberta is subject to the current AGLC suspension on accepting applications and issuing any additional cannabis retail licences until further notice. There is no assurance that any of the Corporation’s retail cannabis store licence applications will be approved. If licences are not obtained for such licences by the time construction is completed, Westleaf intends to hold the locations until it receives an indication from the AGLC on timing for licences. If Westleaf understands that the AGLC will not grant cannabis retail licences for its Alberta locations, it intends to sell the locations to recoup its related costs.

Saskatchewan

Retail sale of adult use cannabis in the Province of Saskatchewan is regulated by *The Cannabis Control (Saskatchewan) Act* and *The Cannabis Control (Saskatchewan) Regulations*. The Saskatchewan Liquor and Gaming Authority (“SLGA”) issues permits to private entities for operating retail cannabis stores and selling cannabis online, for supplying cannabis (which also requires a processing licence under the *Cannabis Act* (defined herein)) and for commercial distribution of cannabis. Supply permittees may sell cannabis products directly to retail permittees or distribution permittees.

Saskatchewan granted 51 permits for retail cannabis stores on June 1, 2018 via a lottery system for successful applicants. Successful applicants must begin operations of their retail store within 12 months to retain the licence.

Saskatchewan permits the sale of an existing business which holds a permit for the sale of cannabis; however, the purchaser must apply and qualify for a permit before the transfer may take place.

Westleaf opened its Warman, Saskatchewan retail cannabis location on February 4, 2019, followed by the store grand opening on February 21, 2019. The licence to operate its Warman location also allows the Corporation to sell cannabis online throughout Saskatchewan.

Pursuant to the terms of certain option agreements entered into between the Corporation and two Saskatchewan based SLGA retail cannabis licence applicants (together, the “**SLGA Applicants**”), Westleaf obtained the right, subject to SLGA approval, to acquire the SLGA Applicants in the event that such SLGA Applicants received SLGA cannabis licensing approval. Westleaf also has an option to acquire a retail location in Swift Current, Saskatchewan pursuant to a similar contractual arrangement to that entered into with the SLGA Applicants, with a Swift Current based SLGA retail cannabis licence applicant.

Licensees are able to buy cannabis directly from Saskatchewan cannabis retail store permittees, Saskatchewan cannabis wholesale permittees and Federal Licence Holders registered with SLGA. Licensees can sell cannabis online and deliver direct to consumers.

British Columbia

British Columbia has a hybrid retail and distribution model that allows private retail distribution of cannabis through storefronts, with public distribution of cannabis through an online platform and storefronts. The *Cannabis Licensing Regulation* (British Columbia) of the *Cannabis Control and Licensing Act* (British Columbia) regulates licensing of adult use cannabis storefronts. The *Cannabis Licensing Regulation* limits the total number of licences per retailer to eight.

The Liquor and Cannabis Regulation Branch (“**LCRB**”) issues retail licences both to private and public licensees. Before submitting a provincial application to the LCRB, prospective retailers must register their business in British Columbia and obtain a location, whether through ownership, lease, or an agreement to lease. Applications to the LCRB must include information about the applicant and associates, the proposed location, security screening, and financial integrity, among other items. The applicant must also secure a recommendation that the licence be issued from the municipality which the proposed store will be located in. The next step is to receive conditional approval which allows the applicant to ready the store for operation. The final step to receiving a licence is for the proposed store to pass an inspection and receive confirmation of compliance with LCRB’s conditions. The Corporation is in the process of applying to the LCRB for retail licences for its prospective retail locations in British Columbia and intends on applying for up to a total of eight retail cannabis licences in British Columbia.

The licensee must register with the Liquor Distribution Branch of British Columbia (“**LDB**”) before they can begin ordering cannabis products. In British Columbia, licensees may only purchase cannabis products from the LDB for sale to consumers. The LDB has exclusivity to operate an online platform for cannabis stores.

Manitoba

Retail sale of adult use cannabis in the Province of Manitoba is regulated by *The Liquor, Gaming and Cannabis Control Act* (Manitoba) and the *Cannabis Regulation* (Manitoba). The *Cannabis Regulation* regulates licensing of adult use cannabis storefronts. The Liquor, Gaming and Cannabis Authority of Manitoba (the “**LGCA**”) regulates, licences, inspects and audits Manitoba’s privately-held adult use cannabis storefronts and online sales platforms. The Manitoba Liquor and Lotteries Corporation (“**MBLL**”) administers central order processing and manages distribution to licensed private sector retailers.

Manitoba launched a request for proposal process on November 7, 2017 (“**Request for Proposal**”) seeking four initial non-medical cannabis retailers. The government announced the successful retailers on February 16, 2018. Following the first Request for Proposal, the province then released a request for pre-qualification on July 23, 2018 (“**Request for Pre-Qualification**”) seeking retailers to pre-qualify for new retail stores in specific areas of Manitoba. The Request for Pre-Qualification application process is now closed; however, a date for the Phase II process to select the

recipients of licences has not yet been released. Westleaf is pre-qualified under the Phase II Request for Pre-Qualification to apply to operate cannabis retail stores in Manitoba and plans to participate in the Phase II selection process, which may include a lottery selection, with this pre-qualification.

Ontario

Retail sale of adult use cannabis in the Province of Ontario is regulated by the *Cannabis Licence Act, 2018* (Ontario) and the *General Regulation* (Ontario). AGCO issues retail operator licences. Federal Licence Holders may sell cannabis products to the AGCO. The AGCO may sell cannabis products to a holder of a retail operator licence.

On January 11, 2019, the Province of Ontario underwent a lottery process to award 25 cannabis retail licences. The Ontario Cannabis Store (the “OCS”) is the only legal online provider of recreational cannabis under the new framework and the exclusive wholesaler of cannabis to private retail stores.

Westleaf did not apply for a licence through the lottery, and is currently evaluating potential retail opportunities and locations. Westleaf is evaluating establishing retail operations in Ontario, however, such operations may be operated by way of a franchise model or other structure as the Ontario regulations currently do not permit the granting of retail operator licences to corporations if more than 9.9% of the corporation is owned or controlled, directly or indirectly, by one or more Federal Licence Holders or their affiliates.

On October 18, 2018, Westleaf entered into a letter of intent with AV Cannabis Inc. in connection with a proposed strategic partnership for the licensing, construction, operation, marketing and promotion of a portfolio of cannabis retail stores in Ontario to be branded and operated under the trade name “Ace Valley” (the “**Ace Valley Strategic Partnership**”). The terms of the Ace Valley Strategic Partnership remain subject to negotiation and execution of a definitive agreement between Westleaf and AV Cannabis Inc.

Premium Retail Portfolio – Select Storefronts Under Development

Westleaf has employed a disciplined strategy to target only premium retail locations that can drive high sales margins. The following table sets out a selection of Westleaf’s proposed retail cannabis locations currently under development in the provinces of Alberta and Saskatchewan. None of the locations below have received a valid retail licence to date. The table does not contain a description of all of Westleaf’s retail cannabis locations currently under development. See “*Summary Description of the Business – Description of the Business of the Corporation – Retail Cannabis – Prairie Records – Alberta*” and “*Summary Description of the Business – Description of the Business of the Corporation – Retail Cannabis – Prairie Records – Saskatchewan*”.

Location⁽¹⁾	Description
University of Alberta (Edmonton, Alberta) (development permit received)	Located adjacent to the University of Alberta campus Greater than 38,000 students and permanent residents in the area ⁽²⁾ Currently the only development permit approved adjacent to campus
Palace Theatre (Calgary, Alberta) (development permit received)	Greater than 140,000 downtown workers in the area ⁽³⁾ Adjacent to high traffic concert venue Most central location in downtown Calgary
Broadway (Saskatoon, Saskatchewan) ⁽⁴⁾ (Secured through option to purchase agreement)	Located in central Saskatoon Located in one of the most walkable areas in Saskatoon Second highest population to cannabis retail license ratio in Saskatchewan ⁽⁵⁾
Preston (Saskatoon, Saskatchewan) ⁽⁴⁾ (Secured through option to purchase agreement)	Adjacent to circle drive freeway with quick downtown access Second highest population to cannabis retail license ratio in Saskatchewan ⁽⁵⁾

Jasper Ave (Edmonton, Alberta) (development permit received)	Edmonton's premier main street in the heart of downtown Densely populated area with trendy restaurants, cafes and bars in walking distance Brand new and premier building with flagship signage opportunity
Banff (Banff, Alberta) (development permit received)	Located in the heart of the Banff tourism and entertainment district Nearly 30,000 average daily visitors in addition to permanent residents ⁽⁶⁾ Internationally recognized tourist destination
Oliver & Brewery District (Edmonton, Alberta) (development permit received)	Multiple new residential developments and walking distance to MacEwan University Attractive signage and storefront along a busy road
NAIT (Edmonton, Alberta) (development permit received)	Directly adjacent to NAIT college campus with over 30,000 students ⁽⁷⁾ Walking distance to Kingsway Garden Mall Nearby the Royal Alexandra Hospital and Metro Line LRT station
Marda Loop (Calgary, Alberta) (development permit received)	Walkable, street level trendy shopping and dining district Brand new and premium building Only two approved retail cannabis development permits in the area
The Block (Calgary, Alberta) (development permit received)	Premium location in one of the most walkable areas in Calgary Area known for diverse retail, strong demographics and vibrant community Highly sought after retail and residential locations
Swift Current (Swift Current, Saskatchewan) ⁽⁴⁾ (Secured through option to purchase agreement)	Fifth largest city in Saskatchewan ⁽⁸⁾ Hockey landmark town and home to the Saskatchewan Hockey Hall of Fame Oligopolistic structure – only two permits

Notes:

- (1) Retail locations are under development and subject to finalizing lease agreements and completing provincial and municipal approvals.
- (2) Enrolled students excluding Faculty of Extension students. <https://www.ualberta.ca/about/facts/students>
- (3) Reported by the City of Calgary. <http://www.calgary.ca/PDA/pd/Pages/Centre-City/Centre-City.aspx>
- (4) Secured through an exclusive option to purchase agreement. Acquisition of this store is conditional upon SLGA retail cannabis license approval and approval of Westleaf's subsequent acquisition of the original SLGA retail cannabis license applicant.
- (5) Saskatoon population of 246,376 in 2016 with 7 retail licenses. 35,196 people per cannabis retail license. Stats Canada (2016).
- (6) Reported by the Town of Banff. <https://www.banff.ca/index.aspx?NID=931>
- (7) NAIT students enrolled in credit programs and non-credit courses. <http://www.nait.ca/50198.htm>
- (8) Census statistics. <http://publications.gov.sk.ca/documents/15/100723-Saskatchewan%20Population%20Report%20for%20the%202016%20Census.pdf>

E-Commerce

Currently, Manitoba and Saskatchewan allow e-commerce cannabis sales by certain private retail sales licence holders in their respective provinces. British Columbia, Alberta, Newfoundland & Labrador, and Ontario allow only provincially owned retailers to sell cannabis through e-commerce platforms. The Corporation began operating e-commerce cannabis sales in Saskatchewan on March 27, 2019, under its Prairie Records brand in accordance with provincial regulations.

Domestic Cannabis Production

The *Cannabis Act* establishes that an application to become a Federal Licence Holder must be submitted to Health Canada in the form and manner specified by the Minister of Health. For purposes of this Prospectus, a “Federal Licence Holder” means the holder of: (i) a cultivation licence, a processing licence or a medical sales licence, or any combination thereof, issued pursuant to the Cannabis Regulations; or (ii) a licence that was issued pursuant to Section 35 of the ACMPR and continued. All applicants are required to demonstrate compliance with regulatory requirements such as quality control standards, site specifications, record-keeping of activities, physical security measures, good production practices and the employment of qualified personnel. Licences are only issued once all applicable requirements are strictly met. The below table provides a general overview of the CTLS licensing application process as described by Health Canada:

Application Screening – During screening, the application and attached documents are assessed for completeness, legibility and ability to be further assessed. There is a 30 day service standard for completion of screening of the application by Health Canada.
Review and Security Clearance – Once an application has passed the screening stage, and security clearance applications are being processed, the application will undergo a detailed review to verify that the requirements are met. Health Canada will work with the RCMP on security clearance applications.
Pre-licensing and Approval – Once Health Canada completes the detailed review of the submitted application, Health Canada provides the applicant with a confirmation of readiness email. This email will prompt the applicant for information to demonstrate that there is a functioning facility/building at the site address. The applicant will be required to provide a site evidence package with documentation including, but not limited to, detailed video walkthroughs of both the interior and exterior of the site, and site and building plans including descriptions and photographs that clearly detail facility completion. Following the review of this information, an on-site pre-licence inspection by Health Canada inspectors may be deemed necessary prior to further licensing decisions. If an inspection is required, the inspection team will contact the applicant to schedule the pre-licence inspection. In the case where an on-site pre-licence inspection is not required, the licence issuance will be based on the thoroughness of information found in the site evidence package.
Issuance of Licence – Once all information has been reviewed, including the results and observations from a pre-licence inspection, if necessary, and all security clearances have been granted, an initial licence for authorized activities is issued. A hard copy of the licence as well as an accompanying issuance letter detailing any conditions around the issued licence is mailed to the identified mailing address. In addition, all security-cleared key personnel are sent letters regarding the status of their security clearances for that site, under that application. Following issuance of the licence, Health Canada holds a teleconference with the new licence holder to discuss the licence, including any conditions.

Westleaf submitted its application (the “**Thunderchild Application**”) to become a Federal Licence Holder under the ACMPR (defined herein) in respect of the cannabis cultivation facility to be located on a Saskatchewan First Nation near Battleford, Saskatchewan (the “**Thunderchild Facility**”) and received confirmation that all security clearances were approved on August 2, 2018 and that the application is now in the review phase. Westleaf’s application is currently being transferred into the CTLS (defined herein). Such licence, if granted, will allow Westleaf to cultivate cannabis and sell dried cannabis flower from its Thunderchild Facility. Westleaf’s application is currently under review by Health Canada.

Westleaf submitted its application (the “**Westleaf Labs Application**”) on August 30, 2018 for a standard processing licence in respect of the large-scale cannabis manufacturing facility in Calgary, Alberta, previously known as the Delta West facility and currently known as *The Plant by Westleaf Labs* (“**The Plant**”). Westleaf received a Health Canada file number on September 14, 2018 and Westleaf is waiting for confirmation that all security clearances were approved and that the application is in the review phase. Westleaf’s application has been transferred into the new CTLS.

Once Health Canada completes the detailed review of a submitted application, Health Canada provides the applicant with a confirmation of readiness email. This email will prompt the applicant for information to demonstrate that there is a functioning facility/building at the site address. Westleaf will need to have completed the construction of the Thunderchild Facility and/or The Plant, as applicable, in order to provide a site evidence package. Following review of this information, Health Canada may conduct a pre-licences inspection or may issue an initial licence for authorized

activities. When a licence holder is first licensed, activities may be limited. This graduated licensing is for the purpose of verifying that cannabis products intended for sale meet all of the quality standards set out under the *Cannabis Regulations*. Westleaf is unable to predict the timeline for the completion of Health Canada's detailed review or the remainder of the application process. See "*Risk Factors – Reliance on Licences*" and "*Risk Factors – Regulatory Risks*".

Subject to the completion and licensing of its Thunderchild Facility, Westleaf intends to produce dry flower and dry flower products in this facility for sale in accordance with the *Cannabis Act*. As of the date of this Prospectus, Westleaf requires an additional \$22.0 million of available funds to complete Phase I of the Thunderchild Facility, of which \$15.45 million is expected to be debt financed through a non-revolving development loan facility with ATB Financial ("**ATB**") by way of a first amendment agreement dated April 15, 2019 to the credit facility commitment letter in September 2018 (the "**ATB Cultivation Commitment Letter**") between Westleaf Cultivation Management I Inc. and ATB. Westleaf has contracted SBL Contractors Ltd. to complete the construction on its behalf, in coordination with Westleaf's operations team. Construction of Phase I of the Thunderchild Facility began in July 2018. Operation of this facility is subject to receipt of the cannabis production licence from Health Canada, which Westleaf has applied for and Health Canada is currently reviewing. In the event the Thunderchild Application is rejected by Health Canada, Westleaf intends to dispose of the Thunderchild Facility.

Upon completion, the Thunderchild Facility will be approximately 130,000 square feet. Currently under construction, Phase I of the Thunderchild Facility is expected to be approximately 80,000 square feet, including a central processing and packaging hub designed to accommodate production from Phases I and II. Phase I was previously expected to be approximately 85,000 square feet, however, second floor administrative space estimates have been reduced due to contractor revisions. Phase I production capacity is unchanged and is expected to contain 21,000 square feet of grow bench producing approximately 7,300 kg of dried cannabis flower annually while Phase II is expected to double the annual production of the facility to approximately 14,600 kg per annum (estimates based on a total flower bench of 42,000 square feet, 60 grams of flower yield per square foot per harvest and 5.8 harvests per annum).

Subject to the completion and licensing of The Plant, Westleaf intends to produce the full suite of derivative cannabis products in this facility that are currently legal for sale under the *Cannabis Act*. As of the date of this Prospectus, Westleaf requires an additional \$5.9 million of available funds to complete Phase I of The Plant, of which \$2.24 million is expected to be debt financed through a non-revolving equipment loan facility with ATB, which is an amendment to the two year loan facility between Westleaf Labs Inc. and ATB dated April 19, 2018 (the "**Alberta Loan Facility**"). Westleaf has contracted SBL Contractors Ltd. to complete the development of the site on its behalf, in coordination with Westleaf's operations team. Operation of this facility is subject to receipt of the appropriate *Cannabis Act* licence from Health Canada, which Westleaf has applied for and Health Canada is currently reviewing. The *Cannabis Act* provides that Health Canada will not issue a licence to operate a site unless the applicant is able to evidence a functioning facility at the site. In the event the Westleaf Labs Application is rejected by Health Canada, Westleaf intends to dispose of The Plant.

The Plant, an approximately 60,000 square foot complex, is being built to EU Good Manufacturing Process (GMP) specifications and is intended to be a research and development, processing, extraction, and fulfillment centre which will be capable of producing a diversified derivative product offering to supply the Canadian and global markets. Phase IA of The Plant is approximately 15,000 square feet and is designed for R&D, processing, extraction, manufacturing and order fulfillment. Phase IA of The Plant is under construction and is expected to process 7,812 kg of cannabis per year (based on 252 work days per year), expandable to 30,000 kg of cannabis per year with no additional square footage required to be constructed.

Subject to execution of a definitive agreement, Xabis Inc. ("**Xabis**") and the Corporation have signed a term sheet whereby Xabis has agreed to provide exclusive expertise for The Plant. Xabis Inc. is a Colorado-based cannabis processing company that provides turnkey operations for companies in the mid-stream of the cannabis industry and has run facilities in various U.S. states for a total of 8 years of cumulative operating experience. Xabis Inc. has developed more than two dozen different form factors (delivery systems such as vape pens etc.) and concentrate types

with more than two hundred individual product SKUs, including oil based oral solutions, gummy edibles, hard pressed tablets, water-soluble powders, oil-based capsules, body melt capsules and suppositories.

Westleaf intends to produce additional cannabis-based derivative products in The Plant if and when they become legalized in the future, with a focus on recreational-use products. Such products may include, but may not be limited to, edibles (including beverages), extracts and topicals, all of which are subject to the Federal Government's finalization of draft regulations released on December 20, 2018 on or prior to October 17, 2019.

Product Branding

Westleaf intends to utilize consistent branding and messaging for its product brands. Westleaf will cultivate, process, and package recreational cannabis products under a recreational brand called "General Admission" and a premium recreational brand called "Backstage". Additionally, Westleaf will cultivate, process, and package recreational cannabis products under a health and wellness brand called "Loon". Westleaf intends to feature these brands in its retail outlets and create bespoke in-store branding to improve relevance to cannabis users.

Management's Historic Cultivation and Extraction Experience

Through Chief Development Officer, Shon Williams, Chief Operating Officer, Ben Kaanta and Chief Legal Officer and VP, Strategy, Christian Monson, Westleaf's operations team has significant prior experience in operating and scaling multiple vertically integrated cannabis businesses. In particular, Westleaf's operations team has, collectively: (i) designed 48 cultivation and extraction facilities; (ii) operated 24 cultivation facilities; (iii) overseen the construction of 13 cultivation on extraction facilities; (iv) achieved per gram development costs of less than USD\$1.00 (defined as cost of goods sold per gram of dried cannabis flower); (v) achieved yields of 360 grams of dried cannabis flower per square foot per annum (achieved through approximately 6 turns and 60 grams per square foot); (vi) managed 39,800 kg of cannabis production under tenure; (vii) maintained 70 compliant cannabis licences; (viii) assessed 48 regulatory environments including 32 U.S. states, 2 U.S. territories, Canada, Australia, Colombia, Costa Rica, Croatia, Czech Republic, Germany, Israel, Jamaica, Portugal, Spain, South Africa, Swaziland and Uruguay; and (ix) operated in 8 distinct cannabis markets, including 7 U.S. states and Canada. Management's cannabis operations experience was gained through previous employment prior to Westleaf, and past results are not necessarily indicative of future results to be obtained by Westleaf.

Recent Developments

Westleaf, through its wholly owned subsidiary Westleaf Cannabis, purchased 21.4% of the common shares of Canndara Canada Inc. ("**Canndara**") for \$7.5 million cash in December 2018 (the "**Investment**"). Upon completion of the RTO, Westleaf acquired an option to purchase the remaining common shares of Canndara for \$48.4 million in an all-stock transaction within 75 days from the closing of the Investment.

On January 27, 2019, Westleaf entered into an agreement to acquire Delta 9 Cannabis Inc.'s ("**Delta 9**") 50% interest in The Plant by purchasing Delta 9's 50% interest in Delta 9 Limited Partnership (now, called Westleaf Labs Limited Partnership), bringing Westleaf's total ownership of the facility to 100% (the "**Delta 9 Transaction**"). To satisfy the purchase price for the Delta 9 Transaction, Westleaf paid \$1.00 and issued of an aggregate of 5,600,000 Common Shares to Delta 9 that, based on the closing price of the Common Shares on the TSXV of \$2.67 per Common Share on January 25, 2019, represented an aggregate purchase price of approximately \$14.95 million. In connection with the Delta 9 Transaction, Delta 9 entered into a voluntary escrow agreement that, in addition to the four month restricted period required by securities laws, restricts the transfer of: (i) 1,000,000 Common Shares until May 31, 2019; and (ii) 4,600,000 Common Shares until September 31, 2019.

On January 31, 2019, Westleaf completed its acquisition of 78.6% of the issued and outstanding common shares of Canndara (representing the balance of the Canndara common shares not already owned by Westleaf Cannabis), for an aggregate purchase price of \$48.4 million (the "**Canndara Acquisition**"). The purchase price for the Canndara Acquisition was satisfied by the issuance to the former Canndara shareholders of an aggregate of 21,614,407 Common Shares at a deemed value of \$2.24 per Common Share. In connection with the terms of the Canndara Acquisition, Westleaf agreed to retain a Canndara founder as part of Canndara's senior management team and to appoint another

Canndara founder with a director position with Westleaf on a mutually agreed upon later date, while each Canndara founder entered into a voluntary 24-month pooling agreement, pursuant to which an aggregate of 7,727,236 Common Shares are subject to escrow restrictions and are releasable in quarterly installments on July 31, 2019, January 31, 2020, July 31, 2020 and January 31, 2021. On closing of the Canndara Acquisition, Westleaf also issued an aggregate of 1,080,720 Common Shares to Inform Management Group Inc., at a deemed price of \$2.24 per Common Share, in satisfaction of a finder's fee in respect the acquisition. Such finder's Common Shares are not transferable until May 31, 2019.

LICENCES AND REGULATIONS

The provincial and territorial regulatory frameworks relating to cannabis are complex and rapidly evolving. Provincial and territorial governments in Canada have taken different approaches to regulate the distribution and sale of adult-use cannabis. Québec, New Brunswick, Nova Scotia and Prince Edward Island have chosen publicly-operated retail and online sales. Manitoba, Saskatchewan and Newfoundland & Labrador have opted for private sector retail and online sales. Ontario, Alberta and British Columbia have implemented hybrid approaches of public online sales and private retail sales (in addition to public retail sales in British Columbia). The Corporation continues to monitor these regulatory changes and related announcements, and their impact on the Corporation's business and operations, including plans for further expansion of adult use retail locations.

Federal Regulatory Framework

On April 13, 2017 the Government of Canada released the *Cannabis Act* (Canada) (the "***Cannabis Act***"). On November 27, 2017, the House of Commons passed the *Cannabis Act*, and on June 19, 2018, the *Cannabis Act* was passed by the Senate of Canada. On June 20, 2018, the Government of Canada officially announced that the production, distribution and sale of cannabis for unqualified adult use would become legal on October 17, 2018, and subsequently on June 21, 2018, the *Cannabis Act* received royal assent. On June 27, 2018, Health Canada established the *Cannabis Regulations* (Canada) (the "***Cannabis Regulations***") under the *Cannabis Act*. The *Cannabis Regulations* include details related to cultivation, processing, packaging, labelling, distribution, sale, importation and exportation of cannabis and cannabis products. Provincial legislation regulates storefront and online sales of regulated cannabis products. See "Risk Factors". Some aspects of the *Cannabis Act* and *Cannabis Regulations* are summarized below.

Licences, Permits and Authorizations

The *Cannabis Regulations* provide that all licences issued under the *Cannabis Act* would be valid for a period of no more than five years. The *Cannabis Regulations* allow for outdoor and indoor commercial cultivation of cannabis. The *Cannabis Regulations* provide a licensing and permitting framework for cultivation, processing, packaging, labelling, distribution and sale of cannabis and cannabis products. The Minister of Health has introduced the Cannabis Tracking and Licensing System ("**CTLS**") to facilitate the federal licensing process.

Licences issued under the repealed *Access to Cannabis for Medical Purposes Regulations* (Canada) ("**ACMPR**") of the *Controlled Drugs and Substances Act* (Canada) ("**CDSA**") that were in force immediately before the *Cannabis Act* came into force are deemed to be licences issued under the corresponding provisions of the *Cannabis Regulations* and any such licences will continue in force until revoked or the expiration date is reached. For example, in the general course, a licence for production and sale of dried marihuana and cannabis oil under the ACMPR was grandfathered into a standard cultivation licence, a standard processing licence and a sales licence for medical purposes under the *Cannabis Regulations*.

Similarly, the *Cannabis Act* generally provides that licences pertaining to cannabis issued under the *Narcotic Control Regulations* (Canada) ("**NCR**") of the CDSA that were in force immediately before the *Cannabis Act* came into force are deemed to be licences issued under corresponding provisions of the *Cannabis Act* that are appropriate for the particular NCR licence, and any such licences will continue in force until revoked or until they expire. For example, a licence issued under the NCR authorizing cultivation of cannabis for scientific purposes shall be a research licence under the *Cannabis Act*.

Security Clearances

The *Cannabis Regulations* require that certain individuals hold security clearances, including all individuals occupying key positions, individuals, such as shareholders, that have direct control over a licence holder, and the officers and directors of any corporation having direct control over a licence holder. In a notable departure from the ACMPR, officers and directors of a parent corporation must be security cleared. Security clearances issued under the ACMPR or the NCR are grandfathered into security clearances under the *Cannabis Regulations* by the *Cannabis Act*. The *Cannabis Regulations* provided a three-month grace period for licence holders to identify those individuals that require security clearances and to apply for such security clearances (i.e., until January 17, 2019). On November 7, 2018, Health Canada issued a notice that the same grace period would be extended to applicants for an ACMPR licence who were passed security clearance on October 17, 2018.

Cannabis Tracking System

Under the *Cannabis Act*, the Minister of Health is authorized to establish and maintain a national cannabis tracking system. The purpose of this system is to track cannabis throughout the supply chain to help prevent diversion of cannabis into, and out of, the illicit market. The *Cannabis Regulations* provide the Minister of Health with the authority to make a ministerial order that would require certain persons named in such order to report specific information about their authorized activities with cannabis, in the form and manner specified by the Minister. In addition to providing a portal for licensing, the CTLS allows federal licensees to track cannabis. Federal licensees are required to use the CTLS to submit monthly reports to the Minister of Health, among other things.

Cannabis Products

The *Cannabis Act* and the *Cannabis Regulations* regulated for sale dried cannabis, cannabis oil, fresh cannabis, cannabis plants and cannabis seeds. Edibles containing cannabis, cannabis concentrates and cannabis topicals are not currently regulated for sale. On December 20, 2018, the Government of Canada published *Proposed Regulations Amending the Cannabis Regulations (New Classes of Cannabis) and Proposed Order Amending Schedules 3 and 4 to the Cannabis Act* (the “**Proposed Regulations**”).

The purposes of the *Cannabis Act* includes providing for the licit production of cannabis to reduce illicit activities in relation to cannabis and providing access to a quality-controlled supply of cannabis. Product diversification will help the regulated market displace the illicit market. Additional dosage forms of cannabis made possible by the *Cannabis Regulations* relative to the ACMPR include pre-rolls and vaporization cartridges manufactured with dried cannabis. The Proposed Regulations will expand the classes of cannabis to include edibles containing cannabis, cannabis extracts and cannabis topicals. Under the Proposed Regulations, cannabis oil and cannabis concentrates are proposed to be regulated together as cannabis extracts, as both are products that are produced using extraction processing methods or by synthesizing phytocannabinoids. Cannabis extracts under the Proposed Regulations are described as a separate class from cannabis edibles and cannabis topicals.

Packaging and Labelling

The *Cannabis Regulations* require plain packaging for cannabis products, including strict requirements for logos, colours and branding. The *Cannabis Regulations* require mandatory health warnings, standardized cannabis symbol and specific product information. Cannabis package labels must include specific information, such as: (i) product source information, including the class of cannabis and the name, phone number and email of the holder of a licence for cultivation that cultivated the cannabis or the holder of a licence for processing that manufactured the product; (ii) a mandatory health warning, as set out in the documented entitled “Cannabis Health Warning Messages”; (iii) the Health Canada standardized cannabis symbol (other than for products with less than 0.3% w/w THC); and (iv) THC and CBD content. The *Cannabis Regulations* provide a six-month transitional period to allow licensed holders to sell cannabis products labelled in accordance with the ACMPR, into medical sales channels only and not adult use sales channels. These requirements are intended to promote informed consumer choice and allow for the safe handling and transportation of cannabis, while also reducing the appeal of cannabis to youth and promoting safe consumption.

Promotional Activity and Inducements

The *Cannabis Act* restricts the promotion of cannabis products and inducements related to cannabis, cannabis accessories and services related to cannabis.

Subject to a few exceptions, all promotions of cannabis, cannabis accessories and services related to cannabis are prohibited unless authorized by the *Cannabis Act*. Exceptions to the general prohibition on promotion are provided for information and brand preference promotions only. These exceptions are only available in certain contexts, such as age-gated websites and opt-in email newsletters. Content is also restricted to avoid content that could reasonably be viewed as appealing to young people, that communicates price or availability, or that could evoke positive or negative emotions. Endorsements, testimonials, and sponsorships of events or organizations are also prohibited regardless of the context. The definition of “promotion” is tied to activity that is intended to promote sale of cannabis, cannabis accessories or services related to cannabis.

The *Cannabis Act* prohibits inducements, including providing cannabis, cannabis accessories or services related to cannabis free of charge or as compensation for purchasing another product or service. Similarly, products or services that are not cannabis may not be offered in exchange for purchasing cannabis.

Cannabis for Medical Purposes

On October 17, 2018, medical cannabis access was moved from the ACMPR and the CDSA to the *Cannabis Regulations* and the *Cannabis Act*. The medical cannabis regulatory framework under the *Cannabis Regulations* remains substantively the same as it previously existed under the ACMPR, with some changes to make licensing of cultivation and processing uniform as between cannabis for adult use and medical sales, and improve patient access, (see Part 14 of the *Cannabis Regulations*).

Sale of medical cannabis remains federally regulated and in each case, sales can only be made by an entity that holds a licence to sell under the *Cannabis Regulations* to clients that have registered a medical document with the licensed entity. Medical documents are effective for up to a year and allow an individual to register as a client to order from the federal licensee online or via telephone. Medical cannabis is shipped directly to the client. The amount an individual can order from a federal licensee is determined by a daily quantity defined in a medical document. Alternatively, individuals may file their medical document with Health Canada and obtain a registration certification to cultivate and process their own cannabis for personal medical use.

A licence to sell is not required to sell between federally licensed entities, such as between licensed cultivators and processors, or provincial liquor authorities in the adult use market (or directly to retail permittees in Saskatchewan).

Provincial Regulatory Framework

The *Cannabis Regulations* regulate commercial production, packaging, labelling and other upstream aspects of cannabis and cannabis accessories. The *Cannabis Act* provides the basis for the *Cannabis Regulations* and also restricts promotional activity and inducements related to cannabis, cannabis accessories and services related to cannabis. The *Cannabis Act* allows the provinces and territories of Canada to regulate sale of cannabis. In addition, the provinces have constitutional authority to regulate other aspects of cannabis and cannabis use, as is the case for liquor and tobacco. Sale and distribution, minimum age requirements, restrictions on promotional activity beyond those of the *Cannabis Act*, locations where cannabis can be consumed, and a range of other matters are regulated differently by the provinces and territories. The governments of every Canadian province and territory have, to varying degrees, implemented regulatory regimes for the distribution and sale of cannabis for adult use purposes within their respective jurisdictions.

Changes to provincial and territorial regulatory frameworks could result in, among other things, increased compliance costs and increased supply costs, in one or more jurisdictions. Municipal and regional governments may also choose to impose additional requirements and regulations on the sale of adult use cannabis, adding further uncertainty and risk to the Corporation’s cannabis retail model. Municipal by-laws may restrict the number of adult use cannabis retail outlets that are permitted in a certain geographical area, or restrict the geographical locations wherein such retail

outlets may be opened. There is no assurance that if and when all provincial, territorial, regional and municipal regulatory frameworks, that have not yet already been enacted, are released, that the Corporation will be able to navigate such regulatory frameworks or conduct its intended business thereunder.

Alberta

On November 30, 2017, the Government of Alberta passed Bill 26, *An Act to Control and Regulate Cannabis* (“**Bill 26**”), which contained the regulatory framework for adult use cannabis sales in Alberta. Bill 26 amended the *Gaming and Liquor Act* (Alberta) (renamed the *Gaming, Liquor and Cannabis Act*) (the “**Alberta Cannabis Act**”) upon the proclamation of Bill 26) to govern the purchase, distribution, sale and consumption of recreational cannabis in the Province of Alberta.

Under the Alberta Cannabis Act, cannabis distribution in Alberta will be carried out through a hybrid retail model under the oversight of the AGLC. The cannabis distribution framework in the Alberta Cannabis Act provides that private retailers can own and operate licensed cannabis dispensaries, such as those the Corporation intends to operate upon such private retailers obtaining a retail cannabis store licence from the AGLC. The Alberta Cannabis Act further states that online distribution of cannabis will initially be restricted to the Alberta Government.

On February 16, 2018, the Government of Alberta released amendments to the Gaming and Liquor Regulation (Alberta) establishing regulations (the “**Alberta Regulations**”) for the sale of recreational cannabis in Alberta, including the licensing of privately owned retail cannabis stores. The Alberta Regulations stipulate, among other restrictions, that:

- no one licensee can control more than 15% of the retail cannabis store licences issued in Alberta and no group of licensees can control more than 15% of the retail cannabis store licences in Alberta where, in the opinion of the AGLC, the retail cannabis store licences are or would likely be subject to common control in any material respect;
- cannabis retailers are required to hire individuals that are over eighteen years of age, have successfully completed training requirements set by the AGLC, and that have passed a criminal background check;
- cannabis retail stores cannot be located within 100 meters of a provincial health care facility or a school;
- cannabis retail stores cannot be open outside the hours of 10 a.m. and 2 a.m.;
- cannabis retail stores must implement inventory tracking, count and sales systems and security measures, including alarms, video surveillance and secured product storage;
- cannabis consumption at retail cannabis stores is prohibited;
- cannabis suppliers and their representatives cannot offer, nor can retail cannabis licensees accept, perks such as loans, money, rebates, concessions, discounts, furnishings, storage equipment, fixtures, decorations, signs, supplies or anything of value; and
- transfers of retail cannabis store licences are prohibited, and any change in ownership of a retail cannabis store business must be preapproved by the AGLC.

As a result of the national cannabis supply shortage, on November 23, 2018, the AGLC announced its decision to temporarily suspend accepting applications and issuing any additional cannabis retail licences until further notice. Accordingly, there is no assurance that all of the Corporation’s retail cannabis store licence applications which have not received approval by the AGLC, will be approved.

Saskatchewan

On January 8, 2018, the Government of Saskatchewan released details of the provinces proposed distribution framework whereby the SLGA would initially licence approximately 60 private cannabis retail applicants in 40 Saskatchewan municipalities and First Nation communities. *The Cannabis Control (Saskatchewan) Act* and *The Cannabis Control (Saskatchewan) Regulations* allow private cannabis retailers to sell cannabis, cannabis accessories and ancillary items in standalone storefront operations and deliver province-wide. In addition to private cannabis retail shops, *The Cannabis Control (Saskatchewan) Act* and *The Cannabis Control (Saskatchewan) Regulations* allow private sector to provide cannabis at the wholesale level, meaning the private sector will be permitted to source cannabis products from Federal Licence Holders and sell to private retailers, such as those proposed to be operated by the Corporation.

On March 14, 2018, the Government of Saskatchewan released its framework for cannabis legalization, provided details regarding its plan for the distribution, sale and use of cannabis in Saskatchewan, and began a lottery selection process for 51 retail cannabis permits available in the Province of Saskatchewan. There has been no firm guidance as to when new retail applications will be accepted. Saskatchewan permits the sale of an existing business which holds a permit for the sale of cannabis; however, the purchaser must apply and qualify for a permit before the transfer may take place.

British Columbia

British Columbia has a hybrid retail and distribution model that would allow private retail distribution of cannabis through storefronts, with public distribution of cannabis through an online platform and storefronts. The *Cannabis Control and Licensing Act* and the *Cannabis Licensing Regulation* regulate private storefronts. The *Cannabis Control and Licensing Act* includes provisions to limit relationships between federal producers and licensed retailers by preventing licensing of entities that in the opinion of the LCRB are likely to favour the products one federal producer to the exclusion of another, or who is likely to promote sale of the federal producer's products because of a connection to the federal producer. These provisions have no history of enforcement and it is unclear how the LCRB will make a subjective determination about connections between federal producers and licensed retailers.

On April 26, 2018, the Government of British Columbia introduced Bill C-30, the *Cannabis Control and Licensing Act* and Bill C-31, the *Cannabis Distribution Act*, which along the *Cannabis Licensing Regulation* provide the legal framework for adult use cannabis sales in British Columbia. The *Cannabis Control and Licensing Act* and the *Cannabis Licensing Regulation*, among other things:

- establish rules governing cannabis retail stores similar in some respects to rules currently in place for liquor retail stores;
- allow public and private retailers to have similar operating rules;
- prohibit co-location of cannabis retail stores with any other businesses, such as liquor stores or pharmacies.
- set the minimum age to purchase, sell or consume adult use cannabis in British Columbia as 19;
- stipulate that adults will be allowed to possess up to 30 grams of cannabis in a public space;
- prohibit the use of cannabis on school properties and in vehicles;
- prohibit promotion of cannabis without a licence to promote cannabis; and
- authorize adults to grow up to four cannabis plants per household, other than in properties that are used as day-cares, and requires that such plants not be visible from public spaces off the property.

The *Cannabis Control and Licensing Act* was passed on May 17, 2018 and subsequently received royal assent on May 31, 2018. The *Cannabis Control and Licensing Act* came into effect alongside the *Cannabis Licensing Regulation* on October 17, 2018. The *Cannabis Licensing Regulation* limits the total number of licences per retailer to eight.

Manitoba

On December 5, 2017, the Government of Manitoba introduced its framework for recreational cannabis sales in the province. The retail sale of adult use cannabis in the Province of Manitoba is regulated by *The Liquor, Gaming and Cannabis Control Act* and the *Cannabis Regulation*. *The Liquor, Gaming and Cannabis Control Act* and the *Cannabis Regulation* allow retail distribution of cannabis in Manitoba through privately owned storefronts and e-commerce sites. The *Cannabis Regulation* regulates licensing of adult use cannabis storefronts. All cannabis sold in Manitoba retail stores must be purchased from the MBLL, which sources product from Federal Licence Holders. Provincial regulation of wholesaling, distribution and retail in Manitoba is controlled through LGCA.

Ontario

On September 8, 2017, the Government of Ontario announced its proposed plan to give the existing Liquor Control Board of Ontario the oversight of retail sales of adult use cannabis in Ontario, upon the legalization of adult use cannabis in Canada. On December 12, 2017, the Ontario government passed the *Cannabis Act, 2017* (Ontario), to regulate the lawful use, sale and distribution of adult use cannabis by October 17, 2018.

On August 31, 2018, the Government of Ontario changed course on its original plans by announcing a hybrid system to allow adult use cannabis to be sold in private retail stores while the province administers online sales. On September 27, 2018, the Government of Ontario introduced Bill 36 to amend the *Cannabis Act, 2017*, including a name change to the *Cannabis Control Act, 2017* and to introduce the *Cannabis Licence Act, 2018*. Related amendments to other acts were also included, including the *Ontario Cannabis Retail Corporation Act, 2017*, the *Liquor Control Act, Smoke-Free Ontario Act, 2017* and the *Highway Traffic Act*.

On November 14, 2018, the Government of Ontario released the *General Regulation* under the *Cannabis Licence Act, 2018*. The *General Regulation* provides a licensing and regulatory regime for privately-owned and operated cannabis retail stores in Ontario, however, until April 1, 2019, adult use purchases may only be completed online through the OCS website operated by the AGCO.

On December 13, 2018, the Government of Ontario announced that, given the shortage of legal cannabis supply from Federal Licence Holders, the government will allow private cannabis retail stores to open in phases, by providing authority for the AGCO to licence up to 25 stores in the initial phase. Pursuant to the *General Regulation*, the AGCO, under the supervision of a third-party fairness monitor, implemented a lottery system to determine eligibility for the initial retail licences in Ontario. Interested parties were permitted to submit an expression of interest form online to the AGCO from January 7 to January 9, 2019. Expressions of interest were put into a lottery pool for a draw. The AGCO conducted a draw on January 11, 2019, with the results to be posted on the AGCO's website thereafter.

According to the Government of Ontario, the AGCO Expression of Interest Lottery covers a period of time from January 2, 2019, when the Expression of Interest Lottery Rules were published, to December 13, 2019, when the General Regulation will be amended. This period of time is referred to as the "Lottery Process" and is the timeframe established by the government for the temporary cap of 25 retail store authorizations while cannabis supply stabilizes.

The OCS is currently the only legal retailer of adult use cannabis in the province and will remain the only legal online provider of adult use cannabis under the new framework. The OCS will also be the exclusive wholesaler of cannabis to private retail stores. All municipalities within the province were provided with a one-time option to opt out to restrict licensing to retail stores in their municipality by January 22, 2019.

CONSOLIDATED CAPITALIZATION

The following table sets forth the consolidated capitalization of the Corporation as at the dates indicated, adjusted to give effect to the Offering and other material changes to the share and loan capital of the Corporation since December

31, 2018 (as noted in the paragraph below) (the “**Consolidated Changes**”), the date of the Corporation’s most recently filed financial statements. This table should be read in conjunction with the consolidated financial statements of the Corporation and the related notes and management’s discussion and analysis of financial condition and results of operations in respect of those statements that are incorporated by reference in this Prospectus.

Designation of Security	As at December 31, 2018 before giving effect to the Consolidated Changes	As at December 31, 2018 after giving effect to the Consolidated Changes⁽¹⁾	As at December 31, 2018 after giving effect to the Consolidated Changes⁽²⁾
Common Shares	110,386,055	110,386,055	110,386,055
Preferred Shares	Nil	Nil	Nil
Options	3,014,400	3,014,400	3,014,400
RSUs	6,705,000	6,705,000	6,705,000
Warrants	20,924,948	24,139,314	24,621,469
Convertible Debentures	Nil	\$10,810,000 ⁽³⁾	\$12,484,000 ⁽⁴⁾
Debt/Loans	\$4,050,000	\$4,050,000	\$4,050,000

Notes:

- (1) Assuming no exercise of the Over-Allotment Option.
- (2) Assuming exercise of the Over-Allotment Option in full.
- (3) Includes the Principal Amount of the Convertible Debentures less \$1,190,000 present value of the issuance costs (if the Over-Allotment Option is not exercised).
- (4) Assuming the Over-Allotment Option is exercised in full, the present value of issuance costs would be \$1,316,000.

On September 7, 2018, Westleaf Cultivation Management I Inc. (“**Westleaf Cultivation**”) entered the ATB Cultivation Commitment Letter with ATB providing for certain credit facilities (collectively, the “**Westleaf Cultivation Facilities**”), including: (i) a \$12 million non-revolving committed term facility (the “**Thunderchild Development Facility**”) to finance the development of Phase I of the Thunderchild Facility, and (ii) an additional facility that may be requested in the principal amount of up to \$11.25 million, to be used for Phase II of the Thunderchild Facility, but will be made available at ATB’s sole discretion.

On April 15, 2019, Westleaf Cultivation and ATB entered into a first amendment in respect of the ATB Cultivation Commitment Letter, providing for an increase in the authorized principal amount of the Thunderchild Development Facility to \$15.45 million. Drawdowns thereunder will be subject to the satisfaction of certain conditions precedent set out under the ATB Cultivation Commitment Letter, as amended.

On April 15, 2019, Westleaf Labs Inc., as borrower, and Westleaf Labs LP, as beneficial owner (and guarantor), entered into an amended and restated commitment letter with ATB providing for: (i) a non-revolving committed term loan facility (which was initially provided and fully-drawn on in the initial principal amount of \$4.3 million on April 19, 2018); (ii) a new equipment finance term loan facility in the principal amount of up to \$2.24 million; and (iii) at ATB’s discretion, up to an aggregate of \$3.2 million in additional credit facilities upon obtainment of The Plant’s standard processing license and additional credit approval from ATB.

Other than in connection with the Offering, or as set forth above, there have been no material changes to the Corporation’s share and loan capitalization on a consolidated basis since December 31, 2018 except the following:

- the January 31, 2019 issuance of an aggregate of 5,600,000 Common Shares to Delta 9 in connection with the Delta 9 Transaction;
- the January 31, 2019 issuance of an aggregate of 21,614,407 Common Shares to the former shareholders of Canndara in connection with the Canndara Acquisition; and

- the January 31, 2019 issuance of an aggregate of 1,080,720 Common Shares to Inform Management Group Inc., at a deemed price of \$2.24 per Common Share, in satisfaction of a finder's fee in respect the Canndara Acquisition.

USE OF PROCEEDS

The estimated net proceeds of the Offering will be \$10,810,000, after deducting the Underwriters' Fee and the estimated expenses of the Offering, estimated to be \$350,000 (excluding taxes and disbursements), assuming no exercise of the Over-Allotment Option. If the Over-Allotment Option is exercised in full for Additional Securities, the Corporation will receive additional net proceeds of \$1,674,000 after deducting the Underwriters' Fee specifically attributed to the sale of Additional Securities. The net proceeds of the Offering (including if the Over-Allotment Option is exercised in full) are currently intended to be used as set out below and until deployed will be added to the working capital of the Corporation.

During the fiscal year ended December 31, 2018, the Corporation had negative operating cash flows. Although the Corporation anticipates it will have positive cash flow from operating activities in future periods, if the Corporation continues to have negative cash flow in the future, all or a portion of the net proceeds of the Offering may be allocated to fund this negative cash flow.

<u>Use of Net Proceeds of the Offering</u>	<u>Approximate Amount Assuming Closing of the Offering</u>	<u>Approximate Amount Assuming Full Exercise of the Over-Allotment Option</u>
Capital Expenditures – Retail Stores	\$9,000,000	\$9,000,000
Working Capital	\$1,610,000	\$1,610,000
Unallocated Funds	\$200,000	\$1,874,000
Total Use of Funds Available	\$10,810,000	\$12,484,000

The Corporation plans to use the net proceeds of the Offering for working capital to assist in the development of its business strategy, including funding the development of retail operations and general corporate purposes. The funds will be used in conjunction with other funds available to the company as disclosed in the prospectus.

While the Corporation currently anticipates that it will use the net proceeds of the Offering as set forth above, the Corporation may re-allocate the net proceeds of the Offering, as applicable from time to time, giving consideration to its strategy relative to the market, development and changes in the industry and regulatory landscape, as well as other conditions relevant at the applicable time, including but not limited to, Phase II of the Thunderchild Facility and/or The Plant, particularly in the event the AGLC suspension on new retail cannabis licences is not lifted in the near future.

Timing of development of retail operations, construction of The Plant construction of the Thunderchild cultivation facility is subject to the ability of the Corporation to secure real estate, finalize lease agreements, obtain provincial and municipal approvals and obtain financing in addition to the proceeds of the Offering. See "*Summary Description of the Business – Description of the Business*".

Until utilized, the net proceeds of the Offering will be held in cash balances in the Corporation's bank account or invested at the discretion of the Board. Management will have discretion concerning the use of the net proceeds of the Offering, as well as the timing of their expenditure. See "*Risk Factors*".

PLAN OF DISTRIBUTION

General

This Prospectus is being filed in each of the provinces of Canada, except Québec, to qualify the distribution of \$12,000,000 aggregate Principal Amount of Convertible Debentures and 2,820,000 Warrants comprising the 12,000 Debenture Units being offered under the Offering (\$13,800,000 aggregate Principal Amount of Convertible

Debentures and 3,243,000 Warrants comprising 13,800 Debenture Units if the Over-Allotment Option is exercised in full).

Pursuant to the Underwriting Agreement, the Corporation has agreed to sell and the Underwriters have severally (and not jointly or jointly and severally) agreed to purchase, on the Closing Date, 12,000 Debenture Units at the Offering Price, for aggregate gross consideration of \$12,000,000, payable in cash to the Corporation against delivery of the Debenture Units. The Offering Price was determined by arm's length negotiation between the Corporation and Underwriters with reference to the prevailing market price of the Common Shares. The obligations of the Underwriters under the Underwriting Agreement are several (and not joint or joint and several), are subject to certain closing conditions and may be terminated at their discretion on the basis of "disaster out", "regulatory out", "breach out" and "material adverse change out" clauses exercisable by the Underwriters until the Closing and may also be terminated upon the occurrence of certain other stated events.

The Corporation has agreed to grant to the Over-Allotment Option, exercisable in whole or in part, in the sole discretion of the Underwriters, at any time, and from time to time, until the Over-Allotment Deadline, to acquire Additional Securities equal to up to 15% of the aggregate number of Debenture Units sold under the Offering, to cover the Underwriters' over-allocation position, if any. The Over-Allotment Option is exercisable by the Lead Underwriter, on behalf of the Underwriters, in respect of acquiring (i) Over-Allotment Units at the Offering Price; (ii) Additional Debentures at a price of \$932 per Additional Debenture; (iii) Additional Warrants at a price of \$0.29 per Additional Warrant; or (iv) any combination of Over-Allotment Units, Additional Debentures and Additional Warrants, so long as the aggregate number of Additional Debentures and Additional Warrants which may be issued under the Over-Allotment Option (including those comprising the Over-Allotment Units) does not exceed 1,800 Additional Debentures and/or 423,000 Additional Warrants. The Additional Securities will otherwise be issued on the same terms and conditions as the Offering.

This Prospectus qualifies the grant of the Over-Allotment Option and the distribution of any Over-Allotment Units. A purchaser who acquires Over-Allotment Units forming part of the Underwriters' over allocation position acquires those Over-Allotment Units under this Prospectus, regardless of whether the over-allotment position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. If the Underwriters exercise the Over-Allotment Option in full, the total price to the public relating to the Offering, the Underwriters' Fee and the net proceeds to the Corporation before deducting the expenses of the Offering will be \$13,800,000, \$966,000 and \$12,834,000, respectively.

The Underwriting Agreement provides that the Corporation will pay, on closing of the Offering, the Underwriters' Fee equal to 7.0% of gross proceeds raised in respect of the Offering (including any gross proceeds raised on exercise of the Over-Allotment Option). The aggregate Underwriters' Fee payable to the Underwriters by the Corporation in consideration for their services in connection with the Offering is expected to be \$840,000 (assuming no exercise of the Over-Allotment Option). As additional consideration for the services rendered in connection with the Offering, the Corporation has agreed to issue to the Underwriters such number of Broker Warrants as is equal to 7.0% of the gross proceeds raised in respect of the Offering divided by the Conversion Price. Each Broker Warrant will entitle the holder thereof to acquire one Broker Share at an exercise price of \$2.13 per Broker Share for a period of three years following the Closing Date (subject to Anti-Dilution Adjustments). "**Anti-Dilution Adjustments**" in this Prospectus means the adjustment upon certain events to the Conversion Price and the Warrants, including, without limitation, the subdivision or consolidation of the outstanding Common Shares, the issue of Common Shares or securities convertible into Common Shares by way of stock dividend or distribution, the issue of rights, options or warrants to all or substantially all of the holders of Common Shares in certain circumstances, and the distribution to all or substantially all of the holders of Common Shares of any other class of shares, rights, options or warrants, evidences of indebtedness or assets.

The Offering is being made in each of the provinces of Canada, except Québec. The Debenture Units will be offered through those Underwriters or their affiliates who are registered to offer the Debenture Units for sale in such provinces and such other registered dealers as may be designated by the Underwriters. Subject to applicable law, the Underwriters may offer the Debenture Units in the United States and such other jurisdictions outside of Canada and the United States as agreed between the Corporation and the Underwriters.

The Corporation has applied to list the Convertible Debentures, the Warrants, the Effective Interest Shares, the Conversion Shares, the Warrant Shares and the Common Shares issuable upon exercise of the Broker Warrants on the TSXV. Listing will be subject to the Corporation fulfilling all of the listing requirements of the TSXV.

Under the Underwriting Agreement, the Corporation has agreed to indemnify and hold harmless each of the Underwriters and their respective affiliates, and their respective directors, officers, partners, agents, advisors and shareholders against certain liabilities, including civil liabilities under Canadian securities legislation, and to contribute to payments the Underwriters may be required to make in respect thereof.

The Underwriters propose to offer the Debenture Units to the public initially at the Offering Price. After the Underwriters have made a reasonable effort to sell all of the Debenture Units at the Offering Price, the offering price for the Debenture Units may be decreased and may be further changed from time to time to amounts not greater than the Offering Price, and the compensation realized by the Underwriters will be decreased by the amount that the aggregate price paid by the purchasers of the Debenture Units is less than the amount paid by the Underwriters to the Corporation. Any such reduction will not affect the net proceeds received by the Corporation.

Pursuant to the Underwriting Agreement, the Corporation has agreed that it will not, directly or indirectly, offer, issue, sell, grant, secure, pledge, or otherwise transfer, dispose of or monetize, or engage in any hedging transaction, or enter into any form of agreement or arrangement the consequence of which is to alter economic exposure to, or announce any intention to do so, in any manner whatsoever, any Common Shares or securities convertible into, exchangeable for, or otherwise exercisable to acquire Common Shares or other equity securities, other than issuances in conjunction with: (i) the grant or exercise of stock options and other similar issuances pursuant to the share incentive plan of the Corporation and other share compensation arrangements, provided such options and others similar securities are granted or issued with an exercise price not less than the Offering Price; (ii) the exercise of outstanding warrants of the Corporation; (iii) any obligations of the Corporation in respect of existing agreements; (iv) the issuance of securities by the Corporation in connection with acquisitions in the normal course of business; or (v) the satisfaction of any obligations to issue securities arising from the Offering, and continuing for a period of 90 days from the Closing Date without the prior written consent of the Lead Underwriter, such consent not to be unreasonably withheld or delayed. Notwithstanding the foregoing, the Corporation will be permitted to engage in discussions with brokers or agents outside of Canada with respect to future equity or debt financings during the period of 90 days from the Closing Date.

The Corporation further agreed under the Underwriting Agreement that it will cause its directors and officers and each of such director's and officer's associates and affiliates (collectively, the "**Insiders**") to deliver signed undertakings, in form and content acceptable to the Underwriters and their legal counsel, pursuant to which the Insiders agree, for a period beginning on the date hereof and ending 90 days after the Closing Date, not to, directly or indirectly, sell or agree to sell (or announce any intention to do so), grant, pledge or otherwise transfer, dispose of or monetize, or enter into any form of agreement or arrangement the consequence of which is to alter economic exposure to, or announce any intention to do so, in any manner whatsoever any Common Shares or securities convertible into, exchangeable for, or otherwise exercisable to acquire Common Shares or other equity securities of the Corporation, without the prior written consent of the Lead Underwriter, such consent not to be unreasonably withheld.

Subscriptions for the Debenture Units will be received subject to rejection or allotment, in whole or in part, and the Underwriters reserve the right to close the subscription books at any time without notice. Closing of the Offering is expected to take place on or about May 2, 2019 or such other date not later than 42 days from the receipt of the (final) short form prospectus, as the Lead Underwriter and the Corporation may mutually agree, acting reasonably.

Non-Certificated Inventory System

No certificates representing the Debenture Units or Additional Securities to be sold in the Offering will be issued to purchasers under this Prospectus. Registration will be made in the depository service of CDS, or to its nominee, and electronically deposited with CDS on the Closing Date. Each purchaser of Convertible Debentures and/or Warrants will receive only a customer confirmation of purchase from the participants in the CDS depository service ("**CDS Participants**") from or through which such Debenture Units or Additional Securities are purchased, in accordance with the practices and procedures of such CDS Participant. Transfers of ownership of Debenture Units and Additional

Securities in Canada will be effected through records maintained by the CDS Participants, which include securities brokers and dealers, banks and trust companies. Indirect access to the CDS book entry system is also available to other institutions that maintain custodial relationships with a CDS Participant, either directly or indirectly.

Price Stabilization and Passive Market-Making

In connection with the Offering and subject to applicable laws, the Underwriters may over-allot or effect transactions that stabilize or maintain the market price of the Common Shares at a level other than that which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time. The Underwriters may carry out these transactions on the TSXV, in the over-the-counter market or otherwise.

Pursuant to policy statements of certain securities regulators, the Underwriters may not, throughout the period of distribution, bid for or purchase Common Shares. The foregoing restriction is subject to certain exceptions including: (i) a bid or purchase permitted under the Universal Market Integrity Rules for Canadian Marketplaces administered by the Investment Industry Regulatory Organization of Canada relating to market stabilization and passive market making activities, (ii) a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of the distribution, provided that the bid or purchase was for the purpose of maintaining a fair and orderly market and not engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, such securities, or (iii) a bid or purchase to cover a short position entered into prior to the commencement of a prescribed restricted period.

As a result of these activities, the price of the Common Shares may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the Underwriters at any time. The Underwriters may carry out these transactions on any stock exchange on which the Common Shares are listed, in the over-the-counter market, or as otherwise permitted by applicable law.

EARNINGS COVERAGE RATIOS

The following earnings coverages and adjusted earnings coverages are calculated on a consolidated basis for the year ended December 31, 2018 and are derived from the Annual Financial Statements incorporated by reference in this Prospectus.

The Corporation's interest requirements amounted to \$232 thousand for the year ended December 31, 2018. The Corporation's losses before interest expense and income tax expense was \$(7,258 thousand) for the year ended December 31, 2018, which is (31.28) times the Corporation's interest requirements for the period.

The Corporation's pro forma interest requirements, after giving effect to the issue of the Convertible Debentures partially comprising the Debenture Units pursuant to the Offering (assuming the issuance of the maximum number of Debenture Units and excluding any exercise, in whole or in part, of the Over-Allotment Option) would have been \$1,372 thousand for the year ended December 31, 2018.

The Corporation's pro forma losses before interest expense and income tax expense would have amounted to \$(7,258 thousand) for the year ended December 31, 2018 which is (5.29) times the Corporation's interest requirements for the period.

The Corporation would have required additional earnings before interest expense and income tax of approximately \$8,630 thousand for the year ended December 31, 2018 to achieve a coverage ratio of one to one.

These coverage ratios reflect historical earnings adjusted for the net impact of interest on the Convertible Debentures, as noted. Under International Financial Reporting Standards as adopted by the Canadian Accounting Standards Board, a portion of the Convertible Debentures will be classified on the balance sheet as a liability and a portion allocated to equity to reflect the conversion feature. For purposes of the pro forma calculations above, interest expense has been calculated using the effective interest method and also includes the amortization of debt issuance costs.

DESCRIPTION OF SECURITIES BEING DISTRIBUTED

Offering

The Offering consists of Debenture Units offered at the Offering Price of \$1,000 per Debenture Unit. Each Debenture Unit will consist of one Convertible Debenture in the principal amount of \$1,000 and 235 Warrants.

Convertible Debentures

The Convertible Debentures will be issued under and governed by the Debenture Indenture to be entered into between the Corporation and Computershare Trust Company of Canada, as debenture trustee (the “**Trustee**”). The aggregate Principal Amount of the Convertible Debentures authorized for issue will be limited to the aggregate Principal Amount of \$1,000 (including Convertible Debentures issuable upon exercise of the Over-Allotment Option). The Convertible Debentures will be dated as at the Closing Date and will be issuable only in denominations of \$1,000 and integral multiples thereof.

The Convertible Debentures will mature on the Maturity Date. The Convertible Debentures will bear interest from the date of issue at 9.5% per annum, which will be payable semi-annually in arrears on June 30 and December 31 in each year (the “**Interest Payment Dates**”), commencing on June 30, 2019. The Principal Amount and interest accrued thereon will be payable in lawful money of Canada.

The Convertible Debentures will be senior unsecured obligations of the Corporation and shall rank *pari passu* in right of payment of principal and interest with all other Convertible Debentures issued under the Offering and all previously existing unsecured indebtedness of the Corporation. The Convertible Debentures will be direct obligations of the Corporation and will not be secured by any mortgage, pledge, hypothec or other charge.

During the period that any Convertible Debentures are outstanding, the Corporation shall not grant new encumbrances or liens or otherwise grant any new security interest in any of its assets without the prior consent of the Lead Underwriter, such consent not to be unreasonably withheld or delayed. For greater certainty, the Convertible Debentures shall be subordinate to any secured indebtedness of the Corporation or any security interest over the Corporation’s assets existing at the date hereof.

The Convertible Debentures will not be convertible in the United States or by or on behalf of a U.S. person, nor will the Conversion Shares issuable upon conversion of the Convertible Debentures or the Effective Interest Shares issuable for Effective Interest be registered in the United States, unless an exemption from registration under the U.S. Securities Act and any applicable state securities law is available.

Payments

Unless the Corporation directs otherwise, payments of interest and Principal Amounts on the Convertible Debentures will be made to CDS or its nominee, as the case may be, as the registered holder of the Convertible Debentures. As long as CDS is the registered holder of the Convertible Debentures, CDS or its nominee will be considered the sole legal owner of the Convertible Debentures for the purposes of receiving payments of interest and principal on the Convertible Debentures and for all other purposes under the Debenture Indenture and the Convertible Debentures. The record date for the payment of interest will be the last business day (a business day being a day on which banking institutions are open in the City of Calgary, Alberta) of the month preceding the month of the applicable Interest Payment Date. Interest payments on Convertible Debentures will be made by electronic funds transfer on the Interest Payment Date and delivered to CDS or its nominee, as the case may be.

The Corporation understands that CDS or its nominee, upon receipt of any payment of interest or principal in respect of the Convertible Debentures, will credit Participants’ accounts, on the date interest or principal is payable, with payments in amounts proportionate to their respective beneficial interest in the Principal Amount of such Convertible Debentures as shown in the records of CDS or its nominee.

The Corporation also understands that payments of interest and principal by Participants to owners of beneficial interest in such Convertible Debentures held through such Participants will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name” and will be the responsibility of such Participants. The responsibility and liability of the Corporation in respect of payments on the Convertible Debentures represented by the Convertible Debenture is limited solely and exclusively to making payment of any interest and principal due on such Convertible Debenture to CDS or its nominee. If Convertible Debenture Certificates (as defined herein) are issued instead of or in place of the Convertible Debentures, payments of interest on each Convertible Debenture Certificate will be made by electronic funds transfer, if agreed to by the holder of the Convertible Debenture Certificate, or by cheque dated the applicable Interest Payment Date and mailed to the address of the holder appearing in the register maintained by the registrar for the Convertible Debentures, at the close of business on the last business day of the month preceding the month of the applicable Interest Payment Date.

Conversion Privilege

At the option of a holder of Convertible Debentures, the Principal Amount shall be convertible, for no additional consideration into Conversion Shares at any time prior to the earlier of: (i) the close of business on the Maturity Date, and (ii) the business day immediately preceding the Redemption Date specified by the Corporation for redemption of the Convertible Debentures upon a Change of Control, at the Conversion Price.

Subject to the provisions thereof, the Debenture Indenture will provide for the adjustment of the Conversion Price in certain events including: (a) the subdivision or consolidation of the outstanding Common Shares; (b) the distribution of Common Shares or securities convertible into Common Shares by way of stock dividend or distribution; (c) the issue of rights, options or warrants to all or substantially all of the holders of Common Shares in certain circumstances; and (d) the distribution to all or substantially all of the holders of Common Shares of any other class of shares, rights, options or warrants, evidences of indebtedness or assets.

Change of Control

Upon a Change of Control of the Corporation, holders of the Convertible Debentures will have the right to require the Corporation to repurchase their Convertible Debentures, in whole or in part, on the date that is 30 days following the giving of notice of the Change of Control (the “**Redemption Date**”), at a price equal to 104% of the Principal Amount of the Convertible Debentures then outstanding plus accrued and unpaid interest thereon up to and including the Redemption Date (the “**Offer Price**”). If 90% or more of the Principal Amount of the Convertible Debentures outstanding on the date of the notice of the Change of Control have been tendered for redemption, the Corporation will have the right to redeem all of the remaining Convertible Debentures at the Offer Price.

For the purposes hereof, a “**Change of Control**” means: (i) any event as a result of or following which any person, or group of persons “acting jointly or in concert” within the meaning of applicable Canadian securities laws, beneficially owns or exercises control or direction over an aggregate of more than 50% of the then outstanding Common Shares; or (ii) the sale or other transfer of all or substantially all of the consolidated assets of the Corporation. A Change of Control will not include a sale, merger, reorganization or other similar transaction if the previous holders of the Common Shares hold at least 50% of the voting shares of such merged, reorganized or other continuing entity.

Payment Upon Maturity

At maturity, the Corporation will repay the indebtedness represented by the Convertible Debentures then outstanding by paying to the Trustee in lawful money of Canada an amount equal to the aggregate Principal Amount of the outstanding Convertible Debentures which are to be redeemed or which have matured, together with all accrued and unpaid interest thereon, less any tax required by law to be deducted.

Offers for Convertible Debentures

The Debenture Indenture will contain provisions to the effect that if an offer is made for all the Convertible Debentures (other than Convertible Debentures held by or on behalf of the offeror or associates or affiliates of the offeror) and the

offer is accepted by the beneficial holders of at least 90% of the outstanding Principal Amount of the Convertible Debentures other than the offeror's Convertible Debentures and the offeror takes up and pays for the Convertible Debentures of the holders who accepted the offer and the offeror complies with certain provisions of the Debenture Indenture, the offeror will be entitled to acquire the Convertible Debentures held by the holders of the Convertible Debentures who did not accept the offer on the terms offered by the offeror.

Modification

The rights of the holders of the Convertible Debentures as well as any other series of debentures that may be issued under the Debenture Indenture may be modified in accordance with the terms of the Debenture Indenture. For that purpose, among others, the Debenture Indenture will contain certain provisions which will make binding on all holders of the Convertible Debentures resolutions passed at meetings of the holders of the Convertible Debentures by votes cast thereat by holders of not less than 66 $\frac{2}{3}$ % of the Principal Amount of the then outstanding Convertible Debentures present at the meeting or represented by proxy, or rendered by instruments in writing signed by the holders of not less than 66 $\frac{2}{3}$ % of the Principal Amount of the then outstanding Convertible Debentures. In certain cases, the modification will, instead of or in addition to such approval, require assent by the holders of the required percentage of the Convertible Debentures of each particularly affected series.

The foregoing summarizes certain provisions of the Debenture Indenture, does not purport to be complete and is qualified in its entirety by reference to the provisions of the Debenture Indenture in the form to be agreed upon by the parties.

Warrants

Each Warrant will be transferable and will entitle the holder thereof to acquire one Warrant Share at a price of \$2.75 per Warrant Share at any time prior to 5:00 p.m. (MST) at any time up to three years following the Closing Date, subject to adjustment in certain customary events, after which time the Warrants will expire.

The Warrants will be issued under and governed by the Warrant Indenture to be entered into on the Closing Date between the Corporation and Computershare Trust Company of Canada, as warrant agent. The Corporation will appoint the principal transfer office of Computershare Trust Company of Canada in Vancouver, British Columbia as the location at which the Warrants may be surrendered for exercise, transfer or exchange. Under the Warrant Indenture, the Corporation may, subject to applicable law, purchase by private contract or otherwise, any of the Warrants then outstanding, and any Warrants so purchased will be cancelled.

The Warrant Indenture will provide for adjustment in the class and/or number of securities issuable upon the exercise of the Warrants and/or Exercise Price per Warrant Share in the event of the following additional events: (a) reclassifications of the Common Shares; (b) consolidations, amalgamations, arrangements or mergers of the Corporation with or into any other corporation or other entity (other than consolidations, amalgamations, arrangements or mergers which do not result in any reclassification of the outstanding Common Shares or a change of the Common Shares into other shares); or (c) the transfer of the undertaking or assets of the Corporation as an entirety or substantially as an entirety to another corporation or other entity.

No adjustment in the exercise price or the number of Warrant Shares issuable upon the exercise of the Warrants will be required to be made unless the cumulative effect of such adjustment or adjustments would result in a change of at least 1% in the exercise price or a change in the number of Warrant Shares issuable upon exercise by at least one one-hundredth of a Warrant Share, as the case may be.

The Corporation will covenant in the Warrant Indenture that, during the period in which the Warrants are exercisable, it will give notice to Computershare Trust Company of Canada and to the holders of the 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 of such event, if any.

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 Warrant Shares. Holders of Warrants will not have any voting or pre-emptive rights or any other rights which a holder of Common Shares would have.

The Warrant Indenture will provide that, from time to time, the Corporation may amend or supplement the Warrant Indenture for certain purposes, without the consent of the holders of the Warrants, including curing defects or inconsistencies or making any change that does not prejudice the rights of any holder. Any amendment or supplement to the Warrant Indenture that would prejudice the interests of the holders of 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 of at least 10% of the aggregate number of the then outstanding Warrants (unless such meeting is adjourned to a prescribed later date due to the lack of quorum and passed by the affirmative vote of the holders of Warrants present in person or by proxy shall form a quorum) and passed by the affirmative vote of the holders of Warrants representing not less than 66⅔% 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 66⅔% of the aggregate number of all the then outstanding Warrants.

The foregoing summary of certain provisions of the Warrant Indenture does not purport to be complete and is qualified in its entirety by reference to the provisions of the Warrant Indenture in the form to be agreed upon by the parties.

Conversion Shares, Effective Interest Shares and Warrant Shares

The holders of the Conversion Shares, Warrant Shares and Effective Interest Shares of the Corporation, being Common Shares issued upon conversion of Convertible Debentures and Warrants, or issued in satisfaction of Effective Interest, as applicable, are entitled, as holders of Common Shares, to receive notice of and to attend all meetings of the shareholders of the Corporation and have one vote for each Common Share held at all meetings of the shareholders of the Corporation and, upon dissolution, to share equally in such assets of Westleaf as are distributable to the holders of Common Shares subject to the rights, privileges, restrictions, and conditions attaching to any other class of shares of Westleaf.

All of such Common Shares rank equally within their class as to dividends, voting rights, participation in assets and in all other respects. None of such Common Shares are subject to any call or assessment nor pre-emptive or conversion rights.

Any modification, amendment or variation of any rights or other terms attached to the Common Shares would require special resolutions passed by the shareholders of the Corporation.

Broker Warrants

As additional consideration for the services rendered in connection with the Offering, the Corporation has agreed to issue to the Underwriters such number of Broker Warrants as is equal to 7.0% of the gross proceeds raised in respect of the Offering (including gross proceeds raised in exercise of the Over-Allotment Option) divided by the Conversion Price. Each Broker Warrant will entitle the holder thereof to acquire one Broker Share at an exercise price of \$2.13 per Broker Share for a period of three years following the Closing Date (subject to adjustment in certain customary events).

The certificates representing the Broker Warrants will provide for standard adjustments in the number of Broker Shares issuable upon the exercise of the Broker Warrants and/or the exercise price per Broker Share subject to a Broker Warrant upon the occurrence of certain events, including: (a) the subdivision or consolidation of the outstanding Common Shares; (b) the issue of Common Shares or securities convertible into Common Shares by way of stock dividend or distribution; (c) the issue of rights, options or warrants to all or substantially all of the holders of Common Shares in certain circumstances; and (d) the distribution to all or substantially all of the holders of Common Shares of any other class of shares, rights, options or warrants, evidences of indebtedness or assets.

Holders of Broker Warrants will not have any voting or any other rights which a holder of Common Shares would have.

PRIOR SALES

The following tables set forth details regarding issuances of Common Shares and issuances of securities convertible into or exchangeable, redeemable or exercisable for Common Shares during the 12-month period before the date of this Prospectus (April 2018 – April 2019):

Class of Securities	Number of Securities	Issue Price/Exercise Price	Date of Issue
Common Shares ⁽¹⁾	82,330,353	N/A	December 28, 2018
Options ⁽¹⁾	3,014,400	\$0.50	December 28, 2018
RSUs ⁽¹⁾	6,705,000	N/A	December 28, 2018
Finder's Warrants ⁽²⁾	162,840	\$0.75	December 28, 2018
Westleaf Replacement Warrants ⁽³⁾	2,941,176	\$0.85	December 28, 2018
Performance Warrants ⁽⁴⁾	980,000	\$0.001	December 28, 2018
Delta 9 Performance Warrants ⁽⁵⁾	250,000	\$0.50	December 28, 2018
Atlas Warrants ⁽⁶⁾	175,000	\$0.85	December 28, 2018
RTO Warrants ⁽⁷⁾	12,055,177	\$1.30	December 28, 2018
RTO Common Shares ⁽¹²⁾	24,110,356	\$0.85	December 28, 2018
Agent Warrants ⁽⁸⁾	1,419,416	\$0.85	December 28, 2018
Eight Capital Warrants ⁽⁹⁾	204,705	0.85	December 28, 2018
Common Shares ⁽¹⁰⁾	5,600,000	\$2.67	January 31, 2019
Common Shares ⁽¹¹⁾	22,695,127	\$2.24	January 31, 2019
RSUs	1,095,000	N/A	March 14, 2019

Notes:

- (1) Issued in exchange for common shares, options and restricted stock units of Westleaf Cannabis on a one-for-one basis in conjunction with the Amalgamation.
- (2) Issued in exchange for Westleaf Cannabis finder's warrants on a one-for-one basis in conjunction with the Amalgamation. Each finder's warrant entitles the holder to acquire one Common Share at an exercise price of \$0.75 until March 29, 2020.
- (3) Issued in exchange for Westleaf Cannabis warrants on a one for one basis in connection with the Amalgamation ("**Westleaf Replacement Warrants**"). Each Westleaf Replacement Warrant entitles the holder to acquire one Common Share at an exercise price of \$1.30 until October 2, 2020. Subject to certain conditions, Westleaf has the right, on not less than ten days prior written notice, to accelerate the expiry of the Westleaf Replacement Warrants at any time if the ten day volume weighted average trading price of Common Shares on any public stock exchange is greater than \$1.80.
- (4) Issued in exchange for Westleaf Cannabis performance warrants on a one for one basis in connection with the Amalgamation ("**Performance Warrants**"). Subject to the satisfaction by the Corporation of certain conditions precedent, each Performance Warrant entitles the holder thereof to acquire one Common Share at an exercise price of \$0.001 until November 1, 2020.
- (5) Issued to Delta 9 Cannabis Inc. in exchange for Westleaf Cannabis performance warrants on a one for one basis in connection with the Amalgamation. Subject to the satisfaction by the Corporation of certain conditions precedent, each Delta 9 Performance Warrant entitles Delta 9 Cannabis Inc. to acquire one Common Share at an exercise price of \$0.50 until November 1, 2020.
- (6) Issued to Atlas Capital in exchange for Westleaf Cannabis warrants ("**Atlas Warrants**") on a one for one basis in connection with the Amalgamation. Each Atlas Warrant entitles Atlas Capital to acquire one Common Share at an exercise price of \$0.85 unit December 28, 2020.
- (7) Warrants ("**RTO Warrants**") issued in connection with a financing of the Corporation undertaken in connection with the Amalgamation (the "**RTO Financing**"). Each RTO Warrant entitles the holder thereof to acquire one Common Share at an exercise price of \$1.30 for a period 24 months from the date of issuance.
- (8) Issued to the agents for the brokered portion of the RTO Financing ("**Agent Warrants**"). Each Agent Warrant entitles the holder thereof to acquire one Common Share at an exercise price of \$0.85 until December 4, 2020.
- (9) Issued to Eight Capital Corp. in connection with the RTO Financing ("**Eight Capital Warrants**"). Each Eight Capital Warrant entitles Eight Capital Corp. to acquire one Common Share at an exercise price of \$0.85 until December 28, 2020.
- (10) Issued to Delta 9 in connection with the Delta 9 Transaction.
- (11) In connection with the Canndara Acquisition, Westleaf issued 21,614,407 Common Shares to Canndara and 1,080,720 Common Shares to Inform Management Group Inc.
- (12) Issued in connection with the RTO Financing, including 23,656,945 Common Shares from the brokered portion and 453,411 from the non-brokered portion.

TRADING PRICE AND VOLUME

Prior to the Amalgamation the shares of the Corporation were listed on the NEX board of the TSXV (the “NEX”) under the trading symbol “IGC.H”. The Common Shares commenced trading on the TSXV under the trading symbol “WL” on January 9, 2019 and on the OTCQB under the trading symbol “WSLFF” on February 28, 2019.

The following table sets forth information relating to the trading of the Common Shares of the Corporation on the NEX for the period from April 1, 2018 to January 8, 2019 and on the TSXV from January 9, 2019 to the date of this Prospectus:

Month	High (\$)	Low (\$)	Volume
2018			
April	0.25	0.15	66,500
May	0.16	0.155	13,800
June	0.16	0.155	11,341
July	0.155	0.15	39,480
August	0.15	0.15	1,100
September	0.185	0.15	12,450
October	0.19	0.155	11,600
November	0.19	0.19	0
December	0.19	0.19	0
2019			
January	4.00	1.73	4,359,030
February	3.98	3.05	2,676,040
March	3.70	2.26	4,506,470
April 1, 2019 – April 15, 2019	2.62	1.45	5,024,090

On April 10, 2019, the last trading day prior to the announcement of the Offering, the closing price per Common Share on the TSXV was \$2.13. On April 15, 2019, the last trading day prior to the date of this Prospectus, the closing price per Common Share on the TSXV was \$1.46.

The following table sets forth information relating to the trading of the Common Shares of the Corporation on the OTCQB for the period from February 28, 2019 (the date of their initial trading on the OTCQB) to the date of this Prospectus:

Month	High (\$)	Low (\$)	Volume
February	5.0	2.36	1,219,483
March	2.80	1.69	1,522,992
April 1, 2019 – April 15, 2019	1.98	1.10	2,420,589

On April 10, 2019, the last trading day prior to the announcement of the Offering, the closing price per Common Share was USD\$1.60 on the OTCQB. On April 15, 2019, the last trading day prior to the date of this Prospectus, the closing price per Common Share on the OTCQB was USD\$1.10.

PRINCIPAL SHAREHOLDERS

To the knowledge of directors and executive officers of the Corporation, other than as disclosed herein, no person or corporation beneficially owns, or controls or directs, directly or indirectly, voting securities carrying more than 10% of the voting rights attached to any class of voting securities of the Corporation:

Shareholder Name	Number of Securities	Class of Securities	Percentage of Issued and Outstanding Common Shares
Thunder Developments Inc.	16,000,000	Common Shares	11.3%

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Borden Ladner Gervais LLP, counsel to the Corporation, and Miller Thomson LLP, counsel to the Underwriters, the following is, as at the date of this Prospectus, a summary of the principal Canadian federal income tax considerations under the Tax Act generally applicable to (a) an investor (the **“Initial Purchaser”**) who at all relevant times is resident or deemed to be resident in Canada for purposes of the Tax Act and acquires as beneficial owner pursuant to this Offering the Convertible Debentures and Warrants which comprise the Debenture Units; (b) an Initial Purchaser who acquires Warrant Shares on the exercise of such Warrants; (c) an Initial Purchaser who is issued Effective Interest Shares in satisfaction of Effective Interest; or (c) an Initial Purchaser who acquires Conversion Shares as a result of converting such Convertible Debentures (the Convertible Debentures, the Warrants, the Warrant Shares, the Effective Interest Shares and the Conversion Shares, collectively referred to as **“Securities”**), and who, for the purposes of the application of the Tax Act and at all relevant times: (x) deals at arm’s length with the Corporation and the Underwriters; (y) is not affiliated with the Corporation or the Underwriters; and (z) holds any Securities as capital property. The Securities will generally be capital property to an Initial Purchaser 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 in the nature of trade. An Initial Purchaser of Debenture Units meeting all such requirements is referred to as a **“Holder”** herein.

This summary does not apply to a Holder (i) that is a “financial institution” for the purposes of the mark-to-market rules contained in the Tax Act; (ii) that is a “specified financial institution” as defined in the Tax Act; (iii), an interest in which would be a “tax shelter investment” as defined in the Tax Act; (iv) that has made a functional currency reporting election under the Tax Act; (v) that has or will enter into a “derivative forward agreement” or “synthetic disposition arrangement”, as each such term is defined in the Tax Act, with respect to any Securities; (vi) that is a corporation resident in Canada, and is, or becomes as part of a transaction or event or series of transactions or events that includes the acquisition of any Securities, controlled by a non-resident corporation for purposes of the “foreign affiliate dumping” rules in section 212.3 of the Tax Act; or (vii) is exempt from tax under Part I of the Tax Act. **Such Holders should consult their own tax advisors with respect to an investment in Debenture Units or Additional Securities.**

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

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

Acquisition of Debenture Units

Holders will be required to allocate on a reasonable basis their cost of each Debenture Unit between the Convertible Debenture and the Warrants in order to determine their respective costs for purposes of the Tax Act.

For its purposes, the Corporation intends to allocate \$886 to each Convertible Debenture and \$0.49 to each Warrant. Although the Corporation believes that its allocation is reasonable, it is not binding on the CRA or the Holder.

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 "*Certain Canadian Federal Income Tax Considerations - Capital Gains and Capital Losses*".

Interest on Convertible Debentures

A Holder that is a corporation, partnership, unit trust or any trust of which a corporation or a partnership is a beneficiary will be required to include in computing its income for a taxation year any interest on the Convertible Debentures that accrues (or is deemed to accrue) to it to the end of the taxation year or that has become receivable by or is received by the Holder before the end of that taxation year, including on a conversion, redemption or repayment at maturity, except to the extent that such interest was included in computing the Holder's income for a preceding taxation year.

Any other Holder, including an individual (other than a unit trust or trust of which a corporation or partnership is a beneficiary) will be required to include in computing income for a taxation year all interest on the Convertible Debentures that is received or receivable by the Holder in that taxation year (depending upon the method regularly followed by the Holder in computing income), including on a conversion, redemption or repayment at maturity, except to the extent that the interest was included in the Holder's income for a preceding taxation year. In addition, if at any time a Convertible Debenture should become an "investment contract" (as defined in the Tax Act) in relation to a Holder, such Holder will be required to include in computing income for a taxation year any interest that accrues to the Holder on the Convertible Debenture up to the end of any "anniversary day" (as defined in the Tax Act) in that year to the extent such interest was not otherwise included in computing the Holder's income for that year or a preceding year.

A Holder that throughout the year is a "Canadian-controlled private corporation" (as defined in the Tax Act) may also be liable to pay an additional tax, a portion of which may be refundable, on "aggregate investment income", (as defined in the Tax Act), which includes interest income.

In the event that the portion of the purchase price that is allocated to a Convertible Debenture is less than the Principal Amount of the Convertible Debenture, such allocation may increase a Holder's capital gain (or reduce its capital loss) on the disposition of the Convertible Debenture, including on repayment, redemption or conversion. Alternatively, the Holder may be required to include in its income, an additional amount equal to the difference between the portion of the purchase price allocated to the Convertible Debenture and its Principal Amount ("**Discount**") either in one or more taxation years in which the Discount accrues or in a taxation year in which the Discount is received or receivable by the Holder. **Holders should consult their own tax advisors in this regard.**

Any amount paid by the Corporation to a Holder as a penalty or bonus because of the repayment of all or part of the Principal Amount of a Convertible Debenture before its maturity will be deemed to be received by the Holder as interest on the Convertible Debenture at that time and will be required to be included in computing the Holder's income as described above, to the extent such amount can reasonably be considered to relate to, and does not exceed

the value at the time of payment of, interest that, but for the repayment, would have been paid or payable by the Corporation on the Convertible Debenture for a taxation year of the Corporation ending after that time.

Conversion of Convertible Debentures

Generally, a Holder of a Convertible Debenture who converts a Convertible Debenture into Conversion Shares (or Conversion Shares and cash delivered in lieu of a fraction of a Conversion Share) pursuant to the conversion privilege under the terms of the Convertible Debenture will be deemed not to have disposed of the Convertible Debenture and, accordingly, will not recognize a capital gain (or capital loss) upon such conversion. Under the current administrative practice of the CRA, a Holder who, upon conversion of a Convertible Debenture, receives cash not in excess of \$200 in lieu of a fraction of a Conversion Share may either treat this amount as proceeds of disposition of a portion of the Convertible Debenture, thereby recognizing a capital gain (or capital loss), or reduce the adjusted cost base of the Conversion Shares that the Holder receives on the conversion by the amount of the cash received.

Upon a conversion of a Convertible Debenture, interest accrued thereon, to the extent not otherwise previously included in income, will be included in computing the income of the Holder as described above under “*Certain Canadian Federal Income Tax Considerations - Interest on Convertible Debentures*”, to the extent that such interest has not otherwise been included in computing the Holder’s income for the taxation year or a previous taxation year.

The aggregate cost to a Holder of the Conversion Shares acquired on the conversion of a Convertible Debenture into Conversion Shares (or Conversion Shares and cash delivered in lieu of a fraction of a Conversion Shares) will generally be equal to the aggregate of the Holder’s adjusted cost base of the Convertible Debenture immediately before the conversion, minus any reduction of adjusted cost base for fractional shares as discussed above. The adjusted cost base to a Holder of Conversion Shares at any time will be determined by averaging the cost of such Conversion Shares with the adjusted cost base of any other Common Shares owned by the Holder as capital property at the time.

If on a conversion of a Convertible Debenture under its terms a Holder receives consideration wholly or in part in the form of cash (other than cash delivered in lieu of fractional shares as described above), the Holder will be considered to have disposed of the Convertible Debentures for the purposes of the Tax Act. See “*Certain Canadian Federal Income Tax Considerations - Holders - Disposition of Convertible Debentures*”.

Other Disposition of Convertible Debentures

On a disposition or deemed disposition of a Convertible Debenture by a Holder, including a redemption, payment on maturity or purchase for cancellation, but not including the conversion of a Convertible Debenture into Conversion Shares pursuant to the Holder’s right of conversion described above, a Holder will generally be required to include in computing its income for the taxation year in which the disposition occurs the amount of interest that has accrued on the Convertible Debenture to that time, except to the extent that such interest has otherwise been included in the Holder’s income for the year or a preceding taxation year.

Such disposition or deemed disposition of a Convertible Debenture by a Holder will also generally result in the Holder realizing a capital gain (or capital loss) equal to the amount by which the proceeds of disposition (net of any amount otherwise required to be included in the Holder’s income as interest), are greater (or less) than the aggregate of the Holder’s adjusted cost base thereof and any reasonable costs of disposition. Such capital gain (or capital loss) will be subject to the tax treatment under “*Certain Canadian Federal Income Tax Considerations - Capital Gains and Capital Losses*”.

Expiry of Warrants

In the event of the expiry of an unexercised Warrant, a Holder generally will realize a capital loss equal to the Holder’s adjusted cost base of such Warrant. The tax treatment of capital gains and capital losses is discussed below under “*Certain Canadian Federal Income Tax Considerations - Capital Gains and Capital Losses*”.

Disposition of Warrants, Warrant Shares, Effective Interest Shares, Conversion Shares and Common Shares

On a disposition or deemed disposition of a Warrant by a Holder, not including the exercise of a Warrant into a Warrant Share pursuant to the Holder's right of exercise described above, Warrant Share, Effective Interest Share, Conversion Share, or Common Share, a capital gain (or capital loss) will generally be realized by a Holder in the year of disposition to the extent that the proceeds of disposition, exceed (or are less than) the aggregate of the adjusted cost base of the Warrant, Warrant Share, Effective Interest Share, Conversion Share or Common Share, as the case may be, to the Holder immediately before the disposition and reasonable costs of disposition. Any such capital gain (or capital loss) will be subject to the treatment described below under "*Certain Canadian Federal Income Tax Considerations - Capital Gains and Capital Losses*".

Dividends on Common Shares

Dividends received or deemed to be received on Common Shares (including the Conversion Shares, Effective Interest Shares and the Warrant Shares) will be included in computing a Holder's income. In the case of an individual (other than certain trusts), such dividends will be subject to the gross-up and dividend tax credit rules normally applicable in respect of "taxable dividends" received from "taxable Canadian corporations" (as defined in the Tax Act), including the enhanced dividend tax credit in respect of "eligible dividends", if any, so designated by the Corporation to the Holder in accordance with the provisions of the Tax Act. There may be limitations on the Corporation's ability to designate any dividends as "eligible dividends" and the Corporation has made no commitments in this regard.

Dividends received or deemed to be received by a corporation that is a Holder on the Common Shares (including the Conversion Shares, Effective Interest Shares and the Warrant Shares) must be included in computing its income but generally will be deductible in computing its taxable income, subject to special rules under the Tax Act. In certain circumstances which are beyond the scope of this summary, 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 or 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) and certain other corporations controlled by or for the benefit of an individual (other than a trust) or related group of individuals (other than trusts) generally will be liable to pay an additional refundable tax under Part IV of the Tax Act on dividends received or deemed to be received on the Common Shares (including the Conversion Shares, Effective Interest Shares and the Warrant Shares) to the extent such dividends are deductible in computing taxable income.

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 that 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 on the disposition or deemed disposition of Common Shares by a Holder that is a corporation may be reduced by the amount of dividends received or deemed to have been received by it on such shares or shares substituted for such shares to the extent and in the circumstance specified by the Tax Act. Similar rules may apply where a corporation is a member of a partnership or a beneficiary of a trust that owns Common Shares, directly or indirectly, through a partnership or trust. **Holders to whom these rules may be relevant should consult their own tax advisors.**

A Holder that is throughout the relevant taxation year a "Canadian-controlled private corporation" (as defined in the Tax Act) also may be liable to pay an additional refundable tax on its "aggregate investment income" (as defined in the Tax Act) for the year which will include taxable capital gains.

Minimum Tax

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

RISK FACTORS

An investment in the Corporation is speculative and involves a high degree of risk due to the nature of the Corporation's business. The following risk factors, as well as risks not currently known to the Corporation, could materially adversely affect the Corporation's future business, operations and financial condition and could cause them to differ materially from the estimates described in forward-looking statements contained herein. Prospective investors should carefully consider all information contained in this Prospectus, including all documents incorporated by reference and in particular should give special consideration to the risk factors under the section titled "Risk Factors" in the AIF, which is incorporated by reference in this Prospectus and which may be accessed on the Corporation's SEDAR profile at www.sedar.com and the information contained in the Prospectus in the section entitled "Cautionary Statement Regarding Forward-Looking Information". Additionally, prospective investors should consider the following risk factors set out herein:

Risk Related to the Corporation

Ability to Obtain Licences

Westleaf's ability to produce, store and sell wholesale dried cannabis and cannabis oil in Canada is dependent on becoming a Federal Licence Holder. Any changes to the Corporation's applications (e.g., changes in key personnel, officers, directors, or physical security measures, etc.) may result in additional processing times. The quality, completeness, and complexity of licence applications are key variables affecting application processing times. There are a significant number of applications currently in the review stage. The timeline of the applications cannot be predicted. However, it may take several months for file review and communications with the case manager for additional information and clarifications to support the applications.

Westleaf's ability to grow, store, and sell wholesale cannabis in Canada is dependent on a licence. The licence issued by Health Canada is subject to ongoing compliance and reporting requirements. Failure to comply with the requirements of the licence or any failure to maintain the licence would have a material adverse impact on the business, financial condition, and operating results of Westleaf. If the applications are successful, there is no guarantee that the licence will be extended or renewed on the same or similar terms. Should Health Canada not issue, extend, or renew the licence or should it renew the licence on different terms, the business, financial condition, and results of the operation of Westleaf would be materially adversely affected.

Regulatory Risks

Westleaf will operate in a new industry which is highly regulated, highly competitive and evolving rapidly. As such, new risks may occur and Westleaf may not be able to predict all such risks or be able to predict how such risks may result in actual results differing from the results contained in any forward-looking statements. Westleaf's business is subject to the *Cannabis Act*. Westleaf's ability to market and sell recreational cannabis products to the public in Canada is dependent on its ability to obtain the applicable licence(s) pursuant to the CTLS and any provincial and municipal authorities for retail sales and maintaining such licence(s) in good standing. Failure to: (i) comply with the requirements of the applicable licence(s) to allow for sale of recreational cannabis products to the public; and (ii) maintain these licence(s) in good standing would have a material adverse impact on the business, financial condition and operating results of Westleaf.

Westleaf will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or in restrictions of Westleaf's operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to Westleaf's operations, increased compliance costs or may give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of Westleaf. The industry is

subject to extensive controls and regulations, which may significantly affect the financial condition of market participants. The marketability of any product may be affected by numerous factors that are beyond Westleaf's control and which cannot be predicted, including changes to government regulations. Changes in government levies and taxes could reduce Westleaf's earnings and could make future capital investments or Westleaf's operations uneconomic. The recreational cannabis industry is also subject to numerous legal challenges, which may significantly affect the financial condition of market participants and which cannot be reliably predicted.

In addition to being subject to general business risks and to risks inherent in the nature of an early stage business in a regulated industry, Westleaf will need to continue to build brand awareness through significant investment in strategy, production capacity and quality assurance. Westleaf's brand and products may not be effectively promoted as intended. The recreational cannabis industry is marked by competitive conditions, consumer tastes and unique circumstances, and spending patterns that differ from existing markets.

In addition to regulation regarding the production and sale of cannabis, Westleaf is also subject to health, safety and environmental regulations with which it is required to comply. See the section below titled *Environmental Regulations and Risks* for more information on environmental regulations.

The provincial legislative and operational framework pertaining to the distribution of cannabis varies among provinces and territories and could result in additional provincial and territorial regulations, creating additional compliance and other costs and/or limitations on Westleaf's ability to participate in such markets. There is no guarantee that provincial legislation regulating the distribution and sale of cannabis for adult-use purposes will be enacted according to all the terms announced by such provinces, or at all, or that any such legislation, if enacted, will create the growth opportunities that Westleaf currently anticipates. While the impact of any new legislative framework for the regulation of the Canadian adult-use cannabis market is uncertain, any of the foregoing could result in a material adverse effect on Westleaf's business, financial condition, and results of operation. The asymmetrical regulatory and market environment for cannabis in each of the provinces and territories could materially and adversely affect the business, financial condition, and results of operations of Westleaf.

The governments of every Canadian province and territory have, to varying degrees, announced regulatory regimes for the distribution and sale of cannabis for adult-use purposes within those jurisdictions as more fully described immediately below. The provincial regimes governing adult-use cannabis is uncertain.

Liquidity Risk and Negative Cash Flow

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they come due. The Corporation reported negative cash flow from operating activities for the financial year ended December 31, 2018 and the Corporation has historically reported negative cash flow from operating activities for prior fiscal years. As a result of its negative cash flow, the Corporation continues to rely on the issuance of securities or other sources of financing to generate sufficient funds to fund its working capital requirements and for corporate expenditures. The Corporation may continue to have negative cash flow from operating activities until sufficient levels of sales are achieved. To the extent that the Corporation has negative cash flow from operating activities in future periods, the Corporation may need to use a portion of proceeds from any offering to fund such negative cash flow.

Difficulty to Forecast

Westleaf must rely mainly on its own market research to forecast sales and expenses as detailed forecasts are generally not available from reputable sources at this early stage of the cannabis industry in Canada. If demand does not materialize for its products as a result of competition, technological change, regulatory change or other factors this could have an adverse material effect on the Corporation.

Risks of Future Retail Store Operations

Westleaf's future retail operations depend on Westleaf's ability to secure attractive real estate in areas with zoning that is compliant with governmental regulations and bylaws at what it believes to be economic terms. The Corporation faces competition for retail locations from other companies in the industry as well as other retail businesses attempting to secure retail locations. There can be no guarantee that Westleaf will attain more retail locations or licences nor that

the locations which it does attain will be attractive or economic. Westleaf may lease or purchase buildings or spaces to serve as retail locations and these leases and purchases may cause Westleaf to incur future liabilities. There is no assurance that retail leases obtained will be able to be renewed at economic terms. There is no assurance that future retail locations will produce the same results as retail locations which the Corporation is no longer able or willing to lease or own.

Upon the introduction of its product to the market, Westleaf plans to target a large and diverse customer base to achieve its desired revenues. Westleaf is working towards identifying and providing products that appeal to such a customer base in an effort to achieve these desired revenues. Westleaf's ability to attract customers is dependent on a number of factors including but not limited to offering high quality products at competitive prices, the strength of its competitors and the abilities of its sales and marketing teams. The failure of Westleaf to attract new customers or to obtain new business from existing customers may mean that Westleaf will not increase its revenues as quickly as is anticipated, if at all.

Availability of Financing

Westleaf has limited financial resources and there is no assurance that additional funding will be available to Westleaf for further operations or to fulfill their respective obligations under current agreements. There is no assurance that Westleaf can generate sufficient revenues to operate profitably, or provide a return on investment, or that they will successfully implement their plans.

The ability of Westleaf to arrange financing in the future will depend in part upon prevailing capital market conditions, as well as upon the business success of Westleaf and the success of cannabis usage in general. There can be no assurance that Westleaf will be successful in its efforts to arrange additional financing, or that such financing will be available on terms satisfactory to Westleaf. If additional financing is raised by the issuance of shares or other forms of convertible securities from treasury, control of Westleaf may change and shareholders may suffer additional dilution. Similarly, future acquisitions may be funded in part by equity of a proposed acquisition target as may be determined by the directors from time to time. Any such arrangement could have a dilutive effect on the interest of shareholders of Westleaf.

If adequate funds are not available, or are not available on acceptable terms, Westleaf may not be able to take advantage of opportunities, or otherwise respond to competitive pressures and remain in business.

Attracting Customers

Westleaf's cash flow and desired revenue is dependent on its ability to attract customers. A high level of marketing to achieve initial sales of Westleaf's product in the market will be imperative to realize adequate cash flow; however, as Westleaf is a young company, it may not be able to attract enough customers to allow it to achieve its cash flow breakeven point.

Management of Growth

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

Information Technology Systems and Cyber-Security

The Corporation relies heavily on information technology, such as computer hardware and software systems, in order to properly operate its business. In the event the Corporation is unable to regularly deploy software and hardware, effectively upgrade systems and network infrastructure, and take other steps to maintain or improve the efficiency and efficacy of systems, the operation of such systems could be interrupted or result in the loss, corruption, or release of data, compromise confidential customer or employee information, result in the disruption of business, theft or extortion of funds, regulatory infractions, loss of competitive advantage and reputational damage. In addition,

information systems could be damaged or interrupted by natural disasters, force majeure events, telecommunications failures, power loss, acts of war or terrorism, computer viruses, malicious code, physical or electronic security breaches, intentional or inadvertent user misuse or error, or similar events or disruptions. Any of these or other events could cause interruptions, delays, loss of critical and/or sensitive data or similar effects, which could have a material adverse impact on the protection of intellectual property, and confidential and proprietary information, and on the Corporation's business, financial condition, results of operations and cash flows.

In the ordinary course of business, the Corporation collects, uses and stores sensitive data, including intellectual property, proprietary business information and personal information of the Corporation's employees and third parties. Despite the Corporation's security measures, its information systems, technology and infrastructure may be vulnerable to attacks by hackers and/or cyberterrorists or breaches due to employee error, malfeasance or other disruptions. Any such breach could compromise information used or stored on the Corporation's systems and/or networks and, as a result, the information could be accessed, publicly disclosed, lost or stolen.

To date the Corporation has not experienced any material losses relating to cyber-attacks or other information security breaches. However, there can be no assurance that the Corporation will not incur such losses in the future. Any such access, disclosure or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, regulatory penalties or other negative consequences, including disruption to the Corporation's operations and damage to its reputation, which could have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows. Although the Corporation maintains a risk management program, which includes an insurance component that may provide coverage for the operational impacts from an attack to, or breach of, the Corporation's information technology and infrastructure, including process control systems, the Corporation does not currently maintain stand-alone cyber insurance, however, an insurance application for cyber insurance is currently in progress. Furthermore, not all cyber risks are insurable. As a result, the Corporation's existing insurance may not provide adequate coverage for losses stemming from a cyber-attack to, or breach of, its information technology and infrastructure.

Reliance on a Small Number of Facilities

The Corporation has focused primarily on two main projects outside of retail development, being The Plant and the Thunderchild Facility. Westleaf intends to continue its focus on developing these projects for the foreseeable future. Adverse changes affecting the development of these projects could have a material and adverse effect on the Corporation's ability to begin producing cannabis and/or derivative cannabis products.

Reliance on Third Party Suppliers, Manufacturers and Contractors

In addition to its own proposed vertically integrated structure, the Corporation intends to use third-party suppliers, manufacturers and contractors in the provision of products and services, including cannabis for sale in its retail locations. Should one or more of these third-parties choose to discontinue a business relationship or withdraw its services from the Corporation due to regulatory reasons or otherwise, the Corporation and its future operations may suffer adverse effects.

Key Personnel

Westleaf is highly dependent on the ability, expertise, judgement, discretion and good faith of our senior management team as well as other senior employees within the Corporation. The Corporation's future success depends on its ability to retain these key personnel as well as to attract, develop and retain highly qualified and skilled employees. There is significant demand for qualified individuals and as a result the Corporation may incur significant costs to attract and retain them.

As part of the Corporation's Health Canada application, each key person at the Corporation must receive security clearance from Health Canada. There is no guarantee that existing personnel will receive security clearance. Under Health Canada regulations, a security clearance remains in effect for a maximum of five years and must be renewed before expiration. There is no guarantee that existing personnel will receive security clearance upon the required renewal in this period. Failure by a key person to gain or maintain the required security clearance could result in a material adverse effect on the Corporation.

Competition

The Canadian recreational cannabis industry is competitive in all of its phases. Westleaf will face strong competition from other companies. Many of these companies have greater financial resources, operational experience and technical capabilities than Westleaf. As a result of this competition, Westleaf may be unable to maintain its operations or develop them as currently proposed, on terms it considers acceptable or at all. Consequently, the revenues, operations and financial condition of Westleaf could be materially adversely affected. Health Canada has only issued to date a small number of licences to sell recreational cannabis. There are, however, several hundred applicants for licences. The number of licences granted could have an impact on the operations of Westleaf. Because of the early stage of the industry in which Westleaf operates, Westleaf may face additional competition from new entrants. If the number of users of recreational cannabis in Canada is high, the demand for products will increase and Westleaf expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. To remain competitive, Westleaf will require a continued high level of investment in research and development, marketing, sales and client support. Westleaf may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations of Westleaf. Additionally, there is potential that the industry will undergo consolidation, creating larger companies that may have increased geographic scope and other economies of scale. Increased competition by larger, better-financed competitors with geographic or other structural advantages could materially and adversely affect the business, financial condition and results of operations of Westleaf.

Consumer Perception of the Recreational Cannabis Market

Westleaf believes the recreational cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the recreational cannabis distributed to such consumers. Consumer perception of Westleaf's products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of recreational cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the recreational cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for Westleaf's products and the business, results of operations, financial condition and cash flows of Westleaf. Westleaf's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on Westleaf, the demand for Westleaf's products, and the business, results of operations, financial condition and cash flows of Westleaf. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of recreational cannabis in general, or Westleaf's products specifically, or associating the consumption of recreational cannabis with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.

Expansion of Facilities

Any expansion of Westleaf's facilities is subject to various potential problems and uncertainties, and may be delayed or adversely affected by a number of factors beyond Westleaf's control. These uncertainties include the failure to obtain regulatory approvals, permits, delays in the delivery or installation of equipment by suppliers, difficulties in integrating new equipment with existing facilities, shortages in materials or labor, defects in design or construction, diversion of management resources, and insufficient funding or other resource constraints. The actual cost of construction may exceed the amount budgeted for expansion. As the result of construction delays, cost overruns, changes in market circumstances or other factors, Westleaf may not be able to achieve the intended economic benefits from the expansion of operations, which in turn may affect Westleaf's business, prospects, financial condition and results of operations.

Marketing Constraints

The Corporation's intended retail operations and future operating results may be hindered by the applicable regulations which restrict the sales and marketing activities of the Corporation and the cannabis industry. These regulations may limit the Corporation's ability to compete for market share if it is unable to effectively market its products. If the Corporation is unable to effectively market its products its intended retail operations and future operating results may be affected adversely.

Reliance on Suppliers and Skilled Labour

The ability of Westleaf to compete and grow will be dependent on it having access, at a reasonable cost and in a timely manner, to the raw products, supplies and skilled labour it requires to develop or grow its product. No assurances can be given that Westleaf will be successful in maintaining its required supply of skilled labour and raw products.

Ability to Successfully Execute Strategies

If Westleaf fails to execute any element of its strategy in a timely and effective manner, competitors may be able to seize marketing opportunities that Westleaf has identified. Westleaf's business strategy will require that it successfully and simultaneously complete many tasks. In order to be successful, Westleaf must: (i) attract and retain customers; (ii) hire, train and retain quality employees; and (iii) evolve Westleaf's business to gain advantages in a competitive environment.

Product Liability

There is inherent risk of exposure to product liability claims in its future operations as a distributor and producer of products designed to be ingested by humans. Regulatory actions or litigation may result if its products are alleged to have caused loss or injury. In addition, the future sale of Westleaf's products may involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of its products alone or in combination with other substances or medications could occur. The Corporation may be subject to various product liability claims, including but not limited to, that the Corporation's products caused illness or injury, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the Corporation could result in increased costs, adverse affects on its reputation with its clients and consumers generally, and could have a material adverse effect on the results of operations and financial condition of the Corporation. There can be no guarantee that the Corporation will be able to maintain product liability insurance with adequate coverage against potential liabilities on reasonable terms. There can be no assurance of availability of this insurance in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage at commercial terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of some or all of the Corporation's potential products.

Product Recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of the products they produce or sell for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. Should any of the Corporation's products be subject to a recall due to an alleged product defect or for any other reason, the Corporation could be forced to incur the expense of the recall and any legal proceedings that may arise in connection with the recall. The Corporation may be unable to sell a significant amount of its inventory or lose a significant amount of sales and may not be able to replace those sales at an acceptable margin, or at all. A product recall may require significant management attention in addition to the financial costs. Although the Corporation has detailed procedures in place for testing its products, there can be no guarantee that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of the Corporation's brands were subject to a recall, the customer perception of that brand and the Corporation as a whole could be harmed. A recall for any reason could lead to decreased demand for the Corporation's products and could have a material adverse effect on the results of operations and financial condition of the Corporation. Additionally,

product recalls may lead to increased scrutiny of the Corporation's operations by regulatory agencies including Health Canada and require further management attention, increased legal fees and other expenses.

Litigation

Westleaf may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which Westleaf becomes involved be determined against Westleaf such a decision could adversely affect Westleaf's ability to continue operating and the market price for the Common Shares and could use significant resources. Even if Westleaf is involved in litigation and wins, litigation can redirect significant Westleaf resources. Litigation may also create a negative perception of Westleaf's brand. The Corporation is not aware of any legal disputes in which it is named, nor does it have any financial contingencies for litigation at this time.

Internal Controls

Effective internal controls are a necessity for Westleaf to be able to provide reliable and accurate financial reports and to help safeguard against fraud. Although Westleaf will undertake a number of procedures and will implement a number of preventative measures, in each case, in order to help ensure the reliability of its financial reports, Westleaf can not be sure that such measures will ensure Westleaf will maintain adequate control over financial reporting and processes. Failure to implement newly required or improved controls, or difficulties or delays encountered in their implementation, could harm the Corporation's financial position or operating results or cause it to fail to meet its reporting obligations. If Westleaf or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce investor confidence in Westleaf's consolidated financial statements and materially adversely affect the perceived value of Westleaf or its ability to access capital markets.

Risks Inherent in Agricultural Business

The Corporation intends for a portion of its operations to consist of the cultivation of cannabis, an agricultural product. This future operation will be subject to the inherent risks of agricultural business, including insects, plant disease and similar agricultural risks. While the Corporation intends to complete its cultivation indoors under climate-controlled conditions and additional provisions intended to reduce these risks, there can be no assurance that natural elements will not have a material adverse effect on any such future production.

Provincial Legislation for Licensing and Retailing of Cannabis Varies

Successful execution of Westleaf's strategy is contingent, in part, upon compliance with regulatory requirements enacted by governmental authorities, and obtaining all regulatory approvals, where necessary, for the sale of Westleaf's products. Westleaf will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties, or in restrictions on Westleaf's operations. In addition, changes in regulations, more vigorous enforcement thereof, or other unanticipated events could require extensive changes to Westleaf's operations, increased compliance costs, the inability to obtain a retail licence from a particular provincial authority or give rise to material liabilities, which could have a material adverse effect on the business, financial condition and operating results of Westleaf.

Protection of Intellectual Property Rights

The future success of Westleaf's business is dependent upon the intellectual property rights surrounding certain technology held by Westleaf, including trade secrets, know-how and continuing product innovation. Although Westleaf seeks to protect proprietary rights, their actions may be inadequate to protect any proprietary rights or to prevent others from claiming violations of their proprietary rights. There can be no assurance that other companies are not investigating or developing other products that are similar to the products of Westleaf. In addition, effective intellectual property protection may be unenforceable or limited in certain countries. Any of these claims, with or without merit, could subject Westleaf to costly litigation. If the protection of proprietary rights is inadequate to prevent unauthorized use or appropriation by third parties, the value of Westleaf's intangible assets may be diminished. Any of these events could have an adverse effect on Westleaf's business and financial results.

Intellectual Property Risks

Westleaf may have certain proprietary intellectual property, including but not limited to trademarks, trade names, brands, patents and proprietary processes. Westleaf will rely on this intellectual property as well as the know-how of its employees and other proprietary information, and require certain employees, consultants, suppliers and counterparties to sign confidentiality agreements. In the event of a breach of these confidentiality agreements the Corporation may not have adequate remedies for such breaches. Outside parties may develop substantially equivalent proprietary information independently without infringing upon any proprietary technology or information. Additionally, outside parties may otherwise gain access to the Corporation's proprietary information and make use of it in a competitive manner. Any loss of intellectual property, through the avenues listed above or otherwise, may affect the Corporation in a materially adverse manner.

Employee Regulations

Westleaf is exposed to the risk of employee fraud and other misconduct. Employee fraud includes intentional failure to comply with regulations, intentional failure to provide accurate information to regulatory authorities and intentional failure to comply with industry standards. Other misconduct includes failure to report financial information accurately, failure to disclose unauthorized activities to Westleaf, and the improper use of information obtained in the course of employment. Employee misconduct resulting in legal action, significant fines or other sanctions could result in a material adverse effect to Westleaf's consolidated business, results of operations or financial condition.

Global Economic and Financial Deterioration Impeding Access to Capital or Increasing the Cost of Capital

Market events and conditions, including disruption in the Canadian, U.S. and international financial markets and other financial systems and the deterioration of Canadian, U.S. and global economic and financial market conditions, could, among other things, impact currency trading and impede access to capital or increase the cost of capital, which would have an adverse effect on Westleaf's ability to fund its working capital and other capital requirements.

Interest Rate Risk

Westleaf has entered into credit agreements to fund certain projects. The credit agreements specify a rate at which Westleaf must pay interest to the counterparty on funded amounts. This interest rate is variable and as a result may rise or fall in accordance with the specified market rate. Westleaf currently does not hedge this interest rate and may have more difficulty meeting its interest obligations if this interest rate were to increase.

Westleaf is required under the terms of certain credit agreements, to hedge its interest rate exposure for portions of future credit facility draw amounts.

Market Price of Securities

Securities markets have a high level of price and volume volatility, and the market price of securities of many companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors included macroeconomic developments in North America and globally, and market perceptions of the attractiveness of particular industries. The price of the Common Shares is also likely to be significantly affected by short-term changes in the Canadian dollar, and the Corporation's financial condition or results of operations as reflected in its financial statements. Other factors unrelated to the performance of the Corporation that may have an effect on the price of the Common Shares include, but are not limited to, the following: the extent of analytical coverage available to investors concerning the business of the Corporation may be limited if investment banks with research capabilities do not follow the Corporation's securities; lessening in trading volume and general market interest in the Corporation's securities may affect an investor's ability to trade significant numbers of Common Shares; and a substantial decline in the price of the Common Shares that persists for a significant period of time could cause the Corporation's securities, if listed on an exchange, to be delisted from such exchange, further reducing market liquidity.

As a result of any of these factors, the market price of the Common Shares at any given point in time may not accurately reflect the long-term value of the Corporation. Class action litigation often has been brought against companies

following periods of volatility in the market price of their securities. The Corporation may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

Volatile Share Price

The price of Common Shares is expected to be highly volatile and could be drastically affected by governmental and regulatory regimes and community support for the recreational cannabis industry. Westleaf cannot predict the results of its operations expected to take place in the future. The results of these activities will inevitably affect Westleaf's decisions related to future operations and will likely trigger major changes in the trading price of Common Shares.

Risks Inherent in the Acquisition of Companies, Assets and Brands

Westleaf may from time to time elect to pursue strategic acquisitions to acquire technologies, brands, businesses, assets or intellectual property which it believes are complementary to its business and/or enter into strategic partnerships in order to leverage its position in the cannabis industry. While Westleaf intends to conduct substantial due diligence in connection with such acquisitions, there are risks inherent in any acquisition. Specifically, there could be unknown or undisclosed risks or liabilities associated with such companies which Westleaf is not sufficiently indemnified. Any such unknown or undisclosed risks or liabilities could materially and adversely affect Westleaf's financial performance and results of operations.

Future acquisitions may expose the Corporation to potential risks, including risks associated with: (i) the integration of new operations, personnel and services; (ii) unforeseen or hidden liabilities; (iii) potential inability to generate sufficient revenue to offset new costs; (iv) the diversion of resources from the Corporation's existing business and technologies; (v) the expenses of acquisitions; or (vi) the potential loss of or harm to relationships with both employees and existing users resulting from its integration of new security which could misappropriate proprietary information or cause interruptions in its operations. Westleaf may be required to increase its capital expenditures and other resources to protect against such security breaches or to alleviate problems caused by such breaches.

Limited Operating History

Westleaf was founded in August of 2017 and has yet to generate sufficient revenue to offset its expenses. Westleaf is therefore subject to many of the risks common to early-stage companies, including undercapitalization, cash shortages, lack of revenues and limited resources, including personnel and financial. There is no guarantee that the Corporation will achieve a return on shareholders investment and the likelihood of success must be considered given the early-stage nature of the development of operations.

Potential Conflicts of Interest

Some of the directors or officers of Westleaf are also directors and/or officers of other reporting and non-reporting issuers. As of the date of this Prospectus, and to the knowledge of the directors and officers of Westleaf, there are no existing conflicts of interest between Westleaf and any of the directors or officers of Westleaf. Additional situations may arise where the directors and/or officers of Westleaf may be in competition with Westleaf. Any conflicts will be subject to and governed by the law applicable to directors' and officers' conflicts of interest. In the event that such a conflict of interest arises at a meeting of Westleaf's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable laws, the directors of Westleaf are required to act honestly, in good faith and in the best interests of Westleaf.

Insurance and Uninsured Risks

Westleaf is subject to a variety of risks and hazards generally, including adverse environmental conditions, accidents, labour disputes and changes in the regulatory environment. Such occurrences could result in personal injury or death, delays in operations, monetary losses, environmental damage, damage to assets and possible legal liability.

Westleaf maintains and intends to maintain insurance to protect against certain risks in such amounts which it considers to be reasonable and at an economically feasible cost. Although it intends to maintain this insurance, it will

not cover all potential risks associated with its actions and future operations. Insurance may not be available in the future or may not adequately cover any resulting liability. Insurance is not generally available against certain risks, including environmental pollution and other hazards which may be encountered by Westleaf from time to time. The Corporation may become subject to liability for hazards which it is not insured against or which the Corporation may have elected not to insure against due to premium costs or other reasons. Losses related to these hazards may affect Westleaf in a material and adverse manner.

Additional Financing - Risk Factors Related to Dilution

The Corporation may issue additional Common Shares in the future. Future issuances or sales of equity securities could dilute shareholders' ownership and voting power. The issuance of equity securities could also reduce Westleaf's earnings per share and value of the Common Shares. The Corporation is permitted by its articles to issue an unlimited number of Common Shares subject to approval of the board of directors of the Corporation (the "**Board of Directors**") and, in the event of any such issuance, shareholders will have no pre-emptive rights associated with the issuance.

History of Losses

The Corporation has incurred losses in recent periods. The Corporation may not be able to attain profitability and may continue to incur significant losses in the future. The Corporation plans to increase expenses materially in the future to implement its business plan. If the Corporation does not achieve high enough revenues to offset this higher cost base it will not be profitable.

Environmental Regulations and Risks

The Corporation's future operations are subject to the environmental regulations of the jurisdictions in which they operate. These regulations mandate the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of waste, both solid and hazardous. Environmental regulations are evolving, generally becoming more stringent and requiring a greater level of responsibility from companies and their officers, directors and employees. Future regulations or changes to regulations may have material adverse effects on the Corporation and its future operations. The development of certain operations of the business rely upon the receipt of permits or government approvals. To the extent such approvals are required and not obtained, the Corporation may not be able to develop certain operations as they are currently proposed. If the Corporation fails to comply with applicable laws, regulations and permitting requirements it may result in enforcement actions against the Corporation, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed. These orders may include corrective measures requiring installation of additional equipment or remedial actions which could cause the Corporation to incur additional capital expenditures or other expenses.

Amendments to current laws, regulations, and permits governing the production and sale of cannabis, or more stringent implementation thereof, could have a material adverse affect on the Corporation by way of increased expenses, capital expenditures or production costs or a reduction in levels of production or revenue or the requirement of abandoning or delaying development.

British Columbia

In December 2017, the Government of British Columbia announced that adult-use cannabis will be sold in that province through both public and privately-operated stores. The British Columbia Liquor Distribution Branch will be responsible for the public retail stores and will also be the province's wholesale distributor of non-medicinal cannabis. Licensing and monitoring of private retail stores will be the responsibility of the Liquor Control and Licensing Branch. Adults will be allowed to use cannabis in places where tobacco smoking and vaping are permitted but will be banned from smoking and vaping in areas frequented by children including beaches, parks, and playgrounds, and the use of cannabis in any form will be banned for all occupants in vehicles. British Columbia allows for personal cultivation of up to four cannabis plants per household, but the province allows landlords to prohibit home cultivation. British Columbia has now passed the *Cannabis Control and Licensing Act* to provide for legal, controlled access to cannabis in British Columbia, and sets nineteen as the provincial minimum age to purchase, sell, or consume cannabis. In addition, adults are allowed to possess up to thirty (30) grams of cannabis in a public place.

Alberta

Alberta allows for the purchase of cannabis through privately run retail stores and government-operated online sales. The AGLC is the sole wholesale distributor in the province. Consumption of cannabis is allowed anywhere that tobacco consumption is permitted, but cannabis use is banned in vehicles. Smoking and vaping cannabis is prohibited on hospital, school, or child care properties, and within prescribed distances of areas such as playgrounds, sports fields, and outdoor pools. Albertans are allowed to grow up to four plants per household, and there is a possession limit of thirty (30) grams of cannabis in a public place. Renters, condo-dwellers, and those living in multi-family dwellings may be restricted from growing cannabis in their homes due to rules established in rental agreements or condominium bylaws. The AGLC has temporarily suspended issuing retail cannabis licences and it is unclear when they will begin issuing licences again. If the suspension persists for a significant period of time the Corporation may be adversely affected. Certain development permits issued by municipalities may need to be reapplied for and any delays or issues arising from the reapplication process may affect the Corporation adversely.

Saskatchewan

Both wholesaling and retailing of adult-use cannabis is conducted by private companies and is regulated by the SLGA. The SLGA will issue approximately fifty-one (51) retail permits to private stores located in roughly 40 municipalities and First Nations across the province. Municipalities have the option of opting out of having a cannabis store if they choose. Landlords have the right to impose rules prohibiting the possession, use, and sale of cannabis in a rental unit. Saskatchewan has set a minimum age for cannabis consumption of nineteen and the province also restricts possession to 30 grams in public or four cannabis plants for personal use, and restricts consumption to private places except as exempted by regulation.

Manitoba

The Government of Manitoba has adopted a “hybrid model” for cannabis sales, whereby the retail sale of cannabis is conducted by private retailers under the regulation and supervision of the LGCA, and the supply of cannabis in the province is secured and tracked by the MBBL. Following an application process between November and December 2017, the Government of Manitoba selected four groups to operate retail sales of cannabis in the province. Following the first Request for Proposal, the province then released a Request for Pre-Qualification on July 23, 2018, seeking retailers to pre-qualify for new retail stores in specific areas of Manitoba. The Request for Pre-Qualification application process is now closed; however, a date for the Phase II process to select the recipients of licences has not yet been released. The Government of Manitoba has set the legal age for the use, purchase, and possession of non-medicinal cannabis at nineteen.

Ontario

The Government of Ontario released regulations that will guide the start-up of private cannabis stores on April 1, 2019. The stand-alone stores can be open any day between 9 a.m. and 11 p.m., but they must be at least 150 meters away from schools and bar entry to anyone under 19 years old. A market concentration limit of 75 stores per operator has been set. Until April 1, 2019, cannabis can only be legally purchased from the online Ontario Cannabis Store. The Government of Ontario released definitive regulations concerning recreational cannabis retail operations and on January 11, 2019, the Province of Ontario underwent a lottery process to award 25 cannabis retail licences.

Seasonality of the Business

Westleaf’s sales may be subject to quarterly and seasonal variations that may cause significant fluctuations in operating results.

Loss of Investment Risk

An investment in Westleaf is speculative and may result in the loss of a substantial portion of an investment. Only potential investors who are experienced in high risk investments and who can afford to lose a substantial portion of their investment should consider an investment in Westleaf.

No Guaranteed Return

There is no guarantee that an investment in Westleaf will earn any positive return in the short-term or long-term.

Foreign Currency Risk

Westleaf will be subject to risks and losses resulting from fluctuations in the relative value of the currencies of different countries where its customers, suppliers and operations are located. While Westleaf will attempt to be prudent in managing such foreign exchange risks, there can be no assurance that shareholders will not suffer losses in the future. Any such losses could have a material adverse impact on results of operations and cash available to support operations.

Dividends

Any decision to declare and pay dividends in the future will be made at the discretion of the Board of Directors and will depend on, among other things, the Corporation's results of operations, current and anticipated cash requirements and surplus, financial condition, any future contractual restrictions and financing agreement covenants, solvency tests imposed by corporate law, and other factors that the Board of Directors may deem relevant. As a result, investors may not receive any return on an investment in the Common Shares unless they sell their shares of Westleaf for a price greater than that which such investors paid for them. Westleaf has no earnings or dividend record and may not pay any dividends on its Common Shares in the foreseeable future. Dividends paid by Westleaf could be subject to tax and, potentially, withholdings.

Risks Related to the Offering and the Corporation's Securities

Completion of the Offering

The completion of the Offering remains subject to a number of conditions. There can be no certainty that the Offering will be completed. Failure by the Corporation to satisfy all of the conditions precedent to the Offering would result in the Offering not being completed. If the Offering is not completed, the Corporation may not be able to raise the funds required for the purposes contemplated under "*Use of Proceeds*" from other sources on commercially reasonable terms or at all.

Discretion in the Use of Proceeds

Management will have discretion concerning the use of the proceeds of the Offering as well as the timing of their expenditure. As a result, an investor will be relying on the judgment of management for the application of the proceeds of the Offering. Management may use the net proceeds of the Offering other than as described under the heading "*Use of Proceeds*" if they believe it would be in the Corporation's best interest to do so and in ways that an investor may not consider desirable. The results and the effectiveness of the application of the proceeds are uncertain. If the proceeds are not applied effectively, the Corporation results of operations may suffer.

Inability to Satisfy Payments

The Convertible Debentures mature on the Maturity Date. There is no guarantee that the Corporation will have sufficient cash available to make interest payments or to repay the principal outstanding on the Convertible Debentures on a timely basis or at all. See "*Earnings Coverage Ratios*", which is relevant to an assessment of the risk that the Corporation may be unable to pay interest or principal on the Convertible Debentures when due.

Market for Warrants and Convertible Debentures

There is currently no market through which the Warrants and Convertible Debentures may be sold. There can be no assurance that an active or liquid market for the Warrants or Convertible Debentures will develop following the Offering, or if developed, that such market will be maintained. If an active public market does not develop or is not maintained, purchasers may not be able to resell the Convertible Debentures purchased under this Prospectus.

Redeeming on a Change of Control

The Corporation will be required to purchase part or all outstanding Convertible Debentures on the Redemption Date, being the date that is within thirty (30) days following the notice of a Change of Control upon a request made by the holders of the Convertible Debentures. However, it is possible that following a Change of Control, the Corporation will not have sufficient funds at that time to make the required purchase of outstanding Convertible Debentures or that restrictions contained in other indebtedness will restrict those purchases. The Corporation's failure to purchase the Convertible Debentures would constitute an event of default under the Debenture Indenture, which might constitute a default under the terms of the Corporation's other indebtedness, if any, at that time. See *"Description of Securities Being Distributed"*.

Shareholder Rights

Holders of Convertible Debentures and Warrants will not be entitled to any rights with respect to the Common Shares (including, without limitation, voting rights and rights to receive any dividends or other distributions on the Common Shares, other than extraordinary dividends that the Board designates as payable to the holders of the Convertible Debentures), but if a holder of Convertible Debentures and Warrants subsequently: (a) exercises its Warrants; or (b) converts its Convertible Debentures, into Common Shares, such holder will be subject to all changes affecting the Common Shares. Rights with respect to the Common Shares will arise only if and when the Corporation delivers Common Shares upon: (i) the exercising of a Warrant; or (ii) the converting of a Convertible Debenture and, to a limited extent, under the conversion rate adjustments under the Warrant Indenture and the Debenture Indenture. For example, in the event that an amendment is proposed to the Corporation's constating documents requiring shareholder approval and the record date for determining the shareholders of record entitled to vote on the amendment occurs prior to delivery of Common Shares to a holder, such holder will not be entitled to vote on the amendment, although such holder will nevertheless be subject to any changes in the powers or rights of Common Shares that result from such amendment.

Investment Eligibility

There can be no assurance that the Convertible Debentures will continue to be qualified investments under relevant Canadian tax laws for trusts governed by Registered Plans and deferred profit sharing plans. The Tax Act imposes penalties for the acquisition or holding of non-qualified or prohibited investments. See *"Eligibility for Investment"*.

Convertible Debentures may be Subject to Withholding Tax and Participating Debt Interest

The Tax Act generally provides that withholding tax is not payable on interest paid or credited to non-residents of Canada that deal at arm's length with the payor. However, Canadian withholding tax continues to apply to payments of "participating debt interest". For purposes of the Tax Act, participating debt interest is generally interest that is paid on an obligation where all or any portion of such interest is contingent or dependent on the use of or production from property in Canada or is computed by reference to revenue, profit, cash flow, commodity price or any similar criterion.

Under the Tax Act, when a debenture or other debt obligation issued by a person resident in Canada is assigned or otherwise transferred by a non-resident person to a person resident in Canada (which would include a conversion of the obligation or payment on maturity), the amount, if any, by which the price for which the obligation was assigned or transferred exceeds the price for which the obligation was issued is deemed to be a payment of interest on that obligation made by the person resident in Canada to the non-resident (an "excess"). The deeming rule does not apply in respect of certain "excluded obligations", although it is not clear whether a particular convertible debenture would qualify as an "excluded obligation". If a convertible debenture is not an "excluded obligation", issues that arise are whether any excess would be considered to exist, whether any such excess which is deemed to be interest is "participating debt interest", and if the excess is participating debt interest, whether that results in all interest on the obligation being considered to be participating debt interest.

The CRA has stated that no excess, and therefore no participating debt interest, would in general arise on the conversion of a "standard convertible debenture" (as that term was defined in a letter from the Joint Committee on Taxation of the Canadian Bar Association and the Canadian Institute of Chartered Accountants sent to the CRA on

May 10, 2010) and therefore, there would be no withholding tax in such circumstances (provided that the payor and payee deal at arm's length for purposes of the Tax Act). The Corporation believes the Convertible Debentures should meet the criteria set forth in the CRA's statement. However, the application of CRA's published guidance to the Convertible Debentures is uncertain and there is a risk that the CRA could take the position that amounts paid or payable to a non-resident holder of Convertible Debentures on account of interest or any excess may be subject to Canadian withholding tax at a rate of 25% (subject to any reduction in accordance with any applicable income tax treaty or convention). As noted under "*Risk Factors - Change in Withholding Tax Laws*" below, the Debenture Indenture will not contain a requirement that the Corporation increase the amount of interest or other payments to holders of Convertible Debentures in the event that it is required to withhold Canadian withholding tax on payments of interest (including any excess that may be considered to be participating debt interest).

Change in Withholding Tax Laws

The Debenture Indenture will not contain a requirement that the Corporation increase the amount of interest or other payments to holders of Convertible Debentures who are non-resident of Canada for purposes of the Tax Act in the event that the Corporation is required to withhold amounts in respect of income or similar taxes on payment of interest or other amounts on the Convertible Debentures. At present, no amount will generally be required to be withheld under the Tax Act from such payments to holders of Convertible Debentures who are non-residents of Canada dealing at arm's length with the Corporation and who are not deemed to receive such payments as dividends, but no assurance can be given that applicable income tax laws will not be changed in a manner that may require the Corporation to withhold amounts in respect of tax payable on such amounts. See "*Certain Canadian Federal Income Tax Considerations*".

Trading market

The Corporation cannot assure that a market will continue to develop or be sustained for Common Shares. If a market does not continue to develop or is not sustained, it may be difficult for investors to sell Common Shares at an attractive price or at all. The Corporation cannot predict the prices at which the Common Shares will trade.

Sales of substantial amounts of Common Shares may have an adverse effect on the market price of the Common Shares

Sales of substantial amounts of Common Shares, or the availability of such securities for sale, could adversely affect the prevailing market prices for the Common Shares. A decline in the market prices of the Common Shares could impair Westleaf's ability to raise additional capital through the sale of securities should it desire to do so.

Volatile market price for the Common Shares

The market price for Common Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which will be beyond Westleaf's control, including, but not limited to the following: (i) actual or anticipated fluctuations in Westleaf's quarterly results of operations; (ii) recommendations by securities research analysts; (iii) changes in the economic performance or market valuations of companies in the industry in which Westleaf will operate; (iv) addition or departure of Westleaf's executive officers and other key personnel and consultants; (v) release or expiration of transfer restrictions on outstanding Common Shares; (vi) sales or perceived sales of additional shares; (vii) operating and financial performance that vary from the expectations of management, securities analysts and investors; (viii) regulatory changes affecting Westleaf's industry generally and its business and operations both domestically and abroad; (ix) announcements of developments and other material events by Westleaf or its competitors; (x) fluctuations in the costs of vital production materials and services; (xi) changes in global financial markets and global economies and general market conditions, such as interest rates and pharmaceutical product price volatility; (xii) significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving Westleaf or its competitors; (xiii) operating and share price performance of other companies that investors deem comparable to Westleaf or from a lack of market comparable companies; and (xiv) news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in Westleaf's industry or target markets.

Financial markets have recently 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 Common Shares may decline even if Westleaf'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, Westleaf's operations could be adversely impacted, and the trading price of Common Shares may be materially adversely affected.

MATERIAL CONTRACTS

The Corporation is not party to any material contract that was entered into either (i) in the last completed fiscal year, or (ii) before the most recently completed fiscal year but that is still in effect as of the date hereof, except for contracts entered into in the ordinary course of business and as set out below:

1. the amalgamation agreement dated October 4, 2018, as amended on November 21, 2018, among the Corporation, Westleaf Cannabis, and 2147378;
2. the agency agreement dated as of December 4, 2018 with Canaccord Genuity Corp., Eight Capital Corp. and GMP Securities L.P. in connection with the RTO Financing;
3. the warrant indenture dated as of December 4, 2018 with Computershare Trust Company of Canada in connection with the RTO Warrants issued under the RTO Financing;
4. the subscription receipt agreement dated December 4, 2018 among the Corporation, Westleaf Cannabis, Canaccord Genuity Corp. and Computershare Trust Company of Canada in connection with the RTO Financing;
5. the share purchase and option agreement dated December 20, 2018 among the Corporation, Westleaf Cannabis, Canndara and the shareholder of Canndara; and
6. the unit purchase agreement dated January 27, 2019 among the Corporation and Delta 9.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The Corporation's auditors are MNP LLP, Chartered Professional Accountants, Calgary, Alberta. MNP LLP is independent of the Corporation in accordance with the Rules of Professional Conduct of the Chartered Professional Accountants of Alberta.

The transfer agent and registrar for the Common Shares is Computershare Trust Company of Canada at its principal offices in Vancouver, British Columbia.

INTERESTS OF EXPERTS

Certain legal matters in connection with this Offering will be passed upon by Borden Ladner Gervais LLP, on behalf of the Corporation and by Miller Thomson LLP, on behalf of the Underwriters. As at the date hereof, the partners and associates of Borden Ladner Gervais LLP, as a group, and the partners and associates of Miller Thomson LLP, as a group, each beneficially own, directly or indirectly, less than one percent of the outstanding Common Shares of the Corporation.

MNP LLP prepared an independent auditors' report in respect of the Corporation's financial statements as at and for the financial year ended December 31, 2018. MNP LLP have confirmed they are independent of the Corporation in accordance with the Rules of Professional Conduct of the Chartered Professional Accountants of Alberta.

PURCHASERS' 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 thereto. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

In an offering of the Debenture Units or the Additional Securities, investors are cautioned that the statutory right of action for damages for a misrepresentation contained in the prospectus is limited, in certain provincial securities legislation, to the price at which the Debenture Units or the Additional Securities are 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 adviser.

CERTIFICATE OF WESTLEAF INC.

Dated: April 16, 2019

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

(SIGNED) SCOTT HURD
Chief Executive Officer

(SIGNED) TAYLOR ETHANS
Chief Financial Officer

On Behalf of the Board of Directors

(SIGNED) STEPHEN MASON
Director

(SIGNED) ROBB MCNAUGHTON
Director

CERTIFICATE OF THE UNDERWRITERS

Dated: April 16, 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, except Québec.

CANACCORD GENUITY CORP.

(SIGNED) JAMIE BROWN

Vice-Chairman, Managing Director, Investment Banking

GMP SECURITIES L.P.

(SIGNED) KYLE GOULD

Director, Investment Banking