

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

A copy of this preliminary short form base shelf prospectus has been filed with the securities regulatory authorities in the Northwest Territories and in the Territories of Nunavut and Yukon but has not yet become final for the purpose of the sale of securities. Information contained in this preliminary short form base shelf prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the short form base shelf prospectus is obtained from the securities regulatory authorities.

This amended and restated preliminary short form prospectus and preliminary short form prospectus is a base shelf prospectus. This amended and restated preliminary short form base shelf prospectus has been filed under legislation in each of the provinces of Canada and this preliminary short form base shelf prospectus has been filed under the legislation in the Northwest Territories and in the Territories of Nunavut and Yukon that permits certain information about these securities to be determined after this prospectus has become final and that permits the omission from this prospectus of that information. The legislation requires the delivery to purchasers of a prospectus supplement containing the omitted information within a specified period of time after agreeing to purchase any of these securities, except in cases where an exemption from such delivery requirements has been obtained or is otherwise available.

The securities offered hereunder have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") or any state securities laws. These securities will not be offered or sold to, or for the account or benefit of, persons within the United States of America (the "United States" or the "U.S.") or "U.S. persons", as such term is defined in Regulation S under the U.S. Securities Act unless the securities are registered under the U.S. Securities Act and applicable state securities laws or an exemption from such registration requirements is available. See "Plan of Distribution". This short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy the securities offered hereby to, or for the account or benefit of, persons in the United States or U.S. persons.

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This amended and restated preliminary short form base shelf prospectus and preliminary short form base shelf prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by the persons permitted to sell such securities.

Information has been incorporated by reference in this amended and restated preliminary short form base shelf prospectus and preliminary short form base shelf 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 Corporate Secretary of Auxly Cannabis Group Inc. at 777 Richmond St. W, Unit 002, Toronto, Ontario, M6J 0C2, Telephone: 1-(647) 812-0121 and are also available electronically at www.sedar.com.

PRELIMINARY SHORT FORM BASE SHELF PROSPECTUS DATED MARCH 15, 2021 IN THE NORTHWEST TERRITORIES AND IN THE TERRITORIES OF NUNAVUT AND YUKON

AND

AMENDED AND RESTATED PRELIMINARY SHORT FORM BASE SHELF PROSPECTUS DATED MARCH 15, 2021 AMENDING AND RESTATING THE PRELIMINARY SHORT FORM BASE SHELF PROSPECTUS DATED FEBRUARY 22, 2021 IN THE PROVINCES OF CANADA

New Issue

March 15, 2021

Auxly

Auxly Cannabis Group Inc.

\$200,000,000

**COMMON SHARES
PREFERRED SHARES
DEBT SECURITIES
SUBSCRIPTION RECEIPTS
WARRANTS
UNITS**

Auxly Cannabis Group Inc. (the "**Corporation**" or "**Auxly**") may from time to time offer and issue the following securities: (i) common shares ("**Common Shares**"); (ii) preferred shares of any series ("**Preferred Shares**"); (iii) senior or subordinated secured or unsecured debt securities (collectively, "**Debt Securities**"), including debt securities convertible or exchangeable into other securities of the Corporation; (iv) subscription receipts ("**Subscription Receipts**"); (v) warrants ("**Warrants**"); and (vi) units comprised of one or more of the other securities described in this Prospectus ("**Units**", and together with the Common Shares, Preferred Shares, Debt Securities, Subscription Receipts and Warrants, the "**Securities**"), having an aggregate offering price of up to \$200,000,000, during the 25 month period that this short form base shelf prospectus (the "**Prospectus**"), including any amendments hereto, remains valid. Securities may be offered separately or together, in amounts, at prices and on terms to be determined based on market conditions at the time of sale and set forth in an accompanying prospectus supplement (a "**Prospectus Supplement**").

The specific variable terms of any offering of Securities will be set out in the applicable Prospectus Supplement including, where applicable: (i) in the case of Common Shares, the persons(s) offering the Common Shares, the number of Common Shares offered and the offering price (or the manner of determination thereof if offered on a non-fixed price basis); (ii) in the case of the Preferred Shares, the designation of the particular series, aggregate principal amount, the number of Preferred Shares offered, the issue price, the dividend rate, the dividend payment dates, any terms for redemption at the option of the Corporation or the holder, any exchange or conversion terms and any other specific terms; (iii) in the case of the Debt Securities, the specific designation of the Debt Securities, whether such Debt Securities are senior or subordinated, the aggregate principal amount of the Debt Securities being offered, the currency or currency unit in which the Debt Securities may be purchased, authorized denominations, any limit on the aggregate principal amount of the Debt Securities of the series being offered, the issue and delivery date, the maturity date, the offering price (at par, at a discount or at a premium), the interest rate or method of determining the interest rate, the interest payment date(s), any conversion or exchange rights that are attached to the Debt Securities, any redemption provisions, any repayment provisions and any other specific terms; (iv) in the case of Subscription Receipts, the number of Subscription Receipts being offered, the offering price (or the manner of determination thereof if offered on a non-fixed price basis), the procedures for the exchange of Subscription Receipts for Common Shares, Debt Securities or other Securities, as the case may be, the currency or currency unit in which the Subscription Receipts are issued and any other specific terms; (v) in the case of Warrants, the designation, number and terms of the Common Shares, Debt Securities or other Securities purchasable upon exercise of the Warrants, any procedures that will result in the adjustment of those numbers, the exercise price, dates and periods of exercise, the currency in which the Warrants are issued and any other specific terms; and (vi) in the case of Units, the designation and terms of the Units and of the Securities comprising the Units, the currency or currency unit in which the Units are issued and any other specific terms. A Prospectus Supplement may include other specific variable terms pertaining to the Securities that are not within the alternatives and parameters described in this Prospectus.

All shelf information permitted under applicable laws to be omitted from this Prospectus will be contained in one or more Prospectus Supplements that will be delivered to purchasers together with this Prospectus, except in cases where an exemption from such delivery requirements is available or has been obtained. Each Prospectus Supplement will be incorporated by reference into this Prospectus for the purposes of securities legislation as of the date of the Prospectus Supplement and only for the purposes of the distribution of the Securities to which the Prospectus Supplement pertains.

This Prospectus constitutes a public offering of Securities in only those jurisdictions where they may be lawfully offered for sale and therein only be persons permitted to sell the Securities. The Corporation may offer and sell the Securities to, or through, underwriters or dealers purchasing as principals and may also sell the Securities to one or more purchasers directly or through agents. See "*Plan of Distribution*".

Securities may be sold from time to time in one or more transactions at a fixed price or prices or at non-fixed prices. If offered on a non-fixed price basis, Securities may be offered at market prices prevailing at the time of sale, at prices determined by reference to such prevailing market prices or at negotiated prices, including sales in transactions that are deemed to be "at-the-market distributions" as defined in National Instrument 44-102 – *Shelf Distributions* ("**NI 44-102**"), including sales made directly on the TSX Venture Exchange Inc. (the "**TSXV**") or other existing trading markets for the Securities, and as set forth in an accompanying Prospectus Supplement. This Prospectus may qualify an "at-the-market distribution" as such term is defined in NI 44-102. See "*Plan of Distribution*".

A Prospectus Supplement relating to a particular offering of Securities will identify the person(s) offering the Securities, as applicable, each underwriter, dealer or agent, as the case may be, engaged by the Corporation in connection with the offering and sale of the Securities, and will set forth the terms of the offering of the Securities, including the public offering price of such Securities (or the manner of determination thereof if offered on a non-fixed price basis), the method of distribution of such Securities, including, to the extent applicable, the proceeds to, and the portion of expenses borne by, the Corporation from such sale, any underwriting

fees, discounts or commissions and any discounts or concessions allowed, re-allowed or paid by any underwriter to other dealers and other material terms of the plan of distribution. If offered on a non-fixed price basis, Securities may be offered at market prices prevailing at the time of sale, at prices related to such prevailing market prices or at prices to be negotiated with purchasers at the time of sale, which prices may vary between purchasers and during the period of distribution. If Securities are offered on a non-fixed price basis, the underwriters', dealers' or agents' compensation, as applicable, will be increased or decreased by the amount by which the aggregate price paid for Securities by the purchasers exceeds or is less than the gross proceeds paid by the underwriters, dealers or agents to the Corporation. See "*Plan of Distribution*".

In connection with any offering of the Securities (unless otherwise specified in a Prospectus Supplement), subject to applicable laws and other than an "at-the-market distribution", the underwriters, dealers or agents may over-allot or effect transactions that stabilize or maintain the market price of the offered Securities at a level above that which might otherwise prevail on the open market. Such transactions, if commenced, may be interrupted or discontinued at any time. See "*Plan of Distribution*".

No underwriter, dealer or agent involved in an "at-the-market distribution" under this Prospectus, no affiliate of such an underwriter, dealer or agent, and no person or company acting jointly or in concert with such an underwriter, dealer or agent, will over-allot securities in connection with such distribution or effect any other transactions that are intended to stabilize or maintain the market price of the offered Securities.

The outstanding Common Shares are listed on the TSXV under the symbol "XLY", the OTCQX Best Market (the "OTCQX") under the symbol "CBWTF", and on the Frankfurt Stock Exchange under the symbol "3KF". On March 12, 2021, the last trading day prior to the filing of this Prospectus, the closing prices of the Common Shares listed on the TSXV, the OTCQX and the Frankfurt Stock Exchange were \$0.40, USD\$0.307 and €0.24, respectively.

Unless specified in the applicable Prospectus Supplement, there is currently no market through which the Preferred Shares, Debt Securities, Subscription Receipts, Warrants or Units may be sold and purchasers may not be able to resell any Preferred Shares, Debt Securities, Subscription Receipts, Warrants or Units purchased under this Prospectus and any applicable Prospectus Supplement. This may affect the pricing of such Securities in the secondary market, the transparency and availability of trading prices, the liquidity of such Securities and the extent of issuer regulation. See "*Risk Factors*" below and the "*Risk Factors*" section of the applicable Prospectus Supplement.

Unless otherwise indicated in the Prospectus Supplement relating to an offering of Securities, the particular offering of Securities will be subject to approval of certain legal matters on behalf of the Corporation by Owens Wright LLP.

Investing in the Securities is speculative and involves significant risks. You should carefully review and evaluate certain risk factors contained in this Prospectus and in the documents incorporated by reference herein before purchasing the Securities. See "*Notice to Readers – Forward-Looking Information*" and "*Risk Factors*" in this Prospectus and in the AIF (as defined herein). Potential investors are advised to consult their own legal counsel and other professional advisers in order to assess income tax, legal and other aspects of this investment.

No underwriter, dealer or agent has been involved in the preparation of this Prospectus or performed any review of the contents of this Prospectus.

You should rely only on the information contained in this Prospectus (including the documents incorporated by reference herein). The Corporation has not authorized anyone to provide you with information other than that contained in this Prospectus. The Corporation is neither making an offer to sell nor seeking offers to buy the Securities in any jurisdiction where the offer or sale of the Securities is not permitted. You should not assume that the information contained or incorporated by reference in this Prospectus is accurate as of any date other than the date on the front page of this Prospectus or the respective dates of the documents incorporated by reference herein. The Corporation's business, financial condition, results of operations and prospects may have changed since that date. The Corporation does not undertake to update the information contained or incorporated by reference herein, except as required by applicable securities laws.

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

Conrad Tate (Director of the Corporation) resides outside of Canada and has appointed Owens Wright LLP, Suite 300, 20 Holly Street, Toronto, Ontario, M4S 3B1, as his agent for service of process in Canada. Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person or company that resides outside of Canada, or is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction, even if the party has appointed an agent for service of process.

The Corporation's head office is located at 777 Richmond St. W, Unit 002, Toronto, Ontario, M6J 0C2 and its registered office is located at Suite 2500, Park Place, 666 Burrard Street, Vancouver, British Columbia, V6C 2X8.

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DEFINITIONS

In this Prospectus and in any Prospectus Supplement, unless the context otherwise requires, references to "we", "us", "our" or similar terms, as well as references to "Auxly" or the "Corporation", refer to Auxly Cannabis Group Inc. together with our subsidiaries on a consolidated basis.

ABOUT THIS PROSPECTUS

An investor should rely only on the information contained in this Prospectus (including the documents incorporated by reference herein) and is not entitled to rely on parts of the information contained in this Prospectus (including the documents incorporated by reference herein) to the exclusion of others. The Corporation has not authorized anyone to provide investors with additional or different information. The Corporation takes no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give readers of this Prospectus. Information contained on, or otherwise accessed through, the Corporation's website shall not be deemed to be a part of this Prospectus (or of any applicable Prospectus Supplement) and such information is not incorporated by reference herein.

The Corporation is not offering to sell the Securities in any jurisdictions where the offer or sale of the Securities is not permitted. The information contained in this Prospectus (including the documents incorporated by reference herein) is accurate only as of the date of this Prospectus (or as of the date of the document incorporated by reference herein or as of the date as otherwise set out in the document incorporated by reference herein, as applicable), regardless of the time of delivery (if applicable) of this Prospectus or any sale of the Common Shares, Preferred Shares, Debt Securities, Subscription Receipts, Warrants and/or 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 an offering of Securities as described in one or more Prospectus Supplements.

The documents incorporated or deemed to be incorporated by reference herein contain meaningful and material information relating to the Corporation and readers of this Prospectus should review all information contained in this Prospectus, the applicable Prospectus Supplement and the documents incorporated or deemed to be incorporated by reference herein and therein.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This Prospectus and the documents incorporated by reference in this Prospectus contain "forward-looking information" and "forward-looking statements" within the meaning of applicable Canadian securities legislation ("**forward-looking information**"). All information, other than statements of historical fact, included in this Prospectus and the documents incorporated by reference in this Prospectus, including information that addresses activities, events or developments that the Corporation expects or anticipates will or may occur in the future, is forward-looking information. Forward-looking information is often identified by the words "plans", "expects" or "does not expect", "budgets", "schedules", "estimates", "forecasts", "proposes", "continues", "anticipates" or "does not anticipate", "believes", "intends", and similar expressions (including grammatical variations) or statements that certain actions, events or results "may", "could", "would", "might", "shall" or "will" be taken, occur or be achieved.

Forward-looking information in this Prospectus may include, but is not limited to:

- the competitive and business strategies of the Corporation;
- the intention to grow the business, operations and existing and potential activities of the Corporation;
- the sufficiency of the Corporation's resources to fund continued operations;

- the Corporation's expectations regarding its future sales;
- the success, and integration of operations, of the entities the Corporation acquires and the Corporation's collaborations;
- the Corporation's response to the COVID-19 pandemic;
- the impact of the COVID-19 pandemic on the Corporation's current and future operations;
- the ongoing construction and expansion of the Corporation's facilities, including Dosecann, Sunens, Kolab, Robinsons and Robinsons OG (as all are defined below), and its partners' facilities and the timing thereof;
- inventory and production capacity, including discussions of plans or potential for expansion of capacity at existing or new facilities;
- the market for the Corporation's current and proposed product offerings, as well as the Corporation's ability to capture market share;
- the distribution methods expected to be used by the Corporation to deliver its products;
- the benefits and applications of the Corporation's product offering and expected sales mix thereof;
- development of affiliated brands, product diversification and future corporate development;
- the competitive landscape in which the Corporation operates and the Corporation's market expertise;
- the applicable legislation, regulations and licensing and any amendments thereof related to the cultivation, production, processing, distribution and sale of cannabis products by the Corporation's subsidiaries and other business interests;
- the ability of the Corporation and its cultivation partners to cultivate, produce, process, distribute or sell cannabis and cannabis products;
- expectations regarding the Corporation's licences, including in respect of the grant of licences under the federal Cannabis Act, S.C. 2018, c.16. (the "**Cannabis Act**"), the Cannabis Regulations and the Industrial Hemp Regulations enacted pursuant to the Cannabis Act (the "**Regulations**" and together with the Cannabis Act, the "**Cannabis Legislation**");
- expectations regarding the Corporation's expansion of operations and investment into foreign jurisdictions, including Uruguay;
- expectations regarding the Corporation's ability to find strategic alternatives with respect to Inverell;
- the Corporation's growth strategy, targets for future growth and projections of the results of such growth;
- the performance of the Corporation's business and operations; and
- the ability of the Corporation to generate cash flow from operations and from financing activities.

By identifying such information and statements in this manner, the Corporation is alerting the reader that such information and statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Corporation to be materially different from those expressed or implied by such information and statements.

Forward-looking information is based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made, but which may prove to be incorrect. A number of factors could cause actual results to differ materially from a conclusion, forecast or projection contained in the forward-looking information. The forward-looking information contained herein is based on certain assumptions, including without limitations, that:

- current and future management will seek to implement the business objectives and strategies outlined herein;
- the Corporation will retain and supplement its board of directors and management, or otherwise engage consultants and advisors, having knowledge of the industries in which the Corporation participates;
- the Corporation will have sufficient working capital, the ability to operate as a going concern and the ability to obtain the financing required in order to develop its business and continue operations;
- the Corporation will continue to attract, develop, motivate and retain highly qualified and skilled employees;
- no adverse changes will be made to the regulatory framework governing cannabis, taxes and all other applicable matters in the jurisdictions in which the Corporation conducts business and any other jurisdiction in which the Corporation may conduct business in the future;
- the Corporation will be able to generate cash flow from operations, including, where applicable, the cultivation, production, processing, distribution and sale of cannabis and cannabis products;
- the Corporation will be able to execute on its business strategy;
- the Corporation will be able to meet the requirements necessary to obtain and/or maintain its licences;
- general economic, financial market, regulatory and political conditions in which the Corporation operates will remain the same;
- the Corporation will be able to compete in the cannabis industry;
- cannabis prices will not decline materially;
- there are not-materially more closures or lockdowns related to the COVID-19 pandemic;
- the Corporation will be able to manage anticipated and unanticipated costs;
- the Corporation will be able to maintain internal controls over financial reporting and disclosure, and procedures;
- the Corporation will be able to continue to achieve its target selling general and administrative expenses ("SG&A");
- cash used by the Corporation in operating activities will improve beyond the Corporation's historical results;
- the Corporation will further expand production capacity and introduce new product formats once the second floor of its Dosecann facility is fully operational; and
- the Corporation will be able to successfully launch new brands, create new product formats and enter into new markets.

Although the Corporation believes that the expectations reflected in such forward-looking information are reasonable, it can give no assurance that such expectations will prove to have been correct. New factors emerge from time to time, and it is not possible for management to predict all of those factors or to assess in advance the impact of each such factor on the Corporation's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking information. The Corporation's forward-looking information is based on information currently available and what management believes are reasonable assumptions. The forward-looking information contained herein is made as of the date of this Prospectus and speaks only to such assumptions as of the date of this Prospectus.

The Corporation's forward-looking information is expressly qualified in its entirety by this cautionary statement. The purpose of forward-looking information is to provide the reader with a description of management's expectations, and such forward-looking information may not be appropriate for any other purpose. Readers should not place undue reliance on forward-looking information contained in this Prospectus. By its nature, forward-looking information is subject to inherent risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives, strategic goals and priorities will not be achieved. A number of factors could cause actual events, performance or results to differ materially from what is projected in the forward-looking information. Some of the risks and other factors which could cause actual results to differ materially from those expressed in the forward-looking information contained in this Prospectus include, but are not limited to the factors included under "Risk Factors" in the AIF (as defined below).

CURRENCY PRESENTATION AND FINANCIAL INFORMATION

Unless otherwise indicated, all references to monetary amounts in this Prospectus are denominated in Canadian dollars. The financial statements of the Corporation incorporated herein by reference are reported in Canadian dollars and are prepared in accordance with International Financial Reporting Standards.

MARKET AND INDUSTRY DATA

Unless otherwise indicated, information contained in this Prospectus concerning our industry and the markets in which we operate, including our general expectations and market position, market opportunities and market share, is based on information from independent industry organizations, other third-party sources (including industry publications, surveys and forecasts) and management studies and estimates.

Unless otherwise indicated, our estimates are derived from publicly available information released by independent industry analysts and third-party sources as well as data from our internal research, and include assumptions made by us which we believe to be reasonable based on our knowledge of our industry and markets. Our internal research and assumptions have not been verified by any independent source, and we have not independently verified any third-party information. While we believe the market position, market opportunity and market share information included in this Prospectus is generally reliable, such information is inherently imprecise. In addition, projections, assumptions and estimates of our future performance and the future performance of the industry and markets in which we operate are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described under the heading "*Cautionary Statement Regarding Forward-Looking Information*" and "*Risk Factors*".

TRADEMARK AND TRADE NAMES

This Prospectus, any applicable Prospectus Supplement and the documents incorporated herein by reference include, or may include, trademarks and trade names that are protected under applicable intellectual property laws and are the property of the Corporation. Solely for convenience, our trade-marks and trade names referred to in this Prospectus, any applicable Prospectus Supplement and the documents incorporated herein by reference may appear without the ® or ™ symbols, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights to these trademarks and trade names.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents filed with the securities commission or similar regulatory authority in the provinces and territories of Canada are available at www.sedar.com and are specifically incorporated by reference into, and form an integral part of, this Prospectus:

- (a) the annual information form of the Corporation for the financial year ended December 31, 2019 dated May 13, 2020 (the "**AIF**");
- (b) the audited consolidated financial statements of the Corporation as at and for the financial year ended December 31, 2019, together with the notes thereto and the report of independent auditors thereon (the "**2019 Annual Financial Statements**");
- (c) the management's discussion and analysis of the Corporation relating to the 2019 Annual Financial Statements;
- (d) the audited consolidated financial statements of the Corporation as at and for the financial year ended December 31, 2018, together with the notes thereto and the report of independent auditors thereon (the "**2018 Annual Financial Statements**");
- (e) the unaudited interim consolidated financial statements of the Corporation as at and for the three and nine month period ended September 30, 2020, together with the notes thereto (the "**Interim Financial Statements**");
- (f) the management's discussion and analysis of the Corporation relating to the Interim Financial Statements ("**Interim MD&A**");
- (g) the material change report dated February 8, 2021 regarding the closing of a bought deal short form prospectus offering on February 8, 2021 (the "**2021 Offering**");
- (h) the material change report dated January 25, 2021 announcing the 2021 Offering;
- (i) the material change report dated December 29, 2020 regarding the closing of a bought deal short form prospectus offering on December 15, 2020 (the "**2020 Offering**");
- (j) the material change report dated December 7, 2020 regarding changes to the directors and officers of the Corporation;
- (k) the material change report dated November 30, 2020 announcing the 2020 Offering;
- (l) the material change report dated September 17, 2020 regarding the closing of the fifth tranche of the Corporation's Standby Facility (as hereinafter defined);
- (m) the material change report dated July 6, 2020 regarding the closing of the fourth tranche of the Corporation's Standby Facility;
- (n) the material change report dated June 12, 2020 regarding the closing of the third tranche of the Corporation's Standby Facility;
- (o) the material change report dated May 27, 2020 regarding the closing of the second tranche of the Corporation's Standby Facility;
- (p) the material change report dated May 1, 2020 regarding the Standby Facility and the closing of the first tranche thereunder; and

(q) the management information circular of the Corporation dated June 5, 2020.

Any documents of the type referred to in section 11.1 of Form 44-101F1 of National Instrument 44-101 – *Short Form Prospectus Distributions* ("NI 44-101") to be incorporated by reference in a short form prospectus, including those types of documents referred to above, any material change report (excluding confidential material change reports), any business acquisition report or other disclosure document filed by the Corporation with the securities commissions or similar authorities in Canada after the date of this Prospectus and before the expiry of this Prospectus, are deemed to be incorporated by reference in this Prospectus.

A Prospectus Supplement containing the specific terms of any offering of our Securities will be delivered to purchasers of our Securities together with this Prospectus (except in cases where an exemption from such delivery requirement is available or has been obtained) and will be deemed to be incorporated by reference in this Prospectus as of the date of the Prospectus Supplement and only for the purposes of the offering of our Securities to which that Prospectus Supplement pertains.

Documents referenced in any of the documents incorporated by reference in this Prospectus but not expressly incorporated by reference therein or herein and not otherwise required to be incorporated by reference therein or in this Prospectus are not incorporated by reference in this Prospectus.

Any statement contained in this Prospectus or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained herein, in any Prospectus Supplement hereto or in any other subsequently filed document which also is, or is deemed to be, incorporated by reference herein, modifies or supersedes such statement. Any statement so modified or superseded shall 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 document or statement that it modifies or supersedes. The making of such a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it is made.

When we file a new annual information form and audited consolidated financial statements and related management discussion and analysis with and, where required, they are accepted by, the applicable securities regulatory authorities during the time that this Prospectus is valid, the previous annual information form, the previous audited consolidated financial statements and related management discussion and analysis and all unaudited interim consolidated financial statements and related management discussion and analysis for such periods, all material change reports and any information circular and business acquisition report filed prior to the commencement of our financial year in which the new annual information form is filed will be deemed to no longer be incorporated by reference in this Prospectus for purposes of future offers and sales of Securities under this Prospectus. Upon new interim financial statements and the accompanying management's discussion and analysis being filed by us with the applicable securities regulatory authorities during the term of this Prospectus, all interim financial statements and accompanying management's discussion and analysis filed prior to the filing of the new interim financial statements will be deemed to no longer be incorporated by reference into this Prospectus for purposes of future offers and sales of Securities hereunder. Upon a new management information circular relating to an annual meeting of shareholders of the Corporation being filed by the Corporation with and, where required, they are accepted by, the applicable securities regulatory authorities during the term of this Prospectus, the management information circular for the preceding annual meeting of shareholders of the Corporation will be deemed to no longer be incorporated by reference into this Prospectus for purposes of future offers and sales of Securities hereunder.

Certain marketing materials (as that term is defined in applicable securities legislation in Canada) may be used in connection with a distribution of Securities under this Prospectus and any applicable Prospectus Supplement. Any "template version" of any such "marketing materials" (as those terms are defined in National Instrument 41-101 – *General Prospectus Requirements*) pertaining to a distribution of Securities, and filed by the Corporation after the date of the applicable Prospectus Supplement for the offering and before termination of the distribution of such

Securities, will be deemed to be incorporated by reference in such Prospectus Supplement for the purposes of the distribution of Securities to which the Prospectus Supplement pertains.

Copies of the documents incorporated herein by reference may also be obtained on request without charge from the Corporation at 777 Richmond St. W, Unit 002, Toronto, Ontario, M6J 0C2 and are also available electronically at www.sedar.com.

SUMMARY DESCRIPTION OF THE CORPORATION'S BUSINESS

Summary Description of Business

Auxly is a consumer packaged goods company in the cannabis products market. The Corporation's focus is on developing, manufacturing and distributing branded cannabis products to medical, wellness and recreational consumers.

The Corporation's in-house brands are Kolab Project, Foray, Robinsons, Dosecann and Back Forty, which were designed to target a broad market of cannabis consumers, with differentiation in price points across targeted consumer segments.

Current Products

On October 17, 2018, the Cannabis Act came into force, initially permitting the recreational sale of certain classes of cannabis products, including dried cannabis, fresh cannabis, cannabis plants, cannabis seeds, and cannabis oil (collectively referred to as "**Cannabis 1.0 Products**"). On October 17, 2019, edible cannabis, cannabis extracts and cannabis topicals were added to the authorized classes of cannabis products (collectively referred to as "**Cannabis 2.0 Products**"), and together with Cannabis 1.0 Products, collectively referred to as "**Cannabis Products**") in the Cannabis Act.

The Corporation has developed a broad initial portfolio of Cannabis Products to meet the evolving needs and preferences of Canadian cannabis consumers. The Corporation has focused on the development of Cannabis 2.0 Products and was one of the first cannabis companies to distribute and sell Cannabis 2.0 Products in Canada following their legalization. The Corporation's products have been formulated, developed and packaged to meet the regulatory requirements set out by Health Canada.

Product Development

In-House Development – Dosecann

The Corporation conducts its extraction, product development, manufacturing and R&D activities for its derivative Cannabis Products in-house at its purpose-built, GMP-compliant Dosecann LD Inc. ("**Dosecann**") facility. Dosecann holds licences for processing, analytical testing and research and development under the Cannabis Act. The majority of the first floor of the two-story, 52,000 square foot facility is currently licensed under the Cannabis Legislation for the production, storage and sale of Cannabis Products. As of May 12, 2020, Health Canada streamlined its site expansion process whereby licence holders are no longer required to submit certain amendments for approval by Health Canada. This reduces the regulatory burden for site expansion and increases Health Canada's capacity to review applications that must be submitted. Under the revised site expansion process, Dosecann will not be required to seek further Health Canada approval for operational areas on the second floor of the facility, but any additional secure storage areas will require a formal licence amendment submission and approval. Construction of the interior of the second floor of the Dosecann facility is complete. During the third quarter of 2020, operational activities began to transition from the first to second floor with chews, capsules and hard candy production being moved to the newly constructed second floor, and vapes and oils remaining in production on the first floor. As at December 31, 2020, the Corporation had contributed approximately \$49.9 million towards the construction and development of the Dosecann facility and is considering approximately \$4.6 million of additional expenditures. The Corporation anticipates that approximately \$1.4 million will be spent on expanding extraction capabilities and throughput and on several pieces

of automation equipment across several product categories within the next 6 months, and another \$1.3 million in March of 2022. The remaining \$1.9 million has been allocated, but not committed to, ethanol extraction.

Product development is led by Dosecann's team, who have experience in the pharmaceutical, food, scientific research and product development fields. As the Corporation's manufacturing hub, the Dosecann facility provides the Corporation with the ability to be responsive to changing industry regulation and evolving consumer preferences. On June 25, 2020 Dosecann was granted a research licence from Health Canada pursuant to the Cannabis Act, which permits Dosecann to administer cannabis extracts, edible cannabis and cannabis topicals to human subjects for purposes of palatability and sensory testing. Product development is overseen by the Corporation's safety board, comprised of members from Auxly, Dosecann, KGK Science Inc. ("**KGK**") and Imperial Brands PLC ("**Imperial Brands**"), which has oversight of the controls in place to ensure the safety, quality and efficacy of the Corporation's products.

In-House Development – Kolab

In November 2017, the Corporation acquired Kolab Project Inc. ("**Kolab**") and its facility located just outside of Ottawa in Carleton Place, Ontario. Kolab holds licences for cultivation, processing and sale for medical purposes under the Cannabis Act. In 2020, the Corporation made the strategic decision to cease cultivation at the Kolab facility and focus on manufacturing, processing and distributing pre-rolled and dried flower Cannabis Products. In addition to its current operations, Kolab provides the Corporation with flexibility to manufacture, produce and distribute other Cannabis Products as necessary. Although Kolab has ceased its cultivation activities, the Corporation plans to continue to maintain its cultivation licence under the Cannabis Act, and has the ability to recommence the cultivation of cannabis if required.

The Corporation plans to undertake a new capital project, at an estimated cost of approximately \$5 million to \$6 million, to increase pre-roll production volumes at Kolab through the purchase, installation and commissioning of automated manufacturing and packaging equipment and through minor building alterations. The manufacturing equipment will be installed and commissioned prior to the second quarter of 2021, with packaging automation expected to occur during the second half of 2021, depending upon final equipment selection.

Potential In-House Development - Curative Facility

On November 27, 2019, Auxly accepted certain share collateral of 2368523 Ontario Inc. (d/b/a Curative Cannabis) ("**Curative**") in satisfaction of secured debt obligations owing to Auxly by Curative pursuant to an Order of the Ontario Superior Court of Justice (Commercial List) made in foreclosure proceedings under the *Ontario Personal Property Security Act*, RSO 1990. As a result, the Corporation holds a 96% share interest in Curative. Curative's assets include an approximately 30,000 square foot cannabis cultivation facility situated on 33 acres of land in Chatham-Kent, Ontario. Curative currently holds licences for cultivation, processing and sale for medical purposes under the Cannabis Act. As at December 31, 2020, the Corporation has contributed approximately \$20.4 million towards the construction and development of the Curative facility. The Corporation is currently exploring possible options with respect to the use and commercialization of the asset. No further material expenditures are required by the Corporation at this time, but if and when the Corporation decides to begin active operations at the Curative facility, the Corporation estimates additional capital expenditures of approximately \$0.9 million would be required to finish the facility for the purpose of cannabis cultivation; however, such expenditures may increase depending on the Corporation's final intended use of the facility.

Strategic Partnership with Imperial Brands

On September 25, 2019, Imperial Brands invested \$123 million in the Corporation by way of a debenture convertible into 19.9% ownership of the Corporation at a conversion price of \$0.81 per Common Share, representing an 11% premium to the Corporation's closing share price on July 24, 2019 (the "**Imperial Transaction**"). The convertible debenture has a three-year term and a fixed interest rate of 4.00% per annum, payable on the last day of December. Imperial Brands has the right to convert the debenture into Common Shares at any time during the three-year term and has certain top-up and pre-emptive rights to maintain its pro rata ownership in the Corporation and certain governance rights, provided under an investor rights agreement. If at the end of the term Imperial Brands has not converted the debenture, the debenture will be repayable in full.

Pursuant to the Imperial Transaction, on September 25, 2019 Auxly elected to its board of directors one out of five director nominees, Conrad Tate, and one non-voting observer, John Downing, each designated by Imperial Brands. In addition, Imperial Brands' Group Science and Regulatory Affairs Director sits on the Safety Board. Imperial Brands also granted Auxly global licences to its vaping technology, access to its vapor innovation business, Nerudia, and will use the Corporation as its exclusive partner for the future development, manufacture, commercialization, sale and distribution of cannabis products of any kind anywhere in the world.

Current Services

KGK, the Corporation's wholly owned contract research organization located in London, Ontario, provides regulatory, research and clinical trial services to the nutraceutical, natural health product and cannabis industries. KGK has an active Cannabis Research licence allowing the possession and administration of cannabis for the purposes of a clinical trial. On September 22, 2020, KGK received its second cannabis research licence, which permits KGK to conduct product palatability and sensory testing of cannabis extracts, edible cannabis topicals with human subjects. On December 21 2020, KGK received an Institutional Cannabis Research License from Health Canada which provides the broad approval to conduct multiple cannabis research projects, removing the need to obtain individual research licenses for each project. KGK works with their clients in substantiating claims for their products through randomized clinical trials in addition to providing other research services such as participant recruitment, regulatory compliance solutions, research support services and consulting.

Cannabis Input Materials and Supply

The Corporation has a diversified supply chain that provides a secure and cost-efficient source of raw cannabis, comprised of a combination of wholly owned subsidiaries, joint ventures and offtake agreements. Having a flexible cultivation platform allows the Corporation to ensure a consistent source of raw input material for the manufacture of its Cannabis Products. The Corporation opportunistically purchased approximately 83% of its cannabis inventory (dried flower and resin) in the open market throughout 2020, as the Corporation's cultivation facilities were not yet completed or were completed and awaiting licensing. The Corporation expects that it will always be dependent upon some level of open market purchases, but the Corporation anticipates that it will transition Sunens Farms Inc. ("**Sunens**") to become one of its primary suppliers of cannabis inventory over the course of 2021.

A summary of the Corporation's cultivation supply is set out below.

Sunens

Sunens is the Corporation's large-scale joint venture with partner Peter Quiring, CEO of Nature Fresh Foods. The 1.1 million square foot greenhouse project in Leamington, Ontario is nearing completion. In June of 2020, Sunens received a standard cultivation licence from Health Canada for the first phase of the project. The first phase includes approximately 360,000 square feet of cultivation, processing and storage space. The Corporation has determined that the most expedited licensing pathway will be achieved by submitting two independent amendment applications for Health Canada's review to expand the site perimeter for the remaining two phases, which will permit Sunens to commence operations within such areas following Health Canada's approval. The first of these two perimeter amendments has been submitted and approved, granting Sunens the use of an additional 409,684 square feet of cultivation and storage space. The second is anticipated to be submitted in the first quarter of 2021. Upon approval of the final amendment by Health Canada, the entire cultivation footprint for the project will be licensed. In order to provide further commercial flexibility, Sunens also applied for a processing licence, which was issued by Health Canada on November 13, 2020.

The Corporation has contributed approximately \$98.5 million towards the Sunens project since inception, with the balance of the budget, being approximately \$84 million, underwritten by a Canadian Schedule I chartered bank (the "**Bank**") and a syndicate of lenders in the third quarter of 2019 (the "**Credit Facility**"). As part of such financing provided by the syndicate led by the Bank, the Corporation has guaranteed payments up to \$33 million in the event of default. In addition, both the Corporation and its partner Peter Quiring have agreed to fund any cost overruns on the construction of the facility and maintain combined cash and available credit balances of at least \$15 million. The Corporation's contribution along with the Credit Facility comprise all the required expenditures for the entire first phase of the project. In February 2021, at the request of the lending syndicate, the Corporation and its joint venture

partner contributed \$2 million in the aggregate to provide additional cash reserves to support operating cash flows (with the Corporation proportionately contributing \$0.9 million of such amount). Other than as described above, the Corporation does not expect to advance any additional funding to Sunens within the next 12 months.

Robinsons

Robinson's Cannabis Incorporated ("**Robinsons**") holds licences for cultivation, processing, and sale for medical purposes under the Cannabis Act for its purpose-built 27,700 square foot indoor cannabis cultivation facility located in Kentville, Nova Scotia, and is focused on the production of high-quality craft cannabis. Robinsons has entered into supply arrangements with Alberta, Ontario, Nova Scotia and Newfoundland and Labrador, and initial shipments of Robinsons dried cannabis products commenced in July 2020. As at December 31, 2020, the Corporation has contributed approximately \$12.4 million towards the construction and development of the Robinsons facility and anticipates a further \$0.5 million in capital expenditures for equipment upgrades and related minor facility upgrades to accommodate equipment and related commissioning expenses, as part of a plan of continuous improvement to improve overall facility efficiency and increase product yields, will be required over the next 12 months. The equipment is expected to arrive and be operational in the third quarter of 2021.

Robinsons OG

Robinson's Outdoor Grow Incorporated ("**Robinsons OG**") is a large-scale outdoor cannabis cultivation project comprised of over 158 acres of land and uniquely located in Hortonville, Nova Scotia. The Corporation anticipates that the long-term supply of outdoor cannabis to be produced on site at Robinsons OG will be used for product development initiatives at Dosecann and to create Robinsons-branded derivative cannabis products. Robinsons OG holds standard cultivation and processing licences under the Cannabis Act from Health Canada. However, given the timing for the optimal outdoor planting season and the operational challenges posed by the COVID-19 pandemic, the Corporation has made the strategic decision to delay the commencement of cultivation activities at the Robinsons OG site and instead focus its efforts on the continued development of the Robinsons OG land and facility in preparation for whenever the Corporation determines should be the next cultivation season. As at December 31, 2020, the Corporation has contributed approximately \$11.4 million towards the construction and development of the Robinsons OG project and anticipates a further \$3.5 million in capital expenditures will be required to complete the Robinsons OG project prior to the next cultivation season.

PEI Hemp

The Corporation acted as the financial sponsor for the development of a hemp farming co-operative through which 300 acres of hemp was cultivated in Prince Edward Island by six individual hemp licence holders, which resulted in approximately 98,000 kg of hemp biomass from the 2019 cultivation season. Dosecann secured the right of first refusal to offtake the biomass produced in 2019 at preferential prices. The biomass available for purchase was subject to final inspection and validation of a minimum cannabinoid content and quality specifications to ensure extraction efficiency. Based upon the negotiated pricing and the Corporation's sponsorship of the project to date, the Corporation has purchased (after inspection and validation) approximately 55,000 kilograms of hemp biomass for \$6.2 million. The purchase price of \$6.2 million was previously provided to the hemp farmers as a loan to commence the project. During the fourth quarter of 2020, the Corporation purchased an additional 14,300 kilograms of hemp biomass for \$2 million. All parties have since agreed to terminate and mutually release each other from any further purchases under such arrangement. The Corporation intends to use the biomass to extract CBD for use in its own products or for the sale of CBD distillate to other regulated industry participants.

Streaming Agreements

Other than as disclosed in this Prospectus, the Corporation does not have any further commitments under any streaming agreements.

Distribution

Given the current provincial legislative framework in Canada, the Corporation has pursued a multifaceted strategy to gain access to Canadian consumers. This includes supply arrangements with provincial control boards and retailers, a brokerage agreement with Kindred Partners Inc. ("**Kindred**") to act as the Corporation's strategic sales agent, and strong relationships with retailers, including Inner Spirit Holdings Ltd. and Delta 9 Cannabis Inc.

The Corporation has secured listings and sold its Cannabis Products in all provinces except Quebec (where the regulations for Cannabis 2.0 Products are more restrictive). The Corporation has obtained the necessary pre-authorization to enter into public contracts in Quebec and continues to explore listings for certain products that comply with Quebec's regulatory requirements.

In order to aid in the distribution of its products, the Corporation entered into a brokerage agreement with Kindred, a Toronto-based specialty cannabis brokerage serving the recreational market, and a wholly owned subsidiary of Breakthru Beverage Group. Kindred works with Canadian provincial control boards, licensed distributors and retailers to broker regulated cannabis products for the recreational market. Kindred supplies its brokerage services to Auxly and uses its national presence to market the Corporation's portfolio of brands nationwide while working closely with the Corporation's relationship managers.

International Operations

Presently the Corporation does not have any active international operations.

Given the slower than anticipated pace of cannabis-specific regulatory development in Latin America and, consequently, the slower development of viable near-term commercial channels in the region, the Corporation has chosen to explore strategic alternatives for Inverell S.A. ("**Inverell**"), the Corporation's 80% owned subsidiary located in Montevideo, Uruguay. While exploring strategic alternatives, the Corporation will not continue with operations nor fund any further operational expenditures at Inverell. This will reduce future operating expenses by approximately \$6-7 million annually, which can be redirected into the Canadian market with a view to driving more immediate revenue to the Corporation.

COVID-19

On March 11, 2020, the World Health Organization recognized the outbreak of COVID-19 as a pandemic, which has had a profound impact on the global economy. The pandemic has been a rapidly evolving situation throughout the year, which the Corporation has been closely monitoring, as further described in the "*COVID-19 Pandemic*" section of the Interim MD&A. Initially, certain provincial and territorial governments imposed various degrees of temporary lockdown measures forcing non-essential businesses to close during the pandemic, including retail cannabis stores in some jurisdictions, while certain other jurisdictions allowed retail cannabis stores to remain open with certain operational limitations and protocols.

Although the original provincial lockdown measures have since been eased in most areas, there has been a recent trend of stricter lockdown measures being imposed again across various jurisdictions given the increase in COVID-19 cases across the country. On January 12, 2021 a declaration of emergency was made for all of Ontario, and a stay-at-home order went into effect on January 14, 2021 as a public health measure. Under the stay-at-home order, retail cannabis stores in Ontario are able to continue offering curbside pickup and delivery; however, no in-store sales are permitted. As of February 10, 2021, Ontario has begun transitioning regions out of the stay-at-home order and back to the province's colour-coded COVID-19 response framework, which means in-store sales will be able to resume across the province over the next few weeks as retail stores will be permitted to re-open with capacity limits in place. Continued provincial COVID-19 restrictions may have a negative impact on the Corporation's sales, cash flows and results of operations. See "Risk Factors – the COVID-19 Pandemic". As of the date of this Prospectus, retail cannabis stores across the rest of Canada remain open with pandemic protocols in place. There is a possibility that further lockdown measures could be imposed or extended given the recent increase in COVID-19 cases across provinces and territories.

Additionally, due to required social distancing measures KGK was initially unable to commence new clinical trials with participants (which makes up a significant portion of its business), but has since shifted to a virtual process allowing it to facilitate new clinical trials. Further, certain aspects of clinical trial work were deemed an essential service and were therefore completed by third parties. In March 2020, KGK temporarily laid-off approximately 50 employees as it transitioned through the new operating model.

In relation to the COVID-19 pandemic, the Corporation accessed the Canada Emergency Wage Subsidy in 2020 for wages for employees at its subsidiaries KGK and Kolab. Otherwise, the Corporation is not relying on any other government financing programs to provide liquidity support.

Standby Facility

On April 28, 2020, the Corporation entered into an investment agreement with an institutional investor (the "**Investor**") as a standby facility (the "**Standby Facility**") to provide the Corporation with access to additional capital. This provides the Corporation with the opportunity to sell, on a private placement basis, unsecured convertible debentures of the Corporation (collectively, the "**Convertible Debentures**") in the principal amount of up to \$25,000,000 (the "**Debt Offering**"). The Convertible Debentures will be issuable in tranches at the request of the Corporation at an amount per Convertible Debenture that must be mutually agreeable to the Corporation and the Investor.

Each Convertible Debenture will have a maturity date of 24 months from the date of issue (the "**Maturity Date**") and will bear guaranteed interest from the date of issue at 7.5% per annum, payable semi-annually on June 30 and December 31 of each year.

The Convertible Debentures will be convertible, at the option of the holder, into Common Shares at any time prior to the close of business on the last day immediately preceding the applicable Maturity Date. The Convertible Debentures will have a conversion price (the "**Conversion Price**") equal to the closing price of the Common Shares on the TSXV on the trading day immediately prior to the closing date for such tranche.

The Corporation may require the Investor, at any point after four months and one day after the date of issuance of a Convertible Debenture, to convert:

- a) up to 50% of the principal amount of such Convertible Debenture if for any five consecutive trading days the volume weighted average price (the "**VWAP**") of the Common Shares on the TSXV is greater than 112% of the Conversion Price; or
- b) up to 100% of the principal amount of such Convertible Debenture if for any five consecutive trading days the VWAP of the Common Shares on the TSXV is greater than 120% of the Conversion Price; and/or
- c) 100% of the principal amount of such Convertible Debenture at any time by paying a mutually agreeable make-whole payment to the Investor,

plus in each case interest on the principal amount of such Convertible Debenture.

Contemporaneously with the issuance of each Convertible Debenture, the Investor will also receive such number of Common Share purchase warrants of the Corporation as is equal to 55% of the number of Common Shares into which the Convertible Debenture is convertible based on the applicable Conversion Price. Each warrant will be exercisable to purchase one Common Share for a period of 24 months from the date of issuance at an exercise price equal to 120% of the applicable Conversion Price.

As of the date hereof, the Corporation has completed five tranches under the Standby Facility and issued an aggregate of 20,031,747 Common Share purchase warrants and \$11.25 million of Convertible Debentures, which are convertible into 36,421,359 Common Shares (the details of each tranche are set out below). No further tranches are contemplated at this time.

- In connection with the initial tranche of the Debenture Offering completed on April 28, 2020, the Corporation issued to the Investor \$1.25 million of Convertible Debentures with a Conversion Price of \$0.435 per Common Share and 1,580,460 Common Share purchase warrants with an exercise price of \$0.522.
- In connection with the second tranche of the Debenture Offering completed on May 20, 2020, the Corporation issued to the Investor \$2 million of Convertible Debentures with a Conversion Price of \$0.425 per Common Share and 2,588,235 Common Share purchase warrants with an exercise price of \$0.51.
- In connection with the third tranche of the Debenture Offering completed on June 8, 2020, the Corporation issued to the Investor \$3 million of Convertible Debentures with a Conversion Price of \$0.38 per Common Share and 4,342,105 Common Share purchase warrants with an exercise price of \$0.46.
- In connection with the fourth tranche of the Debenture Offering completed on June 26, 2020, the Corporation issued to the Investor \$3 million of Convertible Debentures with a Conversion Price of \$0.305 per Common Share and 5,409,836 Common Share purchase warrants with an exercise price of \$0.366.
- In connection with the fifth tranche of the Debenture Offering completed on September 8, 2020, the Corporation issued to the Investor \$2 million of Convertible Debentures with a Conversion Price of \$0.18 per Common Share and 6,111,111 Common Share purchase warrants with an exercise price of \$0.216.

CONSOLIDATED CAPITALIZATION

Since September 30, 2020, there have been no material changes to the Corporation's share and loan capitalization on a consolidated basis, other than as set out below. The applicable Prospectus Supplement will describe any material changes, and the effect of such material changes, on the share and loan capitalization of the Corporation that will result from the issuance of Securities pursuant to each Prospectus Supplement.

On December 15, 2020, the Corporation completed the 2020 Offering, pursuant to which the Corporation issued 46,000,000 Common Shares and 23,000,000 Common Share purchase warrants for gross proceeds of \$13,800,000. Each warrant issued under the 2020 Offering is exercisable at a price of \$0.40 per Common Share until December 15, 2023. Additionally, the Corporation issued an aggregate of 2,990,000 Common Share broker warrants to the underwriter of the 2020 Offering, with each broker warrant exercisable for one Common Share at a price of \$0.30 per Common Share until December 15, 2023.

On February 8, 2021, the Corporation completed the 2021 Offering, pursuant to which the Corporation issued 54,395,000 Common Shares and 27,197,500 Common Share purchase warrants for gross proceeds of \$20,126,150. Each warrant issued under the 2021 Offering is exercisable at a price of \$0.46 per Common Share until February 8, 2024. Additionally, the Corporation issued an aggregate of 2,719,750 compensation options to the underwriters of the 2021 Offering, with each compensation option exercisable for one Common Share at a price of \$0.37 per Common Share until February 8, 2024.

EARNINGS COVERAGE RATIOS

If we offer Debt Securities having a term to maturity in excess of one year under this Prospectus and any applicable Prospectus Supplement, the applicable Prospectus Supplement will include earnings coverage ratios giving effect to the issuance of such Securities.

USE OF PROCEEDS

Use of Proceeds

Although the specific uses of the net proceeds from the sale of any Securities distributed under a Prospectus Supplement are not determinable at this time, the Corporation expects that any proceeds raised under any such offering

will, subject to the discretion of the board of directors of the Corporation based on circumstances existing at the time of any such distribution, be used: (i) to further the business objectives identified by the Corporation in its Interim MD&A, specifically those relating to the Corporation (A) maintaining its leadership and strength in the Cannabis 2.0 Products market, (B) expanding its Cannabis 1.0 Products, and (C) continuing to refine and improve its processes and throughput capabilities, which may be done through future acquisitions, expansions, refinements, improvements, innovations, marketing, leasing, licensing, joint ventures and/or other commercial arrangements; and (ii) for general corporate purposes (including funding ongoing operations and/or working capital requirements); (iii) to repay indebtedness outstanding from time to time; (iv) for discretionary capital programs; and (v) to opportunistically take advantage of financing opportunities in favourable market conditions to further strengthen the Corporation's balance sheet. The Corporation took these expected uses into account in its determination of the aggregate offering price under this Prospectus. Each Prospectus Supplement will contain specific information concerning the use of proceeds from that sale of Securities. At this time, the Corporation is not contemplating any acquisitions.

The above-noted allocation represents the Corporation's intention with respect to its use of proceeds based on current knowledge and planning by management of the Corporation (excluding potential contingencies and any deficiencies). Actual expenditures may differ from the estimates set forth above. There may be circumstances where, for sound business reasons, a reallocation may be deemed prudent or necessary.

The Corporation had negative cash flow from operating activities for the period ended December 31, 2020. Although the Corporation anticipates that it will have positive cash flow from operating activities in future periods, to the extent that the Corporation has negative cash flow in any future period, certain of the net proceeds from an offering of Securities may be used to fund such negative cash flow from operating activities. See "*Risk Factors*" in this Prospectus.

Pending actual expenditures, the Corporation may invest the funds in short-term, investment grade, interest-bearing securities, in government securities or in bank accounts at the discretion of management. The Corporation cannot predict whether the proceeds invested will yield a favourable return. See "*Risk Factors*" in the AIF.

Previous Financings

The use of proceeds associated with the 2020 Offering and the 2021 Offering, and the status of the business objectives of the Corporation anticipated to be accomplished using such proceeds, in each case remain unchanged from the projected use of proceeds as disclosed in the Corporation's short form prospectus dated December 10, 2020 and the Corporation's short form prospectus dated February 1, 2021, respectively:

Use of proceeds of 2020 Offering	Amount allocated under 2020 Offering	Intended and actual use of proceeds	Variance	Estimated Time Period	Cost Incurred to Date
Towards the purchase, installation and commissioning of automated manufacturing and packaging equipment and minor building alterations at the Corporation's Kolab facility to increase pre-roll cannabis production volumes. The manufacturing equipment is expected to be installed and commissioned prior to the end of the first quarter of 2021 with packaging automation expected to occur during the second half of 2021, depending upon final equipment selection.	\$3,500,000	\$3,500,000	\$0	Q1 to Q3 2021	\$1,800,000

Towards equipment upgrades and related minor facility upgrades to accommodate equipment and related commissioning expenses at the Corporation's Robinsons facility as part of a plan of continuous improvement to improve overall facility efficiency and increase product yields. The equipment is expected to arrive and be operational in the third quarter of 2021.	\$500,000	\$500,000	\$0	Q3 2021	\$0
Towards expanding extraction capabilities and throughput and several pieces of automation equipment across several product categories at the Dosecann facility. The Corporation expects shipments throughout the first half of 2021, becoming operational within 6 weeks thereafter.	\$2,400,000	\$2,400,000	\$0	H1 2021	\$1,300,000
Towards working capital to support increased sales and negative cash flows from operations.	\$4,820,000	\$4,820,000	\$0	N/A	N/A
Total	\$11,220,000	\$11,220,000	\$0	N/A	N/A

Use of proceeds of 2021 Offering	Amount allocated under 2021 Offering	Intended and actual use of proceeds	Variance	Estimated Time Period for Objective to Occur	Cost Incurred to Date
Towards the incremental costs associated with the purchase of certain automated manufacturing and packaging equipment to increase pre-roll cannabis production volumes at the Corporation's Kolab facility. The enhanced equipment allows for further configuration flexibility, increased automation, and add-on capabilities. The expected installation and commissioning are expected to occur during the second half of 2021.	\$2,000,000	\$2,000,000	\$0	Q1 to Q3 2021	\$0
As noted earlier, at the request of the Sunens lending syndicate, towards providing additional cash reserves to Sunens to support operating cash flows.	\$900,000	\$900,000	\$0	February, 2021	\$900,000

Towards interest expenses payable on December 31, 2021 associated with the outstanding convertible debentures of the Corporation in the amount of \$123 million held by Imperial Brands, inclusive of interest which was deferred in 2020. The principal proceeds of these debentures were used to repay previously existing convertible debentures of the Corporation in October 2019.	\$11,300,000	\$11,300,000	\$0	December 31, 2021	\$0
Towards working capital and general corporate purposes.	\$2,250,940	\$2,250,940	\$0	N/A	N/A
Total	\$16,450,940	\$16,450,940	\$0	N/A	N/A

Financial Resources

The Corporation's estimated sources and uses of funds for the twelve-month period following December 31, 2020 are as follows:

Sources of Funds	Notes	Millions
Adjusted Unaudited Net Working Capital (as at December 31, 2020)		\$46.6
Net Proceeds of 2021 Offering		\$18.9
Total Sources	1	\$65.5

Uses of Funds	Notes	Millions
Anticipated Cash Used in Operating Activities	2	(\$26.4)
Capital Expenditures	3	(\$14.7)
Interest Expense on \$123M Convertible debenture	4	(\$11.3)
Total Uses		(\$52.4)

Notes:

1. Available credit from the receivables purchase facility of \$2.7 million as at December 31, 2020 was excluded from the above noted total sources of funds, but would be available to the Corporation to accelerate the conversion of qualifying cannabis accounts receivables into cash. The ability to draw upon the facility is dependent upon the sufficiency of qualifying cannabis accounts receivable.
2. Cash used in operating activities is based upon historical results achieved in the second and third quarter of 2020 of (\$6.5) million and (\$6.7) million, respectively. Annualizing the average cash used in operating activities of (\$6.6) million results in an estimated annual amount of (\$26.4) million. The Corporation anticipates that future cash used in operating activities will improve, beyond the historical results, over the 12 months following December 31, 2020. Cannabis net revenues improved by approximately 85% during the third quarter of 2020 as compared to the second quarter of 2020. The Corporation anticipates continued sales strength beyond the third quarter of 2020 based upon further production capacity following the completion of the second-floor expansion

of its Dosecann facility (which was partially transitioned during the third quarter of 2020); the introduction of new brands; the release of new product formats (e.g. Foray Hard Maple Caramels, and Dosecann Capsules with Ahiflower® oil); and the Corporation's expansion into new product markets. In addition, on October 1, 2020, the Corporation announced steps taken to strengthen its path to profitability through the reduction of SG&A. During the third quarter of 2020, the Corporation incurred SG&A of \$11.4 million, inclusive of \$1.2 million of non-cash share-based compensation, resulting in cash SG&A of \$10.2 million. The Corporation established a target of \$10 million cash SG&A. The cash SG&A target was effectively achieved during the third quarter of 2020 and the Corporation anticipates that it will be able to continue to achieve this target notwithstanding that other costs may fluctuate from time to time.

3. Capital expenditures of \$14.7 million are comprised of \$2.9 million of capital items noted in the use of proceeds table from the 2021 Offering, \$6.4 million of capital items noted in the use of proceeds table from the 2020 Offering, and \$5.4 million of discretionary items (which can be deferred or abandoned by the Corporation should it determine any such action to be appropriate). Such discretionary items include \$1.9 million allocated to ethanol extraction at the Corporation's Dosecann facility and \$3.5 million required to complete the Robinsons OG project.
4. Interest owing as at December 31, 2021 of \$11.3 million relates to the principal amount of \$123 million of convertible debentures outstanding and is comprised of interest deferred at December 31, 2020 of \$6.2 million, compound interest of \$0.2 million on said deferred amount, and interest related to 2021 of \$4.9 million.

The Corporation believes that its unaudited existing and projected working capital will be sufficient to fund the operations of the Corporation for the twelve-month period following the date of this Prospectus. There have been no significant changes to the Corporation's working capital since December 31, 2020 other than receipt of the net proceeds of the 2021 Offering.

DESCRIPTION OF SECURITIES BEING DISTRIBUTED

Common Shares

The following sets forth certain general terms and provisions of the Common Shares. The particular terms and provisions of the Common Shares offered pursuant to an accompanying Prospectus Supplement, and the extent to which the general terms and provisions described below may apply to such Common Shares, will be described in the applicable Prospectus Supplement. The Common Shares may be sold separately or together with Preferred Shares, Debt Securities, Subscription Receipts, Warrants or Units under this Prospectus, or on conversion or exchange of any such Securities.

The holders of Common Shares are entitled to one vote per Common Share at all meetings of the shareholders of the Corporation either in person or by proxy. The holders of Common Shares are also entitled to dividends, if and when declared by the directors of the Corporation, and the distribution of the residual assets of the Corporation in the event of a liquidation, dissolution or winding up of the Corporation.

All Common Shares rank equally as to all benefits which might accrue to the holders thereof, including the right to receive dividends, voting powers, and participation in assets and in all other respects, on liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or any other disposition of the assets of the Corporation among its shareholders for the purpose of winding up its affairs after the Corporation has paid out its liabilities. The Common Shares are not subject to any call or assessment rights, any pre-emptive rights, any conversion or any exchange rights. The Common Shares are not subject to any redemption, retraction, purchase for cancellation, surrender, sinking or purchase fund provisions. Additionally, the Common Shares are not subject to any provisions permitting or restricting the issuance of additional securities and any other materials restrictions or any provisions requiring a securityholder to contribute additional capital to the Corporation.

Preferred Shares

The following sets forth certain general terms and provisions of the Preferred Shares. The particular terms and provisions of a series of Preferred Shares offered pursuant to an accompanying Prospectus Supplement, and the extent

to which the general terms and provisions described below may apply to such Preferred Shares, will be described in the applicable Prospectus Supplement. One or more series of Preferred Shares may be sold separately or together with Common Shares, Debt Securities, Subscription Receipts, Warrants or Units under this Prospectus, or on conversion or exchange of any such Securities.

The Corporation is not currently authorized to issue Preferred Shares. Subject first to obtaining all necessary corporate and regulatory approvals, it is proposed that the Preferred Shares will be issued from time to time in one or more series, and that the Corporation's board of directors will be authorized to fix, before the issuance thereof, the number of Preferred Shares of each series, the designation, rights, privileges, restrictions and conditions attaching to the Preferred Shares of each series, including, without limitation, any voting rights, any right to receive dividends (which may be cumulative or non-cumulative and variable or fixed) or the means of determining such dividends, the dates of payment thereof, any terms and conditions of redemption or purchase, any conversion rights, and any rights on the liquidation, dissolution or winding-up of the Corporation, any sinking fund or other provisions, the whole to be subject to the issuance of a certificate of amendment setting forth the designation, rights, privileges, restrictions and conditions attaching to the Preferred Shares of the series.

The Preferred Shares of each series may, with respect to the payment of dividends and the distribution of assets in the event of the liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, rank on a parity with the Preferred Shares of every other series and be entitled to preference over the Common Shares. If any amount of cumulative dividends (whether or not declared) or declared non-cumulative dividends or any amount payable on any such distribution of assets constituting a return of capital in respect of the Preferred Shares of any series is not paid in full, the Preferred Shares of such series shall participate rateably with the Preferred Shares of every other series in respect of all such dividends and amounts.

This section describes the general terms that will apply to any Preferred Shares being offered. The terms and provisions of any Preferred Shares offered under a Prospectus Supplement may differ from the terms described below, and may not be subject to or contain any or all of such terms. The particular terms of each issue of Preferred Shares that will be described in the related Prospectus Supplement will include, where applicable:

- (a) the offering price of the Preferred Shares;
- (b) the title and designation of number of shares of the series of Preferred Shares;
- (c) the dividend rate or method of calculation, the payment dates for dividends and the place or places where the dividends will be paid, whether dividends will be cumulative or noncumulative, and, if cumulative, the dates from which dividends will begin to accumulate;
- (d) any conversion or exchange features or rights;
- (e) whether the Preferred Shares will be subject to redemption and the redemption price and other terms and conditions relative to the redemption rights;
- (f) any liquidation rights;
- (g) any sinking fund provisions;
- (h) any voting rights;
- (i) whether the Preferred Shares will be issued in fully registered or "book-entry only" form;
- (j) any other rights, privileges, restrictions and conditions attaching to the Preferred Shares; and
- (k) any other specific terms.

Debt Securities

The following sets forth certain general terms and provisions of the Debt Securities. The particular terms and provisions of a series of Debt Securities offered pursuant to an accompanying Prospectus Supplement, and the extent to which the general terms and provisions described below may apply to such Debt Securities, will be described in the applicable Prospectus Supplement. One or more series of Debt Securities may be sold separately or together with Common Shares, Preferred Shares, Subscription Receipts, Warrants or Units under this Prospectus, or on conversion or exchange of any such Securities.

Priority & Security

Unless otherwise indicated in an applicable Prospectus Supplement, the Debt Securities will be direct secured or unsecured obligations of the Corporation. The Debt Securities will be senior or subordinated indebtedness of the Corporation as described in the applicable Prospectus Supplement. If the Debt Securities are unsecured senior indebtedness, they will rank equally and rateably with all other unsecured indebtedness of the Corporation from time to time issued and outstanding which is not subordinated. If the Debt Securities are subordinated indebtedness, they will be subordinated to senior indebtedness of the Corporation as described in the applicable Prospectus Supplement, and they will rank equally and rateably with other subordinated indebtedness of the Corporation from time to time issued and outstanding as described in the applicable Prospectus Supplement. The Corporation reserves the right to specify in a Prospectus Supplement whether a particular series of subordinated Debt Securities is subordinated to any other series of subordinated Debt Securities.

The board of directors of Auxly may establish the extent and manner, if any, to which payment on or in respect of a series of Debt Securities will be senior or will be subordinated to the prior payment of our other liabilities and obligations and whether the payment of principal, premium, if any, and interest, if any, will be guaranteed by any other person and the nature and priority of any security.

Terms of the Debt Securities

In conformity with applicable laws of Canada, for all bonds and notes of companies that are publicly offered, the Debt Securities will be issued under one or more indentures between the Corporation and a trustee that will be named in the applicable Prospectus Supplement. There will be a separate indenture for the senior Debt Securities and the subordinated Debt Securities. An indenture is a contract between a financial institution, acting on your behalf as trustee of the Debt Securities offered, and the Corporation. The trustee has two main roles. First, subject to some limitations on the extent to which the trustee can act on your behalf, the trustee can enforce your rights against the Corporation if it defaults on its obligations under the indenture. Second, the trustee performs certain administrative duties for the Corporation. The aggregate principal amount of Debt Securities that may be issued under each indenture is unlimited. A copy of the form of each indenture to be entered into in connection with offerings of Debt Securities will be filed with the securities regulatory authorities in Canada when it is entered into. A copy of any indenture or supplement thereto entered into by the Corporation will be filed with securities regulatory authorities and will be available on our SEDAR profile at www.sedar.com.

The Corporation may issue Debt Securities bearing no interest or interest at a rate below the prevailing market rate at the time of issuance, and offer and sell these Securities at a discount below their stated principal amount. The Corporation may also sell any of the Debt Securities for a foreign currency or currency unit, and payments on the Debt Securities may be payable in a foreign currency or currency unit. In any of these cases, the Corporation will describe certain Canadian federal income tax consequences and other special considerations in the applicable Prospectus Supplement.

Selected provisions of the Debt Securities and the indenture(s) under which such Debt Securities will be issued are summarized below. This summary is not complete. The statements made in this Prospectus relating to any indenture and Debt Securities to be issued thereunder are summaries of certain anticipated provisions thereof and are subject to, and are qualified in their entirety by reference to, all provisions of the applicable indenture.

The indentures will not limit the amount of Debt Securities that we may issue thereunder. We may issue Debt Securities from time to time under an indenture in one or more series by entering into supplemental indentures or by our board of directors or a duly authorized committee authorizing the issuance. The Debt Securities of a series need not be issued at the same time, bear interest at the same rate or mature on the same date. Unless otherwise indicated in the applicable Prospectus Supplement, we may issue Debt Securities with terms different from those of Debt Securities previously issued and, without the consent of the holders thereof, reopen a previous issue of a series of Debt Securities and issue additional Debt Securities of such series.

The Prospectus Supplement for a particular series of Debt Securities will disclose the specific terms of such Debt Securities, including the price or prices at which the Debt Securities to be offered will be issued. The terms and provisions of any Debt Securities offered under a Prospectus Supplement may differ from the terms described below, and may not be subject to or contain any or all of such terms. In addition, to the extent that any particular terms of the Debt Securities described in a Prospectus Supplement differ from any of the terms described in this Prospectus, the description of such terms set forth in this Prospectus shall be deemed to have been superseded by the description of such differing terms set forth in such Prospectus Supplement with respect to such Debt Securities. Those terms may include some or all of the following:

- (a) the designation, aggregate principal amount and authorized denominations of such Debt Securities;
- (b) the indenture under which such Debt Securities will be issued and the trustee(s) thereunder;
- (c) the currency or currency units for which the Debt Securities may be purchased and the currency or currency unit in which the principal and any interest is payable (in either case, if other than Canadian dollars);
- (d) whether such Debt Securities are senior or subordinated and, if subordinated, the applicable subordination provisions;
- (e) the percentage of the principal amount at which such Debt Securities will be issued;
- (f) the date or dates on which such Debt Securities will mature;
- (g) the rate or rates per annum at which such Debt Securities will bear interest (if any), or the method of determination of such rates (if any);
- (h) the dates on which any such interest will be payable and the record dates for such payments;
- (i) any redemption term or terms under which such Debt Securities may be defeased;
- (j) whether such Debt Securities are to be issued in registered form, bearer form or in the form of temporary or permanent global securities and the basis of exchange, transfer and ownership thereof;
- (k) the place or places where principal, premium and interest will be payable;
- (l) any change in the right of the trustee or the holders to declare the principal, premium and interest with respect to such series of debt securities to be due and payable;
- (m) the securities exchange(s) on which such series of Debt Securities will be listed, if any;
- (n) any terms relating to the modification, amendment or waiver of any terms of such Debt Securities or the applicable indenture;
- (o) the designation and terms of any other Securities with which the Debt Securities will be offered, if any, and the principal amount of Debt Securities that will be offered with each Security;
- (p) governing law;

- (q) any limit upon the aggregate principal amount of the Debt Securities of such series that may be authenticated and delivered under the indenture;
- (r) if other than the Corporation or the trustee, the identity of each registrar and/or paying agent;
- (s) if the Debt Securities are issued as a Unit with another Security, the date on and after which the Debt Securities and other Security will be separately transferable;
- (t) if the Debt Securities are to be issued upon the exercise of Warrants, the time, manner and place for such Securities to be authenticated and delivered;
- (u) if the Debt Securities are to be convertible or exchangeable into other securities of the Corporation, the terms and procedures for the conversion or exchange of the Debt Securities into other securities; and
- (v) any other specific terms of the Debt Securities of such series, including any events of default or covenants.

Any convertible or exchangeable Debt Securities will be convertible or exchangeable only for other securities of the Corporation. In an offering of convertible, exchangeable or exercisable Securities, original purchasers will have a contractual right of rescission against the Corporation following the conversion, exchange or exercise of such Securities in the event that this Prospectus, the applicable Prospectus Supplement or any amendment thereto contains a misrepresentation. This contractual right of rescission will, if granted, be consistent with the statutory right of rescission described under section 130 of the *Securities Act* (Ontario) and is in addition to any other right or remedy available to original Canadian purchasers under section 130 of the *Securities Act* (Ontario) or otherwise by law.

The contractual right of rescission will, if granted, be further described in any applicable Prospectus Supplement, but will, in general, entitle such original purchasers to receive the amount paid for the Debt Securities (and any additional amount paid upon conversion, exchange or exercise) upon surrender of the securities issued on the exercise thereof, in the event that this Prospectus, the applicable Prospectus Supplement or any amendment thereto contains a misrepresentation, provided that (i) the conversion, exchange or exercise takes place within 180 days of the date of the purchase of the convertible, exchangeable or exercisable Security under the applicable Prospectus Supplement, and (ii) the right of rescission is exercised within 180 days of the date of the purchase of the convertible, exchangeable or exercisable Security under the applicable Prospectus Supplement.

Additional information concerning this right of rescission is included under the heading "*Statutory Right of Rescission*".

Debt Securities, if issued in registered form, will be exchangeable for other Debt Securities of the same series and tenor, registered in the same name, for an equal aggregate principal amount in authorized denominations and will be transferable at any time or from time to time at the corporate trust office of the relevant trustee. No charge will be made to the holder for any such exchange or transfer except for any tax or government charge incidental thereto.

Modifications

We may amend any indenture and the Debt Securities without the consent of the holders of the Debt Securities in certain circumstances including to cure any ambiguity, to cure, correct or supplement any defective or inconsistent provision, or in any other manner that will not materially and adversely affect the interests of holders of outstanding Debt Securities. A more detailed description of the amendment provisions will be included in the applicable Prospectus Supplement.

Subscription Receipts

Subscription Receipts may be offered separately or together with Common Shares, Preferred Shares, Debt Securities, Warrants or Units, as the case may be. Subscription Receipts will be issued under a subscription receipt agreement (a "**Subscription Receipt Agreement**") that will be entered into between us and the escrow agent (the "**Escrow Agent**") at the time of issuance of the Subscription Receipts. Each Escrow Agent will be a financial institution authorized to

carry on business as a trustee. If underwriters or agents are used in the sale of any Subscription Receipts, one or more of such underwriters or agents may also be a party to the Subscription Receipt Agreement governing the Subscription Receipts sold to or through such underwriter or agent.

Terms of the Subscription Receipts

The Subscription Receipt Agreement will provide each initial purchaser of Subscription Receipts with a non-assignable contractual right of rescission following the issuance of any Common Shares, Warrants or Debt Securities, as applicable, to such purchaser upon the exchange of the Subscription Receipts if this Prospectus, the Prospectus Supplement under which the Subscription Receipts are offered, or any amendment hereto or thereto contains a misrepresentation, as such term is defined in the *Securities Act* (Ontario). This contractual right of rescission will entitle such initial purchaser to receive the amount paid for the Subscription Receipts (and any additional amount paid upon conversion, exchange or exercise) upon surrender of the Securities issued in exchange therefor, provided that such remedy for rescission is exercised in the time stipulated in the Subscription Receipt Agreement. This right of rescission will not extend to any holders of Subscription Receipts who acquire such Subscription Receipts from an initial purchaser on the open market or otherwise. Additional information concerning this right of rescission is included under the heading "*Statutory Right of Rescission*".

The applicable Prospectus Supplement will include details of the Subscription Receipt Agreement covering the Subscription Receipts being offered. The specific terms of the Subscription Receipts, and the extent to which the general terms described in this section apply to those Subscription Receipts, will be set forth in the applicable Prospectus Supplement and Subscription Receipt Agreement. A copy of the Subscription Receipt Agreement will be filed by us with securities regulatory authorities after it has been entered into by us and will be available on our SEDAR profile at www.sedar.com. Prospective investors should refer to the Subscription Receipt Agreement relating to the specific Subscription Receipts being offered for the complete terms of the Subscription Receipts.

Subscription Receipts will entitle the holder thereto to receive other Securities (typically Common Shares, Warrants or Debt Securities), for no additional consideration, upon the completion of a particular transaction or event, typically an acquisition of the assets or securities of another entity by the Corporation. The subscription proceeds from an offering of Subscription Receipts will be held in escrow by an escrow or other agent pending the completion of the transaction or the termination time (the time at which the escrow terminates regardless of whether the transaction or event has occurred). Holders of Subscriptions Receipts will receive other Securities upon the completion of the particular transaction or event or, if the transaction or event does not occur by the termination time, a return of the subscription funds for their Subscription Receipts together with any interest or other income earned thereon.

This section describes the general terms that will apply to any Subscription Receipts being offered and is not intended to be complete. The terms and provisions of any Subscription Receipts offered under a Prospectus Supplement may differ from the terms described below, and may not be subject to or contain any or all of such terms. The particular terms of each issue of Subscription Receipts that will be described in the related Prospectus Supplement will include, where applicable:

- (a) the number of Subscription Receipts;
- (b) the price at which the Subscription Receipts will be offered;
- (c) conditions (the "**Release Conditions**") for the exchange of Subscription Receipts into Common Shares, Warrants or Debt Securities, as the case may be, and the consequences of such conditions not being satisfied;
- (d) the procedures for the exchange of the Subscription Receipts into Common Shares, Warrants or Debt Securities;
- (e) the number of Common Shares, Warrants or Debt Securities to be exchanged for each Subscription Receipt;

- (f) procedures for the payment by the Escrow Agent to holders of such Subscription Receipts of an amount equal to all or a portion of the subscription price of their Subscription Receipts, plus any additional amounts provided for in the Subscription Receipt Agreement, if the Release Conditions are not satisfied;
- (g) the terms and conditions under which the Escrow Agent will hold all or a portion of the gross proceeds from the sale of such Subscription Receipts, together with interest and income earned thereon, or collectively, the Escrowed Funds, pending satisfaction of the Release Conditions;
- (h) the dates or periods during which the Subscription Receipts may be exchanged into Common Shares, Warrants or Debt Securities;
- (i) the identity of the Escrow Agent;
- (j) the designation and terms of any other Securities with which the Subscription Receipts will be offered, if any, and the number of Subscription Receipts that will be offered with each Security;
- (k) the terms and conditions under which the Escrow Agent will release all or a portion of the Escrowed Funds to us upon satisfaction of the Release Conditions and if the Subscription Receipts are sold to or through underwriters or agents, the terms and conditions under which the Escrow Agent will release a portion of the Escrowed Funds to such underwriters or agents in payment of all or a portion of their fees or commissions in connection with the sale of the Subscription Receipts;
- (l) the currency or currency unit for which Subscription Receipts may be purchased and the aggregate principal amount, currency or currencies, denominations and terms of the series of Common Shares, Warrants or Debt Securities that may be exchanged upon exercise of each Subscription Receipt;
- (m) the material income tax consequences of owning, holding and disposing of the Subscription Receipts;
- (n) the securities exchange(s) on which the Subscription Receipts will be listed, if any; and
- (o) any other material terms and conditions of the Subscription Receipts.

Prior to the exchange of their Subscription Receipts, holders of Subscription Receipts will not have any of the rights of holders of the securities to be received on the exchange of the Subscription Receipts. Subscription Receipts, if issued in registered form, will be exchangeable for other Subscription Receipts of the same tenor, at the office indicated in the Prospectus Supplement. No charge will be made to the holder for any such exchange or transfer except for any tax or government charge incidental thereto.

Escrow

The Subscription Receipt Agreement will provide that the Escrowed Funds will be held in escrow by the Escrow Agent, and such Escrowed Funds will be released to us (and, if the Subscription Receipts are sold to or through underwriters or agents, a portion of the Escrowed Funds may be released to such underwriters or agents in payment of all or a portion of their fees in connection with the sale of the Subscription Receipts) at the time and under the terms specified by the Subscription Receipt Agreement. If the Release Conditions are not satisfied, holders of Subscription Receipts will receive payment of an amount equal to all or a portion of the subscription price for their Subscription Receipts, plus any additional amounts provided for in the Subscription Receipt Agreement, in accordance with the terms of the Subscription Receipt Agreement.

Modifications

The Subscription Receipt Agreement will specify the terms upon which modifications and alterations to the Subscription Receipts issued thereunder may be made by way of a resolution of holders of Subscription Receipts at a meeting of such holders or by way of consent in writing from such holders. The number of holders of Subscription Receipts required to pass such a resolution or execute such a written consent will be specified in the Subscription

Receipt Agreement. The Subscription Receipt Agreement will also specify that we may amend the Subscription Receipt Agreement and the Subscription Receipts, without the consent of the holders of the Subscription Receipts, to cure any ambiguity, to cure, correct or supplement any defective or inconsistent provision, or in any other manner that will not materially and adversely affect the interests of the holder of outstanding Subscription Receipts or as otherwise specified in the Subscription Receipt Agreement.

Warrants

The following sets forth certain general terms and provisions of the Warrants. We may issue Warrants for the purchase of Common Shares, Debt Securities or other Securities of the Corporation. Warrants may be issued independently or together with Common Shares, Preferred Shares, Debt Securities, Subscription Receipts, Units or other Securities offered by any Prospectus Supplement and may be attached to, or separate from, any such offered Securities. Each series of Warrants will be issued under a warrant indenture or agreement between us and a warrant agent that we will name in the applicable Prospectus Supplement.

Terms of the Warrants

Each initial purchaser of Warrants that are exercisable within 180 days of the date of purchase will have a non-assignable contractual right of rescission following the issuance of any securities to such purchaser upon the exercise of the Warrants if this Prospectus, the Prospectus Supplement under which the Warrants are offered, or any amendment hereto or thereto contains a misrepresentation, as such term is defined in the *Securities Act* (Ontario). This contractual right of rescission will entitle such initial purchaser to receive the amount paid for the Warrants (and any additional amount paid upon conversion, exchange or exercise) upon surrender of the securities issued on the exercise thereof, provided that such remedy for rescission is exercised within 180 days from the date of the purchase of such Warrants under the applicable Prospectus Supplement. This right of rescission will not extend to any holders of Warrants who acquire such Warrants from an initial purchaser on the open market or otherwise. Additional information concerning this right of rescission is included under the heading "*Statutory Right of Rescission*".

This summary of some of the provisions of the Warrants is not complete, the applicable Prospectus Supplement will include details of the warrant agreement(s) covering the Warrants being offered. The specific terms of the Warrants, and the extent to which the general terms described in this section apply to those Warrants, will be set forth in the applicable Prospectus Supplement. A copy of the warrant agreement will be filed by us with securities regulatory authorities after it has been entered into by us and will be available on our SEDAR profile at www.sedar.com.

Warrants will entitle the holder thereof to receive other Securities (typically Common Shares or Debt Securities) upon the exercise thereof and payment of the applicable exercise price. A Warrant is typically exercisable for a specific period of time at the end of which time it will expire and cease to be exercisable.

This section describes the general terms that will apply to any Warrants being offered. The terms and provisions of any Warrants offered under a Prospectus Supplement may differ from the terms described below, and may not be subject to or contain any or all of such terms. The particular terms of each issue of Warrants that will be described in the related Prospectus Supplement will include, where applicable:

- (a) the designation of the Warrants;
- (b) the aggregate number of Warrants offered and the offering price;
- (c) the designation, number and terms of the Common Shares, Debt Securities or other Securities purchasable upon exercise of the Warrants, and procedures that will result in the adjustment of those numbers;
- (d) the exercise price of the Warrants;
- (e) the dates or periods during which the Warrants are exercisable;
- (f) the designation and terms of any securities with which the Warrants are issued;

- (g) any terms, procedures and limitations relating to the transferability, exchange or exercise of the Warrants;
- (h) if the Warrants are issued as a Unit with another Security, the date on and after which the Warrants and the other Security will be separately transferable;
- (i) whether such Warrants will be subject to redemption or call, and if so, the terms of such redemption or call provisions;
- (j) any minimum or maximum amount of Warrants that may be exercised at any one time;
- (k) whether the Warrants will be issued in fully registered or global form;
- (l) whether such Warrants will be listed on any securities exchange;
- (m) the currency or currency unit in which the exercise price is denominated;
- (n) any rights, privileges, restrictions and conditions attaching to the Warrants;
- (o) the material income tax consequences of owning, holding and disposing of the Warrant; and
- (p) any other specific terms.

Warrant certificates, if issued in registered form, will be exchangeable for new warrant certificates of different denominations at the office indicated in the Prospectus Supplement. No charge will be made to the holder for any such exchange or transfer except for any tax or government charge incidental thereto. Prior to the exercise of their Warrants, holders of Warrants will not have any of the rights of holders of the Securities subject to the Warrants.

Modifications

We may amend any warrant agreement and the Warrants without the consent of the holders of the Warrants in certain circumstances including to cure any ambiguity, to cure, correct or supplement any defective or inconsistent provision, or in any other manner that will not materially and adversely affect the interests of holders of outstanding Warrants. A more detailed description of the amendment provisions will be included in the applicable Prospectus Supplement.

Enforceability

The warrant agent will act solely as our agent. The warrant agent will not have any duty or responsibility if we default under the warrant agreements or the warrant certificates. A Warrant holder may, without the consent of the warrant agent, enforce, by appropriate legal action on its own behalf, the holder's right to exercise the holder's Warrants.

Units

The following sets forth certain general terms and provisions of the Units. We may issue Units comprised of only one or more of the other Securities described in this Prospectus in any combination. Each Unit will be issued so that the holder of the Unit is also the holder of each Security included in the Unit. Thus, the holder of a Unit will have the rights and obligations of a holder of each included Security. The unit agreement under which a Unit is issued may provide that the Securities included in the Unit may not be held or transferred separately, at any time or at any time before a specified date.

Terms of the Units

Any Prospectus Supplement for Units supplementing this Prospectus will contain the terms and other information with respect to the Units being offered thereby, including:

- (a) the designation and terms of the Units and of the Securities comprising the Units, including whether and under what circumstances those Securities may be held or transferred separately;
- (b) any provisions for the issuance, payment, settlement, transfer or exchange of the Units or of the Securities comprising the Units;
- (c) how, for income tax purposes, the purchase price paid for the Units is to be allocated among the component Securities;
- (d) the currency or currency units in which the Units may be purchased and the underlying Securities denominated;
- (e) the securities exchange(s) on which such Units will be listed, if any;
- (f) whether the Units and the underlying Securities will be issued in fully registered or global form; and
- (g) any other specific terms of the Units and the underlying Securities.

The preceding description and any description of Units in the applicable Prospectus Supplement does not purport to be complete and is subject to and is qualified in its entirety by reference to the unit agreement and, if applicable, collateral arrangements and depositary arrangements relating to such Units.

Modifications

We may amend the unit agreement and the Units, without the consent of the holders of the Units, to cure any ambiguity, to cure, correct or supplement any defective or inconsistent provision, or in any other manner that will not materially and adversely affect the interests of holders of outstanding Units. Other amendment provisions will be as indicated in the applicable Prospectus Supplement.

OTHER MATTERS RELATING TO THE SECURITIES

General

The Securities may be issued in fully registered certificated form or in book-entry only form.

Certificated Form

Securities issued in certificated form will be registered in the name of the purchaser or its nominee on the registers maintained by our transfer agent and registrar or the applicable trustee.

Book-Entry Only Form

Securities issued in "book-entry only" form must be purchased, transferred or redeemed through participants in a depository service of a depository identified in the Prospectus Supplement for the particular offering of Securities. Each of the underwriters, dealers or agents, as the case may be, named in the Prospectus Supplement will be a participant of the depository. On the closing of a book-entry only offering, we will cause a global certificate or certificates or an electronic deposit representing the aggregate number of Securities subscribed for under such offering to be delivered to or deposited with, and registered in the name of, the depository or its nominee. Except as described below, no purchaser of Securities will be entitled to a certificate or other instrument from us or the depository evidencing that purchaser's ownership thereof, and no purchaser will be shown on the records maintained by the depository except through a book-entry account of a participant acting on behalf of such purchaser. Each purchaser of Securities will receive a customer confirmation of purchase from the registered dealer from which the Securities are purchased in accordance with the practices and procedures of such registered dealer. The practices of registered dealers may vary, but generally customer confirmations are issued promptly after execution of a customer order. The depository will be responsible for establishing and maintaining book-entry accounts for its participants having interests

in the Securities. Reference in this Prospectus to a holder of Securities means, unless the context otherwise requires, the owner of the beneficial interest in the Securities.

If we determine, or the depository notifies us in writing, that the depository is no longer willing or able to properly discharge its responsibilities as depository with respect to the Securities and we are unable to locate a qualified successor, or if we at our option elect, or are required by law, to terminate the book-entry system, then the Securities will be issued in certificated form to holders or their nominees.

Transfer, Conversion or Redemption of Securities

Certificated Form

Transfer of ownership, conversion or redemptions of Securities held in certificated form will be effected by the registered holder of the Securities in accordance with the requirements of our transfer agent and registrar and the terms of the agreement, indenture or certificates representing such Securities, as applicable.

Book-Entry Only Form

Transfer of ownership, conversion or redemptions of Securities held in book-entry only form will be effected through records maintained by the depository or its nominee for such Securities with respect to interests of participants, and on the records of participants with respect to interests of persons other than participants. Holders who desire to purchase, sell or otherwise transfer ownership of or other interests in the Securities may do so only through participants. The ability of a holder to pledge a Security or otherwise take action with respect to such holder's interest in a Security (other than through a participant) may be limited due to the lack of a physical certificate.

Payments and Notices

Certificated Form

Any payment of principal, a redemption amount, a dividend or interest (as applicable) on a Security will be made by us, and any notices in respect of a Security will be given by us, directly to the registered holder of such Security, unless the applicable agreement, indenture or certificate in respect of such Security provides otherwise.

Book-Entry Only Form

Any payment of principal, a redemption amount, a dividend or interest (as applicable) on a Security will be made by us to the depository or its nominee, as the case may be, as the registered holder of the Security and we understand that such payments will be credited by the depository or its nominee in the appropriate amounts to the relevant participants. Payments to holders of Securities of amounts so credited will be the responsibility of the participants.

As long as the depository or its nominee is the registered holder of the Securities, the depository or its nominee, as the case may be, will be considered the sole owner of the Securities for the purposes of receiving notices or payments on the Securities. In such circumstances, our responsibility and liability in respect of notices or payments on the Securities is limited to giving or making payment of any principal, redemption, dividend or interest (as applicable) due on the Securities to the depository or its nominee. Each holder must rely on the procedures of the depository and, if such holder is not a participant, on the procedures of the participant through which such holder owns its interest, to exercise any rights with respect to the Securities.

We understand that under existing industry practices, if we request any action of holders or if a holder desires to give any notice or take any action which a registered holder is entitled to give or take with respect to any Securities issued in book-entry only form, the depository would authorize the participant acting on behalf of the holder to give such notice or to take such action, in accordance with the procedures established by the depository or agreed to from time to time by us, any trustee and the depository. Accordingly, any holder that is not a participant must rely on the contractual arrangement it has directly or indirectly through its financial intermediary with its participant to give such notice or take such action.

We, the underwriters, dealers or agents and any trustee identified in a Prospectus Supplement relating to an offering of Securities in book-entry only form, as applicable, will not have any liability or responsibility for: (i) records maintained by the depository relating to beneficial ownership interests of the Securities held by the depository or the book-entry accounts maintained by the depository; (ii) maintaining, supervising or reviewing any records relating to any such beneficial ownership; or (iii) any advice or representation made by or with respect to the depository and contained in the Prospectus Supplement or in any indenture relating to the rules and regulations of the depository or any action to be taken by the depository or at the directions of the participants.

PLAN OF DISTRIBUTION

The Corporation may from time to time during the 25 month period that this Prospectus, including any amendments and supplements hereto, remains valid, offer for sale and sell up to an aggregate of \$200,000,000 in Securities hereunder.

The Corporation may sell Securities offered by this Prospectus for cash or other consideration: (i) to or through underwriters, dealers, placement agents or other intermediaries purchasing as principal or acting as agent; (ii) directly to one or more purchasers; or (iii) in connection with acquisitions of assets or shares of another entity or company. The Prospectus Supplement relating to an offering of Securities will indicate the jurisdiction or jurisdictions in which such offering is being made to the public and will identify the person(s) offering the Securities. Each Prospectus Supplement will set out the terms of the offering, including the name or names of any underwriters, dealers or agents, the purchase price or prices of the Securities (or the manner of determination thereof if offered on a non-fixed price basis, including sales in transactions that are deemed to be "at-the-market distributions" as defined in NI 44-102)), and the proceeds to us from the sale of the Securities. Only underwriters, dealers or agents so named in the Prospectus Supplement are deemed to be underwriters, dealers or agents, as the case may be, in connection with the Securities offered thereby. In connection with the sale of the Securities, underwriters, dealers or agents may receive compensation from us in the form of commissions, concessions and discounts. Any such commissions may be paid out of our general funds or the proceeds of the sale of Securities.

The Securities may be sold, from time to time in one or more transactions at a fixed price or prices which may be changed or at market prices prevailing at the time of sale, at prices determined by reference to the prevailing market prices or at prices to be negotiated with purchasers including sales in transactions that are deemed to be "at-the-market" distributions, including sales made directly on the TSXV or other existing trading markets for the Securities. If, in connection with the offering of Securities at a fixed price or prices, the underwriters have made a bona fide effort to sell all of the Securities at the initial offering price fixed in the applicable Prospectus Supplement, the public offering price may be decreased and thereafter further changed, from time to time, to an amount not greater than the initial offering price fixed in such Prospectus Supplement, in which case the compensation payable to the underwriters in connection with any such sale will be decreased by the amount that the aggregate price paid for the Securities by the purchasers is less than the gross proceeds paid by the underwriters to the Corporation. The price at which the Securities will be offered and sold may vary from purchaser to purchaser and during the period of distribution.

The sale of Securities may be effected from time to time in one or more transactions at non-fixed prices pursuant to transactions that are deemed to be "at-the-market distributions" as defined in NI 44-102, including sales made directly on the TSXV or other existing trading markets for the Securities. Sales of Securities under an "at-the-market distribution", if any, will be made pursuant to an accompanying Prospectus Supplement. The volume and timing of any "at-the-market distributions" will be determined in the Corporation's sole discretion.

Underwriters, dealers and agents who participate in the distribution of the Securities may be entitled under agreements to be entered into with the Corporation to indemnification by the Corporation against certain liabilities, including liabilities under securities legislation, or to contribution with respect to payments which such underwriters, dealers or agents may be required to make in respect thereof. Such underwriters, dealers and agents may be customers of, engage in transactions with, or perform services for, the Corporation in the ordinary course of business.

Unless otherwise specified in the relevant Prospectus Supplement, in connection with any offering of Securities, other than an "at-the-market distribution", the underwriters, dealers or agents who participate in the distribution of Securities may over-allot or effect transactions intended to maintain, stabilize or otherwise affect the market price of the

Securities offered at levels other than those which might otherwise prevail in the open market. Such transactions, if commenced, may be interrupted or discontinued at any time.

No underwriter, dealer or agent involved in an "at-the-market distribution", no affiliate of such an underwriter, dealer or agent, and no person or company acting jointly or in concert with such an underwriter, dealer or agent, may over-allot Securities in connection with the distribution or may effect any other transactions that are intended to stabilize or maintain the market price of the Securities in connection with an "at-the-market distribution" including selling an aggregate number or principal amount of Securities that would result in the underwriter creating an over-allocation position in the Securities.

Each issue by the Corporation of Debt Securities, Preferred Shares, Subscription Receipts, Warrants and Units will be a new issue of securities with no established trading market. Unless otherwise specified in a Prospectus Supplement relating to an offering of Debt Securities, Preferred Shares, Subscription Receipts, Warrants and Units, such Securities will not be listed on any securities or stock exchange. Any underwriters, dealers or agents to or through whom such Securities are sold may make a market in such Securities, but they will not be obligated to do so and may discontinue any market making at any time without notice. No assurance can be given that a trading market in any such Securities will develop or as to the liquidity of any trading market for such Securities.

The Securities have not been and will not be registered under the U.S. Securities Act or any state securities laws and may not be offered, sold or delivered to, or for the account or benefit of, a person in the "United States" or, as applicable, a "U.S. person" (as such terms are defined in Regulation S under the U.S. Securities Act), except in certain transactions exempt from the registration requirements of the U.S. Securities Act and applicable state laws. Each underwriter or agent for any offering of Securities pursuant to this Prospectus will agree that it will not offer, sell or deliver such securities to, or for the account or benefit of, a person in the United States, or, as applicable, a U.S. person except in certain transactions exempt from the registration requirements of the U.S. Securities Act and in compliance with applicable state securities laws.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

The applicable Prospectus Supplement may describe certain Canadian federal income tax consequences to an investor who is a non-resident of Canada or to an investor who is a resident of Canada of acquiring, owning and disposing of any of our Securities offered thereunder. The applicable Prospectus Supplement may also describe certain U.S. federal income tax consequences of the acquisition, ownership and disposition of any of our Securities offered thereunder by an initial investor who is a U.S. person (within the meaning of the U.S. Internal Revenue Code of 1986), including, to the extent applicable, such consequences relating to debt securities payable in a currency other than the U.S. dollar, issued at an original issue discount for U.S. federal income tax purposes or containing early redemption provisions or other special items. Investors should read the tax discussion in any Prospectus Supplement with respect to a particular offering and consult their own tax advisors with respect to their own particular circumstances.

PRIOR SALES

Information in respect of prior sales of the Common Shares or other Securities distributed under this Prospectus and for securities that are convertible or exchangeable into Common Shares or such other Securities within the previous 12-month period will be provided, as required, in a Prospectus Supplement with respect to the issuance of Common Shares or other Securities pursuant to such Prospectus Supplement.

TRADING PRICE AND VOLUME

Trading price and volume of the Corporation's securities will be provided as required for all of our listed securities, as applicable, in each Prospectus Supplement to this Prospectus.

RISK FACTORS

An investment in the securities of the Corporation is speculative and subject to risks and uncertainties. The occurrence of any one or more of these risks or uncertainties could have a material adverse effect on the value of any investment in the Corporation and the business, prospects, financial position, financial condition or operating results of the Corporation. Additional risks and uncertainties not presently known to the Corporation or that the Corporation currently deems immaterial may also impair the Corporation's business operations.

Prospective purchasers 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 section entitled "Cautionary Statement Regarding Forward-Looking Information". Additionally, purchasers should consider the risk factors set forth below.

The risks and uncertainties described or incorporated by reference in this Prospectus are not the only ones the Corporation may face. Additional risks and uncertainties that the Corporation is unaware of, or that the Corporation currently deems not to be material, may also become important factors that affect the Corporation. If any such risks actually occur, the Corporation's business, financial condition or results of operations could be materially adversely affected, with the result that the trading price of the Common Shares could decline and investors could lose all or part of their investment.

Negative cash flow from operations

During the fiscal year ended December 31, 2019 and the nine-month period ended September 30, 2020, the Corporation had negative cash flow from operating activities. As at December 31, 2020, the Corporation's cash and unaudited net working capital balances (adjusted for amounts which cannot be converted to cash) were approximately \$21,214,000 and \$46,628,000, respectively. Although the Corporation anticipates it will have positive cash flow from operating activities in future periods, to the extent that the Corporation has negative cash flow in any future period, certain of the net proceeds from an offering of Securities may be used to fund such negative cash flow from operating activities. If the Corporation experiences future negative cash flow, the Corporation may also be required to raise additional funds through the issuance of equity or debt securities. There can be no assurance that the Corporation will be able to generate positive cash flow from its operations, that additional capital or other types of financing will be available when needed, or that these financings will be on terms favourable to the Corporation. In addition, the Corporation expects to achieve positive cash flow from operating activities in future periods. However, this is based on certain assumptions and subject to significant risks. See "Risks related to the Corporation's financial condition and sales of its products."

Risks related to the Corporation's financial condition and sales of its products

The Corporation believes that the net proceeds of the 2020 Offering and the 2021 Offering together with the Corporation's unaudited existing and projected working capital are, in the aggregate, expected to be sufficient to fund the operations of the Corporation for the twelve-month period following the date of this Prospectus. There is a risk that working capital requirements over such period will be greater than anticipated, or that revenues may be lower than anticipated.

Working capital requirements over the twelve-month period following the date of this Prospectus may be greater than the Corporation anticipates for a variety of reasons including, but not limited to, the following: cash used in the Corporation's operating activities does not improve over historical results; the Corporation is unable to achieve its quarterly SG&A target; lower than expected collections on sales; the inability of the Corporation to draw upon the receivables purchase facility; non-performance by third party contractors; increases in materials, production or labour costs; labour disputes; or catastrophic events such as fires, storms, physical attacks or public health crises. Many of these factors, including the ongoing impact of the COVID-19 pandemic, are not within the Corporation's control.

The Corporation's revenues over the twelve-month period following the date of this Prospectus may be lower than anticipated. The Corporation anticipates continued sales strength beyond the third quarter of 2020 based upon further production capacity following the completion of the second-floor expansion of its Dosecann facility (which was

partially transitioned during the third quarter of 2020); the introduction of new brands; the release of new product formats; and the Corporation's expansion into new product markets. However, sales (and repeated sales) to its distributors rely on those distributors placing purchase orders with the Corporation. Recreational cannabis consumers must elect to purchase the Corporation's products from the Corporation's distributors, or distributors may not place repeated purchase orders with the Corporation, and favorable reception of the products by a sufficient number of end consumers is not assured. The Corporation's history of sales of its products is short and it is difficult to ascertain if consumers will remain loyal to the Corporation's brands and products.

If over the twelve-month period following the date of this Prospectus the Corporation's working capital requirements are greater than anticipated, or its revenues are lower than anticipated, the Corporation may not have sufficient funding for its operations over such period. In such circumstances, the Corporation may be required to raise additional funds, which may or may not be available on reasonable terms. The Corporation's ability to continue as a going concern is dependent upon its ability to sell its products, or to raise additional capital, and thereby fund its payables, commitments, and the other costs it will incur.

Going concern uncertainty

The Corporation's Interim Financial Statements were prepared on a going concern basis. The application of "going concern" depends upon the Corporation's ability to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. On September 30, 2020, the Corporation had total cash and cash equivalents of \$13.6 million, working capital of \$37.6 million, and negative cash flow from operating activities of \$25.7 million for the nine months ended September 30, 2020. Subsequent to September 30, 2020, the Corporation completed the 2020 Offering on December 15, 2020 for gross proceeds of \$13,800,000, and the 2021 Offering on February 8, 2021 for gross proceeds of \$20,126,150. Whether and when the Corporation can attain profitability and positive cash flows is uncertain. These uncertainties cast significant doubt upon the Corporation's ability to continue as a going concern. Such adjustments could be material. In assessing whether the going concern assumption was appropriate, the Corporation's management took into account all relevant information available about the future, which was at least, but not limited to, the twelve-month period following September 30, 2020. To address its financing requirements, the Corporation will seek financing through debt and equity financings, asset sales, and rights offerings to existing shareholders. The Corporation will also seek to improve its cash flows by prioritizing certain projects with a greater expected return and reducing operating costs by streamlining its operations and support functions. While the Corporation has been successful in obtaining financing to date, and believes it will be able to obtain sufficient funds in the future and ultimately achieve profitability and positive cash flows from operations, the Corporation's ability to raise capital may be adversely impacted by: market conditions that have resulted in a lack of normally available financing in the cannabis industry; the Corporation's ongoing litigation matters; increased competition across the industry; the industry's inability to quickly eliminate Canada's large illicit cannabis market and overall negative investor sentiment in light of the ongoing COVID-19 pandemic. Accordingly, there can be no assurance that the Corporation will achieve profitability, or secure financing on terms favourable to the Corporation or at all. If any of such events were to happen, holders of Securities could lose all or part of their investment. The Corporation's financial statements do not include any adjustments to the Corporation's recorded assets or liabilities that might be necessary if the Corporation becomes unable to continue as a going concern.

A positive return on Securities is not guaranteed

There is no guarantee that the Securities will earn any positive return in the short term or long term. A holding of Securities is speculative and involves a high degree of risk and should be undertaken only by holders whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. A holding of Securities is appropriate only for holders who have the capacity to absorb a loss of some or all of their holdings.

The Corporation has discretion in the use of net proceeds from an offering

The Corporation intends to use the net proceeds raised under this Prospectus to achieve its stated business objectives as set forth under "Use of Proceeds" under this Prospectus and any applicable Prospectus Supplement. The Corporation maintains broad discretion to spend the proceeds in ways that it deems most efficient as well as the timing of expenditures. As a result, investors will be relying on the judgment of management as to the application of the remaining proceeds of an offering. Management may use the remaining proceeds of an offering in ways that an

investor may not consider desirable. The results and effectiveness of the application of the remaining proceeds are uncertain. The application of the proceeds to various items may not necessarily enhance the value of the Common Shares. The failure to apply the net proceeds as set forth under "*Use of Proceeds*", or the failure of the Corporation to achieve its stated business objectives set forth in such section, could adversely affect the Corporation's business, financial condition and/or operating results and, consequently, could adversely affect the price of the Common Shares on the open market.

There is no assurance of a sufficient liquid trading market for the Common Shares in the future

Shareholders of the Corporation may be unable to sell significant quantities of Common Shares into the public trading markets without a significant reduction in the price of their Common Shares, or at all. There can be no assurance that there will be sufficient liquidity of the Corporation's Common Shares on the trading market, and that the Corporation will continue to meet the listing requirements of the TSXV, the OTCQX or the Frankfurt Stock Exchange, or achieve listing on any other public listing exchange.

The market price for the Common Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Corporation's control

The factors which may contribute to market price fluctuations of the Common Shares include the following:

- actual or anticipated fluctuations in the Corporation's quarterly results of operations;
- recommendations by securities research analysts;
- changes in the economic performance or market valuations of companies in the industry in which the Corporation operates;
- departure of the Corporation's executive officers and other key personnel;
- release or expiration of transfer restrictions on outstanding Common Shares;
- sales or perceived sales of additional Common Shares;
- operating and financial performance that vary from the expectations of management, securities analysts and investors;
- regulatory changes affecting the Corporation's industry generally and its business and operations;
- announcements of developments and other material events by the Corporation or its competitors;
- fluctuations to the costs of vital production materials and services;
- changes in global financial markets and global economies and general market conditions, such as interest rates and price volatility;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Corporation or its competitors;
- operating and share price performance of other companies that investors deem comparable to the Corporation or from a lack of market comparable companies; and
- news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in the Corporation's industry or target markets.

The Corporation has not declared and paid dividends in the past and may not declare and pay dividends in the future

Any decision to declare and pay dividends in the future will be made at the discretion of the Corporation's board of directors and will depend on, among other things, financial results, cash requirements, contractual restrictions and other factors that the Corporation's 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 Common Shares for a price greater than that which such investors paid for them.

The Corporation may sell or issue additional Common Shares or other Securities resulting in dilution

The Corporation may sell additional Common Shares or other Securities that are convertible or exchangeable into Common Shares in subsequent offerings or may issue additional Common Shares or other Securities to finance future acquisitions. The Corporation cannot predict the size or nature of future sales or issuances of securities or the effect, if any, that such future sales and issuances will have on the market price of the Common Shares. Sales or issuances of substantial numbers of Common Shares or other Securities that are convertible or exchangeable into Common Shares, or the perception that such sales or issuances could occur, may adversely affect prevailing market prices of the Common Shares. With any additional sale or issuance of Common Shares or other Securities that are convertible or exchangeable into Common Shares, investors will suffer dilution to their voting power and economic interest in the Corporation. Furthermore, to the extent holders of the Corporation's stock options or other convertible securities convert or exercise their securities and sell the Common Shares they receive, the trading price of the Common Shares on the TSXV may decrease due to the additional amount of Common Shares available in the market.

There is currently no market through which the Preferred Shares, Debt Securities, Subscription Receipts, Warrants or Units may be sold

There is currently no market through which our securities, other than our Common Shares, may be sold and, unless otherwise specified in the applicable Prospectus Supplement, our Preferred Shares, Debt Securities, Subscription Receipts, Warrants and Units will not be listed on any securities or stock exchange or any automated dealer quotation system. As a consequence, purchasers may not be able to resell Preferred Shares, Debt Securities, Subscription Receipts, Warrants or Units purchased under this Prospectus. This may affect the pricing of our Securities, other than our Common Shares, in the secondary market, the transparency and availability of trading prices, the liquidity of these securities and the extent of issuer regulation. There can be no assurance that an active trading market for our Securities, other than our Common Shares, will develop or, if developed, that any such market, including for our Common Shares, will be sustained.

The Debt Securities may be unsecured and will rank equally in right of payment with all of our other future unsecured debt

The Debt Securities may be unsecured and will rank equally in right of payment with all of our other existing and future unsecured debt. The Debt Securities may be effectively subordinated to all of our existing and future secured debt to the extent of the assets securing such debt. If we are involved in any bankruptcy, dissolution, liquidation or reorganization, the secured debt holders would, to the extent of the value of the assets securing the secured debt, be paid before the holders of unsecured debt securities, including the debt securities. In that event, a holder of Debt Securities may not be able to recover any principal or interest due to it under the Debt Securities.

In addition, the collateral, if any, and all proceeds therefrom, securing any Debt Securities may be subject to higher priority liens in favor of other lenders and other secured parties which may mean that, at any time that any obligations that are secured by higher ranking liens remain outstanding, actions that may be taken in respect of the collateral (including the ability to commence enforcement proceedings against the collateral and to control the conduct of such proceedings) may be at the direction of the holders of such indebtedness.

The COVID-19 Pandemic

Global or national health concerns, including the outbreak of pandemic or contagious diseases, such as COVID-19 (coronavirus), may adversely affect the Corporation. The Corporation's business, operations and financial condition could be materially adversely affected by the outbreak of epidemics or pandemics or other health crises. In December 2019, COVID-19, a novel strain of coronavirus, was reported to have surfaced in Wuhan, China. On January 30, 2020, the WHO declared the outbreak a global health emergency and on March 11, 2020, the WHO expanded its classification of COVID-19 to a worldwide pandemic following which federal, provincial and municipal governments in Canada began enacting measures to combat the spread of COVID-19.

The Corporation expects to experience some short to medium term negative impacts from the COVID-19 outbreak; however, the extent of such impacts is currently unquantifiable, but may be significant. Such impacts include, with respect to its operations, its suppliers' operations and its customers' operations, forced closures, mandated social distancing, isolation and/or quarantines, impacts of declared states of emergency, public health emergency and similar declarations and could include other increased government regulations, a material reduction in demand for the Corporation's products and services, reduced sales, higher costs for new capital, licensing delays, increased operating expenses, delayed performance of contractual obligations, and potential supply and staff shortages, all of which are expected to negatively impact the business, financial condition and results of operations of the Corporation and thus may impact the ability of the Corporation to comply with financial covenants, and its ability to satisfy its obligations to its lenders and other parties, which may in turn may adversely impact, among other things, the ability the Corporation to access debt or equity capital on acceptable terms or at all.

The risks to the Corporation of such public health crises also include risks to employee health and safety and a slowdown or temporary suspension of operations in the Corporation's facilities. Should an employee or visitor in any of the Corporation's facilities become infected with a serious illness that has the potential to spread rapidly, this could place the Corporation's workforce and operations at risk. The 2020 outbreak of COVID-19 is one example of such an illness.

EXEMPTIVE RELIEF

Pursuant to a decision of the Autorité des marchés financiers dated February 18, 2021, the Corporation was granted a permanent exemption from the requirement to translate into French this Prospectus as well as the documents incorporated by reference herein and any Prospectus Supplement to be filed in relation to an "at-the-market" distribution. This exemption was granted on the condition that this Prospectus and any Prospectus Supplement (other than in relation to an "at-the-market" distribution) be translated into French if the Corporation offers Common Shares to Quebec purchasers in connection with an offering other than in relation to an "at-the-market" distribution.

INTERESTS OF EXPERTS

The 2019 Annual Financial Statements incorporated by reference in this Prospectus have been audited by the Corporation's auditor, Ernst & Young LLP, located at 100 Adelaide Street West, PO Box 1, Toronto, Ontario, M5H 0B3. Ernst & Young LLP has advised the Corporation that it is independent in the context of the CPA Code of Professional Conduct of the Chartered Professional Accountants of Ontario.

The 2018 Annual Financial Statements incorporated by reference in this Prospectus have been audited by the Corporation's former auditor, MNP LLP, located at Suite 300, 111 Richmond Street West, Toronto, Ontario, M5H 2G4, Canada. MNP LLP is independent of the Corporation in accordance with the Rules of Professional Conduct of the Institute of Chartered Professional Accountants of Ontario.

Based on information provided by the relevant persons, and except as otherwise disclosed in this Prospectus, none of the persons or companies referred to above has received or will receive any direct or indirect interests in the Corporation's property or the property of an associated party or an affiliate of the Corporation or have any beneficial ownership, direct or indirect, of the Corporation's securities or of an associated party or an affiliate of the Corporation.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the Corporation are Ernst & Young LLP, located at 100 Adelaide Street West, PO Box 1, Toronto, Ontario, M5H 0B3.

The transfer agent and registrar of the Corporation is Computershare Trust Company of Canada, in its offices in Vancouver, British Columbia

LEGAL MATTERS

Certain legal matters related to our securities offered by this Prospectus will be passed upon on our behalf by Owens Wright LLP, with respect to matters of Canadian law. The partners and associates of Owens Wright LLP as a group beneficially own, directly or indirectly, less than one percent of the outstanding securities of the Corporation.

ENFORCEMENT OF JUDGEMENTS AGAINST FOREIGN PERSONS

Conrad Tate (director) resides outside of Canada and has appointed Owens Wright LLP, Suite 300, 20 Holly Street, Toronto, Ontario, M4S 3B1, as his agent for service of process in Canada. Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person or company that resides outside of Canada, or is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction, even if the party has appointed an agent for service of process.

STATUTORY RIGHT OF RESCISSION

Securities legislation in certain of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may only be exercised within two business days after receipt or deemed receipt of a prospectus or a Prospectus Supplement relating to the securities purchased by a purchaser and any amendments thereto. In several of the provinces and territories, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus or a Prospectus Supplement relating to the securities purchased by a purchaser and any amendments thereto contain 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 or territory. However, purchasers of Securities distributed under an "at-the-market distribution" by the Corporation will not have the right to withdraw from an agreement to purchase Securities and will not have remedies for rescission or, in some jurisdictions, revisions of the price or damages for non-delivery of the prospectus, because this Prospectus, Prospectus Supplements relating to Securities purchased by the purchaser and any amendment relating to Securities purchased by the purchaser will not be delivered in cases where an exemption from such delivery requirement has been obtained or is otherwise available. Any remedies under securities legislation that a purchaser of Securities under an "at-the-market distribution" by the Corporation may have against the Corporation or agents for rescission or, in some jurisdictions, revisions of the price or damages if this Prospectus, Prospectus Supplements relating to Securities purchased by the purchaser and any amendment relating to Securities purchased by the purchaser contain a misrepresentation will remain unaffected by the non-delivery in cases where an exemption from such delivery requirement has been obtained or is otherwise available. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for the particulars of these rights or consult with a legal advisor.

In addition, original purchasers of convertible, exchangeable or exercisable Securities (unless the Securities are reasonably regarded by the Corporation as incidental to the applicable offering as a whole) may be granted a contractual right of rescission against the Corporation in respect of the conversion, exchange or exercise of the convertible, exchangeable or exercisable Security. This contractual right of rescission will, if granted, be consistent with the statutory right of rescission described under section 130 of the *Securities Act* (Ontario) (the "**Securities Act**") and is in addition to any other right or remedy available to original Canadian purchasers under section 130 of the *Securities Act* or otherwise by law.

The contractual right of rescission will, if granted, be further described in any applicable Prospectus Supplement, but will, in general, entitle such original purchasers to receive the amount paid for the applicable convertible, exchangeable or exercisable Security (and any additional amount paid upon conversion, exchange or exercise) upon surrender of the underlying Securities acquired thereby, in the event that this Prospectus, the applicable Prospectus Supplement or any amendments thereto contains a misrepresentation, provided that (i) the conversion, exchange or exercise takes place within 180 days of the date of the purchase of the convertible, exchangeable or exercisable Security under the applicable Prospectus Supplement, and (ii) the right of rescission is exercised within 180 days of the date of the purchase of the convertible, exchangeable or exercisable Security under the applicable Prospectus Supplement.

In an offering of convertible, exchangeable or exercisable Securities, investors are cautioned that the statutory right of action for damages for a misrepresentation contained in a prospectus is, under the securities legislation of certain provinces and territories, limited to the price at which convertible, exchangeable or exercisable Security was offered to the public under the prospectus offering. Accordingly, under the securities legislation of certain provinces and territories, if the purchaser pays additional amounts upon the 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 and/or territories. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for the particulars of this right of action for damages or consult with a legal advisor.

CERTIFICATE OF THE CORPORATION

Dated: March 15, 2021

This short form prospectus and amended and restated short form prospectus, together with the documents incorporated in this prospectus by reference, will, as of the date of the last supplement to this prospectus relating to the securities offered by this prospectus and the supplement(s), constitute full, true and plain disclosure of all material facts relating to the securities offered by this prospectus and the supplement(s) as required by the securities legislation in each of the provinces and territories of Canada.

By: (Signed) *Hugo Alves*
Chief Executive Officer

By: (Signed) *Brian Schmitt*
Chief Financial Officer

On Behalf of the Board of Directors:

By: (Signed) *Troy Grant*
Director

By: (Signed) *Genevieve Young*
Director