

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

The securities offered under this short form prospectus have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**U.S. Securities Act**”), or any state securities laws, and may not be offered or sold to, or for the account or benefit of, persons in the United States of America, its territories and possessions, any state of the United States or the District of Columbia (collectively, the “**United States**”) or “U.S. persons” (as such term is defined in Regulation S under the U.S. Securities Act (“**U.S. Persons**”)) unless exemptions from the registration requirements of the U.S. Securities Act and applicable state securities laws are available. This short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby in the United States or to, or for the account or benefit of, persons in the United States or U.S. Persons. See “Plan of Distribution”.

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the secretary of Choom Holdings Inc. at its registered office located at #208 – 1525 West 8<sup>th</sup> Avenue, Vancouver, BC V6J 1T5, telephone 604 683-2509, and are also available electronically at [www.sedar.com](http://www.sedar.com).

## SHORT FORM PROSPECTUS

NEW ISSUE

June 28, 2021



CHOOM HOLDINGS INC.

**Minimum Offering: \$3,500,000 (43,750,000 Units)**

**Maximum Offering: \$5,000,000 (62,500,000 Units)**

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**\$0.08 per Unit**

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This short form prospectus (the “**Prospectus**”) qualifies the distribution (the “**Offering**”) of a minimum of 43,750,000 (the “**Minimum Offering**”) and a maximum of 62,500,000 (the “**Maximum Offering**”) units (the “**Units**”) of Choom Holdings Inc. (“**Choom**” or the “**Corporation**”) at a price of \$0.08 per Unit (the “**Offering Price**”) for minimum gross proceeds of \$3,500,000 and maximum gross proceeds of \$5,000,000. Each Unit consists of one common share in the capital of the Corporation (a “**Common Share**”) and each Common Share comprising a part of a Unit, a “**Unit Share**”) and one-half of one Common Share purchase warrant (each whole Common Share purchase warrant, a “**Warrant**”). Each Warrant will entitle the holder to acquire, subject to adjustment in certain circumstances, one additional Common Share (a “**Warrant Share**”) at an exercise price of \$0.12 per Warrant Share, subject to adjustment in certain circumstances, for a period of 36 months following the Closing Date (as hereinafter defined). If, at any time, following the Closing Date (as hereinafter defined), the daily volume weighted average trading price of the Common Shares on the Canadian Securities Exchange (the “**CSE**”), or such other stock exchange on which the Common Shares are listed, if the Common Shares are listed on any stock exchange, is greater than \$0.16 for the preceding ten (10) consecutive trading days, the Corporation may, upon providing written notice to the holders of Warrants, accelerate the expiry date of the Warrants to the date that is thirty (30) days following the delivery of such written notice. The Warrants will be governed by a warrant indenture (the “**Warrant Indenture**”) to be dated as of the Closing Date between the Corporation and Computershare Trust Company of Canada (the “**Warrant Agent**”), as warrant agent. See “*Description of Securities Being Distributed*”. The Units will separate on issuance into Unit Shares and Warrants. This Prospectus qualifies the distribution of the Unit Shares and the Warrants comprising the Units, the Compensation Option (as hereinafter defined) and the Corporate Finance Fee Units (as hereinafter defined).

The issued and outstanding Common Shares of the Corporation are traded on the CSE under the symbol “CHOO” and on the OTCQB Venture Market (the “OTCQB”) under the symbol “CHOOF”. On June 25, 2021, the last trading day prior to the date of this Prospectus, the closing price of the Common Shares on the CSE was \$0.075 and on the OTCQB was US\$0.065. The Corporation will apply to list the Unit Shares, the Warrants, the Warrant Shares, the Compensation Unit Warrant Shares (as hereinafter defined) and the Corporate Finance Fee Unit Shares (as hereinafter defined) on the CSE. Listing will be subject to the Corporation fulfilling all of the listing requirements of the CSE. Furthermore, while the Corporation will endeavour to obtain the listing of the Warrants, there can be no assurance that such listing application will be accepted by the CSE and the listing of the Warrants on the CSE is not a condition to closing the Offering. See “*Plan of Distribution*”.

The Units are being offered and sold on a “commercially reasonable efforts” basis pursuant to the terms of an agency agreement (the “**Agency Agreement**”) dated June 28, 2021 between the Corporation, Canaccord Genuity Corp. (the “**Lead Agent**”) and Leede Jones Gable Inc. (together with the Lead Agent, the “**Agents**”). The terms of the Offering were determined by arm’s length negotiations between the Corporation and the Lead Agent based upon several factors, including the prevailing market price of the Common Shares and the policies of the CSE, and may bear no relationship to the price that will prevail in the public marketplace. See “*Plan of Distribution*”.

|                                 | Price to the Public | Agents’ Commission <sup>(1)(2)</sup> | Net Proceeds to Corporation <sup>(2)(3)</sup> |
|---------------------------------|---------------------|--------------------------------------|-----------------------------------------------|
| Per Unit                        | \$0.08              | \$0.0056                             | \$0.0744                                      |
| Minimum Offering <sup>(4)</sup> | \$3,500,000         | \$245,000                            | \$3,255,000                                   |
| Maximum Offering                | \$5,000,000         | \$350,000                            | \$4,650,000                                   |

Notes:

- (1) Pursuant to the terms and conditions of the Agency Agreement, the Agents will receive a cash commission (the “**Agents’ Fee**”) equal to the sum of (i) 7.0% of the gross proceeds raised from the Offering (including any gross proceeds raised on exercise of the Agents’ Option (as hereinafter defined)), other than the gross proceeds, up to \$1,500,000, raised from sales to “president’s list” purchasers (such sales, the “**President’s List Sales**”), being purchasers introduced by the Corporation’s management to the Agents, and (ii) 3.5% of the gross proceeds raised from the President’s List Sales. The Agents’ Fee will be payable in cash and will be paid from the proceeds of the Offering. The above table assumes that no proceeds are raised from President’s List Sales. The Agents will also receive, as additional compensation, non-transferable compensation options (the “**Compensation Options**”) to purchase that number of Units as is equal to 7.0% of the Units sold pursuant to the Offering (including any Agents’ Option Units (as hereinafter defined) sold pursuant to the exercise of the Agents’ Option), but excluding the Units sold pursuant to President’s List Sales. In connection with the President’s List Sales, the Agents will receive Compensation Options to purchase that number of Units that is equal to 3.5% of the Units sold pursuant to the President’s List Sales. Each Compensation Option is exercisable to purchase one Unit (a “**Compensation Unit**”) at the Offering Price for a period of 36 months from the Closing Date. Each Compensation Unit consists of one Common Share (a “**Compensation Unit Share**”) and one-half of one Common Share purchase warrant of the Corporation (each whole warrant, a “**Compensation Unit Warrant**”). Each Compensation Unit Warrant will entitle the holder to acquire one additional Common Share (a “**Compensation Unit Warrant Share**”) at a price of \$0.12 per Compensation Unit Warrant Share for a period of 36 months following the Closing Date, subject to the same acceleration clause as is applicable to the Warrants. The Corporation has also agreed to pay the Lead Agent a corporate finance fee, which shall be satisfied by issuing to the Lead Agent such number of Units (the “**Corporate Finance Fee Units**”) as is equal to 3.0% of the number of Units issued pursuant to the Offering (including any Agents’ Option Units sold pursuant to the exercise of the Agents’ Option). Each Corporate Finance Fee Unit will consist of one Common Share (a “**Corporate Finance Fee Unit Share**”) and one-half of one Common Share purchase warrant of the Corporation (each whole warrant, a “**Corporate Finance Fee Unit Warrant**”). Each Corporate Finance Fee Unit Warrant will entitle the holder to acquire one additional Common Share (a “**Corporate Finance Fee Warrant Share**”) at a price of \$0.12 per Corporate Finance Fee Warrant Share for a period of 36 months following the Closing Date, subject to the same acceleration clause as is applicable to the Warrants. In addition, the Corporation has agreed to reimburse the Agents for certain expenses, including legal fees, incurred pursuant to the Offering, toward which a \$25,000 deposit has been paid. This Prospectus also qualifies the distribution of the Compensation Options, the Corporate Finance Fee Units and the underlying securities. See “*Plan of Distribution*”.
- (2) The Corporation has agreed to grant to the Agents an option (the “**Agents’ Option**”) exercisable, in whole or in part, at the Agents’ sole discretion, to increase the size of the Offering by up to 15% in Units (the “**Agents’ Option Units**”). The Agents’ Option is exercisable, in whole or in part, at any time until the date that is two (2) business days prior to the Closing Date. Unless the context otherwise requires, references to Units herein shall include the Agents’ Option Units. If the Minimum Offering is completed and the Agents exercise the Agents’ Option in full, the total price to the public, Agents’ Fee and net proceeds to the Corporation (before deducting the expenses of the Offering which are estimated to be approximately \$242,000) will be \$4,025,000, \$281,750, and \$3,743,250, respectively. If the Maximum Offering is fully subscribed and the Agents exercise the Agents’ Option in full, the total price to the public, Agents’

Fee and net proceeds to the Corporation (before deducting the expenses of the Offering which are estimated to be approximately \$242,000) will be \$5,750,000, \$402,500 and \$5,347,500, respectively. This Prospectus also qualifies the grant of the Agents' Option and the Agents' Option Units. See "*Plan of Distribution*".

- (3) Before deducting expenses of the Offering, estimated to be approximately \$242,000 which will, together with the Agents' Fee, be paid by the Corporation from the gross proceeds of the Offering. See "*Use of Proceeds*".
- (4) Pursuant to the terms of the Agency Agreement, all subscription funds received by the Agents from subscribers will be retained in trust by the Agents until the Minimum Offering is achieved. Once the Minimum Offering has been achieved the sale of the Units shall be completed in accordance with the Agency Agreement.

The following table sets out the aggregate number of Units that may be issued by the Corporation to the Agents pursuant to the exercise of the Agents' Option (assuming the Maximum Offering is fully subscribed and the Agents' Option is exercised in full):

| <u>Agents' Position</u>                    | <u>Number of Securities Available</u> <sup>(1)</sup>                                                             | <u>Exercise Period</u>                                                                             | <u>Exercise Price</u>                         |
|--------------------------------------------|------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------|-----------------------------------------------|
| Compensation Options <sup>(2)(3)</sup>     | Up to 4,375,000 Compensation Units                                                                               | Exercisable for a period of thirty-six (36) months following the first Closing Date                | \$0.08 per Compensation Unit                  |
| Corporate Finance Fee Units <sup>(4)</sup> | Up to 1,875,000 Corporate Finance Fee Unit Shares and 937,500 Corporate Finance Fee Unit Warrants <sup>(5)</sup> | Exercisable for a period of thirty-six (36) months following the first Closing Date <sup>(6)</sup> | \$0.12 per Corporate Finance Fee Unit Warrant |

Notes:

- (1) This Prospectus also qualifies the distribution of the Agents' Option and the Agents' Option Units. See "*Plan of Distribution*".
- (2) This Prospectus also qualifies the distribution of the Compensation Options. See "*Plan of Distribution*".
- (3) Each Compensation Option is exercisable to acquire one Compensation Unit at the Offering Price for a period of 36 months following the Closing Date. See "*Plan of Distribution*".
- (4) This Prospectus also qualifies the distribution of the Corporate Finance Fee Units. See "*Plan of Distribution*".
- (5) Corporate Finance Fee Unit Shares will be issued on the closing of the Offering.
- (6) The exercise period for Corporate Finance Fee Units is subject to acceleration as set out in the Warrant Indenture.

Unless the context otherwise requires, when used in this Prospectus, all references to "Units" includes the Agents' Option Units issuable upon exercise of the Agents' Option and the Corporate Finance Fee Units and all references to "Unit Shares", "Warrants" and "Warrant Shares" assumes the exercise of the Agents' Option and includes all securities issuable thereunder.

**This Offering is not underwritten or guaranteed by any person.** The Agents, on behalf of the Corporation, conditionally offer the Units on a "commercially reasonable efforts" agency basis pursuant to the securities legislation of the Provinces of British Columbia, Alberta, Saskatchewan, Ontario and New Brunswick, subject to prior sale, if, as and when issued by the Corporation and accepted by the Agents in accordance with the terms and conditions contained in the Agency Agreement and subject to the approval of certain legal matters on the Corporation's behalf by its counsel, Pushor Mitchell LLP, and on behalf of the Agents by their counsel, Borden Ladner Gervais LLP. The Agents have agreed to act, and the Corporation has appointed the Agents as agent to the Corporation to offer the Units for sale. The Agents shall be permitted to appoint a soliciting dealer group of other registered dealers for the purpose of arranging for purchases of Units under the Offering. In connection with this Offering, the Agents may over-allot or effect transactions that stabilize or maintain the price of the Common Shares at levels other than those which otherwise might prevail on the open market. **Such transactions, if commenced, may be discontinued by the Agents at any time.** See "*Plan of Distribution*".

Subscriptions for Units will be received subject to rejection or allotment, in whole or in part, and the right is reserved to close the subscription books at any time without notice. The closing of the Offering may occur in one or more tranches on one or more closing dates (each, a "**Closing Date**") as the Corporation and the Agents may agree. Provided that the Minimum Offering is met, the Closing Date is expected to take place on or about July 6, 2021 or such other date as may be agreed upon by the Corporation and the Agents, but in any event no Closing Date shall be later than

ninety (90) days following the date of issuance of a receipt for the (final) short form prospectus by the applicable securities commissions without the prior written consent of the Lead Agent on behalf of the Agents. See “*Plan of Distribution*”.

It is anticipated that the Units will be delivered under the book-based system through CDS Clearing and Depository Services Inc. (“CDS”) or its nominee and deposited in electronic form, or will otherwise be delivered to the Agents, registered as directed by the Agents, on the Closing Date. Except in limited circumstances, a purchaser of Units will receive only a customer confirmation from the registered dealer from or through which the Units are purchased and who is a CDS depository service participant. CDS will record the CDS participants who hold the Units on behalf of owners who have purchased the Units in accordance with the book-based system. No definitive certificates will be issued unless specifically requested or required. See “*Plan of Distribution*”.

**There is currently no market through which the Warrants comprising part of the Units may be sold and purchasers may not be able to resell the Warrants that are purchased under this Prospectus. The Corporation will apply to the CSE to list the Warrants; however, any such listing will be subject to the Corporation fulfilling all the listing requirements of the CSE. There can be no guarantee that the Warrants will ultimately be listed on the CSE or any other stock exchange. This may affect the pricing of the Warrants in the secondary market, the transparency and availability of trading prices, the liquidity of the Warrants and the extent of issuer regulation. See “*Risk Factors*”.**

**This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy any Units offered by this Prospectus in any jurisdiction in which such an offer or a solicitation is unlawful.**

**An investment in the Units is speculative and involves a high degree of risk that should be considered by potential purchasers. An investment in the Units is suitable only for those purchasers who are willing to risk a loss of some or all of their investment and who can afford to lose some or all of their investment. The risk factors included and incorporated by reference into this Prospectus should be reviewed carefully and evaluated by prospective purchasers of the securities offered hereunder. See “*Risk Factors*” and “*Cautionary Note Regarding Forward-Looking Statements*”.**

**Prospective purchasers are advised to consult their own tax advisors regarding the application of Canadian federal income tax laws to their particular circumstances, as well as any other provincial, foreign and other tax consequences of acquiring, holding or disposing of Unit Shares and Warrants. Prospective investors should be aware that the acquisition of the Units may have tax consequences in Canada. Such tax consequences for investors may not be described fully herein. See: “*Certain Canadian Federal Income Tax Considerations*”.**

**The Corporation does not have, and until federally legal does not intend to engage in, any direct, indirect or ancillary involvement in United States “marijuana-related activities” as defined and described in Staff Notice 51-352 (Revised) *Issuers with U.S. Marijuana-Related Activities* of the Canadian Securities Administrators.**

Kevin Puil, a director of the Corporation, resides outside of Canada and has appointed the following agent for service of process:

| Name of Agent       | Address of Agent                                                      |
|---------------------|-----------------------------------------------------------------------|
| Pushor Mitchell LLP | 301 – 1665 Ellis Street, Kelowna British Columbia,<br>Canada, V1Y 2B3 |

Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person or company that is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or resides outside of Canada, even if the party has appointed an agent for service of process.

The head and registered office of the Corporation is located at #208 – 1525 West 8<sup>th</sup> Avenue, Vancouver, British Columbia V6J 1T5.

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## ABOUT THIS PROSPECTUS

In this Prospectus, unless the context otherwise requires, references to “Choom”, the “Corporation”, “we”, “us”, “it”, “its”, “our” or similar terms refer to Choom Holdings Inc. and includes its subsidiary entities.

References to “management” in this Prospectus means the persons acting in the capacity of the Corporation’s Chief Executive Officer, the Corporation’s Chief Financial Officer, and the other persons who are the Corporation’s executive officers. Any statements in this Prospectus made by or on behalf of management are made in such persons’ capacities as officers of the Corporation and not in their personal capacities.

The financial information of the Corporation contained in this Prospectus and in the documents incorporated by reference herein are presented in Canadian dollars. All references in this Prospectus to “dollars”, “\$” refer to Canadian dollars.

This Prospectus and the documents incorporated herein by reference contain names, product names, trade names, trademarks and service marks of the Corporation. The Corporation owns or has rights to trademarks, service marks or trade names that it uses in connection with the operation of its business. In addition, the Corporation’s name and logo are its service marks or trademarks. The other trademarks, trade names and service marks appearing in this Prospectus are the property of their respective owners. Solely for convenience, the trademarks, service marks, tradenames and copyrights referred to in this Prospectus are listed without the ©, ® and ™ symbols, but the Corporation will assert, to the fullest extent under applicable law, its rights or the rights of the applicable licensors to these trademarks, service marks and tradenames.

Unless otherwise indicated, market data and certain industry data and forecasts included in this Prospectus and the documents incorporated by reference herein concerning the industry of the Corporation and the markets in which it operates or seeks to operate were obtained from internal Corporation surveys, market research, publicly available information, reports of governmental agencies and industry publications and surveys. Choom has relied upon industry publications as its primary sources for third-party industry data and forecasts. Industry surveys, publications and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. Choom has not independently verified any of the data from third-party sources, nor has Choom ascertained the underlying economic assumptions relied upon therein. Similarly, industry forecasts and market research, which Choom believes to be reliable based upon management’s knowledge of the industry, have not been independently verified. By their nature, forecasts are particularly subject to change or inaccuracies, especially over long periods of time. In addition, Choom does not know what assumptions regarding general economic growth were used in preparing the forecasts cited in this Prospectus or in the documents incorporated by reference herein. While Choom is not aware of any misstatements regarding the industry data presented herein, Choom’s estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed under “*Cautionary Note Regarding Forward-Looking Statements*” and “*Risk Factors*” in this Prospectus. While Choom believes its internal business research is reliable and market definitions are appropriate, neither such research nor definitions have been verified by any independent source. This Prospectus may only be used for the purpose for which it has been published.

All financial information contained in this Prospectus and the documents incorporated by reference is presented in accordance with International Financial Reporting Standards, or IFRS, as issued by the International Accounting Standards Board, or IASB.

## CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This Prospectus and the documents incorporated by reference herein may contain “forward-looking information” and “forward-looking statements” within the meaning of applicable Canadian securities legislation (“**forward-looking statements**”). These forward-looking statements are made as of the date of this Prospectus and the Corporation does not intend and does not assume any obligation to update these forward-looking statements, except as required under applicable securities legislation. Forward-looking statements relate to future events or future performance and reflect Corporation management’s expectations or beliefs regarding future events. In certain cases, forward-looking statements can be identified by the use of words such as “plans”, “expects” or “does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates”, or “does not anticipate”, or “believes”, or

variations of such words and phrases or statements that certain actions, events or results “may”, “could”, “would”, “might” or “will be taken”, “occur” or “be achieved” or the negative of these terms or comparable terminology. In this document, certain forward-looking statements are identified by words including “may”, “future”, “expected”, “intends”, and “estimates”. By their very nature, forward-looking statements involve known and unknown risks, assumptions, uncertainties and other factors which may cause the actual results, performance or achievements of the Corporation to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. The Corporation provides no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. Certain forward-looking statements in this Prospectus and the documents incorporated by reference include, but are not limited to the following:

- the completion of the Offering and the Debt Restructuring (as hereinafter defined) and the timing thereof;
- the use of net proceeds from the Offering;
- obtaining all of the required stock exchange and other approvals in connection with the Offering and the Debt Restructuring;
- the future outlook of the Corporation;
- the ability to establish and market the Corporation’s brands within its targeted markets;
- the duration and effects of the COVID-19 pandemic and any other pandemics on the Corporation’s workforce, business, operations and financial condition;
- COVID-19 and its potential effects on the Corporation’s third-party suppliers, service providers, and distributors;
- the Corporation’s retail strategies and objectives, both generally and in respect of its existing business and planned business operations;
- the competitive conditions of the retail cannabis industry;
- the expected growth of retail cannabis sales by the Corporation in the recreation market;
- the conditions in the financial markets generally, and with respect to the prospects for Canadian retail cannabis companies specifically;
- the expected demand for the Corporation’s services and products;
- whether the Corporation will have sufficient working capital and its ability to raise additional funding required in order to develop its retail business strategy and continue operations;
- future legislative and regulatory development involving recreational cannabis;
- the acquisition strategy of the Corporation;
- capital costs for the acquisition, construction and development of the Corporation’s current and proposed retail opportunities;
- the Corporation’s future liquidity and financial capacity including its ability to satisfy financial obligations in future periods;
- the Corporation’s treatment under government regulatory and taxation regimes; and

- the grant and the impact of any license or supplemental license to conduct activities with cannabis or any amendments thereto.

The above and other aspects of the Corporation's anticipated future operations are forward-looking in nature and, as a result, are subject to certain risks and uncertainties. Although the Corporation believes that the expectations reflected in these forward-looking statements are reasonable, undue reliance should not be placed on them as actual results may differ materially from the forward-looking statements. Such forward-looking statements are estimated reflecting the Corporation's best judgment based upon current information and involve a number of risks and uncertainties, and there can be no assurance that other factors will not affect the accuracy of such forward-looking statements. Such factors include but are not limited to the Corporation's ability to become a retail cannabis licensee in the jurisdictions it has made applications in, the Corporation's ability to obtain the necessary financing and the general impact of financial market conditions, the success of the Corporation's current and future development efforts, changes in prices of required commodities, competition, government regulations and other risk factors. Such risk factors are discussed in more detail under the heading "*Risk Factors*" in this Prospectus and in the documents incorporated by reference herein, including, without limitation, the risk factors set forth under the heading "Risk Factors" in the AIF and in the MD&A which are filed and available for review under the Corporation's profile on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") at [www.sedar.com](http://www.sedar.com).

Although the Corporation has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information.

**Readers are cautioned that the foregoing list of factors is not exhaustive. The forward-looking information contained in this Prospectus and in the documents incorporated by reference herein are expressly qualified by this cautionary statement.** These forward-looking information are made as of the date such statements are made. Except as may be required by applicable securities laws, the Corporation assumes no obligation to publicly update or revise any forward-looking information after the date of this Prospectus or to reflect the occurrence of unanticipated events, whether as a result of new information, future events or results, or otherwise. Readers should read this entire Prospectus and carefully consider the matters discussed under the heading "*Risk Factors*" in this Prospectus and in the documents incorporated by reference herein.

## **DOCUMENTS INCORPORATED BY REFERENCE**

**Information has been incorporated by reference in this Prospectus from documents filed with securities commissions or similar authorities in Canada.** Copies of the documents incorporated herein by reference may be obtained on request without charge from the secretary of the Corporation at its registered office located at #208 – 1525 West 8<sup>th</sup> Avenue, Vancouver, British Columbia V6J 1T5, telephone (604) 683-2509. These documents are also available under the Corporation's profile on SEDAR, which can be accessed online at [www.sedar.com](http://www.sedar.com).

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

- (a) the annual information form of the Corporation dated April 7, 2021 for the financial year ended June 30, 2020 (the "**AIF**");
- (b) the audited consolidated financial statements of the Corporation as at and for the financial years ended June 30, 2020 and 2019, together with the notes thereto and the report of the auditors thereon;
- (c) the management's discussion and analysis of the Corporation for the financial years ended June 30, 2020 and 2019 (the "**Annual MD&A**");
- (d) the unaudited condensed consolidated interim financial statements of the Corporation for the three and nine months ended March 31, 2021 and 2020;



- (e) the interim management's discussion and analysis of the Corporation for the three and nine months ended March 31, 2021 and 2020 (together with the Annual MD&A, the "**MD&A**");
- (f) the management information circular of the Corporation dated April 6, 2021 for the annual meeting of shareholders to be held on May 20, 2021;
- (g) the material change report of the Corporation dated May 25, 2021 in respect of the Corporation's debt restructuring;
- (h) the material change report of the Corporation dated February 11, 2021 in respect of the completion of a private placement offering of units by the Corporation;
- (i) the material change report of the Corporation dated February 9, 2021 in respect of the appointment of Dylan Murray as Chief Financial Officer of the Corporation;
- (j) the material change report of the Corporation dated September 16, 2020 in respect of the completion by the Corporation of the acquisition of Phivida Holdings Inc. ("**Phivida**");
- (k) the material change report of the Corporation dated July 24, 2020 in respect of the bridge financing received from Phivida;
- (l) the investor presentation of the Corporation dated May 25, 2021 (the "**Initial Marketing Materials**"); and
- (m) the investor presentation of the Corporation dated June 4, 2021 (the "**Amended and Restated Marketing Materials**" and together with the Initial Marketing Materials, the "**Marketing Materials**").

A reference herein to this Prospectus also means any and all documents incorporated by reference in this Prospectus. Any document of the type referred to above (excluding confidential material change reports), any business acquisition reports, the content of any news release disclosing financial information for a period more recent than the period for which financial statements are required and certain other disclosure documents as set forth in Item 11.1 of Form 44-101F1 of National Instrument 44-101 – *Short Form Prospectus Distributions* of the Canadian Securities Administrators filed by the Corporation with the securities commissions or similar regulatory authorities in Canada after the date of this Prospectus and prior to the termination of the Offering shall be deemed to be incorporated by reference in this Prospectus.

**Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded, for the purposes of this Prospectus, to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. 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 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 was made.**

## **MARKETING MATERIALS**

Any "template version" of any "marketing materials" (as defined in National Instrument 41-101 - *General Prospectus Requirements*) that are used by the Agents in connection with the Offering are not part of this Prospectus to the extent that the contents of any template version of the marketing materials have been modified or superseded by a statement contained in this Prospectus. Any template version of any other marketing materials filed under the Corporation's

profile on SEDAR at [www.sedar.com](http://www.sedar.com) after the date of this Prospectus but before the termination of the distribution under the Offering (including any amendments to, or an amended version of, the Marketing Materials) is deemed to be incorporated by reference in this Prospectus.

## ELIGIBILITY FOR INVESTMENT

In the opinion of Ryan Shewchuk Professional Corporation, special tax counsel to the Corporation, and Borden Ladner Gervais LLP, counsel to the Agents, based on the provisions of the *Income Tax Act* (Canada) and the regulations thereunder (the “**Tax Act**”) in force as of the date hereof, the Unit Shares, Warrants and Warrant Shares, if issued on the date hereof, would be “qualified investments” under the Tax Act for a trust governed by registered retirement savings plans (“**RRSP**”), registered retirement income fund (“**RRIF**”), registered disability savings plan (“**RDSP**”), deferred profit sharing plan, registered education savings plan (“**RESP**”) and tax-free savings account (“**TFSA**”) each as defined in the Tax Act (each, a “**Plan**”), provided that at such time:

- i. In the case of the Unit Shares and Warrant Shares, the Common Shares are listed on a “designated stock exchange” as defined in the Tax Act (which currently includes the CSE) or the Corporation is otherwise a “public corporation” as defined in the Tax Act; and
- ii. In the case of the Warrants, (a) the Warrants are listed on a “designated stock exchange” as defined in the Tax Act (which currently includes the CSE); or (b) the Warrant Shares are a qualified investment as described in (i) above and neither the Corporation, nor any person with whom the Corporation does not deal at arm’s length, is an annuitant, a beneficiary, an employer or a subscriber under or a holder of such Plan (as defined in the Tax Act).

Notwithstanding that the Unit Shares, Warrants and Warrant Shares may be qualified investments for a TFSA, RDSP, RRSP, RRIF or RESP, the holder of a TFSA or RDSP, the annuitant of a RRSP or RRIF or the subscriber of a RESP, as the case may be, will be subject to a penalty tax in respect of the Unit Shares, Warrants and Warrant Shares if such securities are a “prohibited investment” for the particular Plan for purposes of the Tax Act. Unit Shares, Warrants and Warrant Shares will generally not be a prohibited investment for a particular TFSA, RDSP, RRSP, RRIF or RESP if the holder of the TFSA or RDSP, the annuitant of the RRSP or RRIF or the subscriber of the RESP, as the case may be, (i) does not have a “significant interest” (as defined for purposes of the prohibited investment rules in the Tax Act) in the Corporation, and (ii) deals at arm’s length with the Corporation for purposes of the Tax Act. Generally, a holder, annuitant or subscriber, as the case may be, will not have a significant interest in the Corporation provided the holder, annuitant or subscriber, together with persons or partnerships with whom the holder, annuitant or subscriber does not deal at arm’s length, does not own (and is not deemed to own pursuant to the Tax Act), directly or indirectly, 10% or more of the issued shares of any class of the capital stock of the Corporation or of any other corporation that is related to the Corporation (for purposes of the Tax Act). In addition, the Unit Shares and Warrant Shares will not be “prohibited investments” if such securities are “excluded property” (as defined in the Tax Act) for a Plan.

**Prospective purchasers who intend to hold Unit Shares, Warrant Shares or Warrants in Plans should consult their own tax advisors in regard to the application of these rules under the Tax Act in their particular circumstances.**

## SUMMARY DESCRIPTION OF THE BUSINESS

*The following description of the Corporation is derived from selected information about the Corporation contained in the documents incorporated by reference in this Prospectus and does not contain all of the information about the Corporation and its business that should be considered in full before investing in the Units. This Prospectus and the documents incorporated by reference herein should be reviewed and considered by prospective purchasers in full in connection with their investment in the Units.*

### Overview

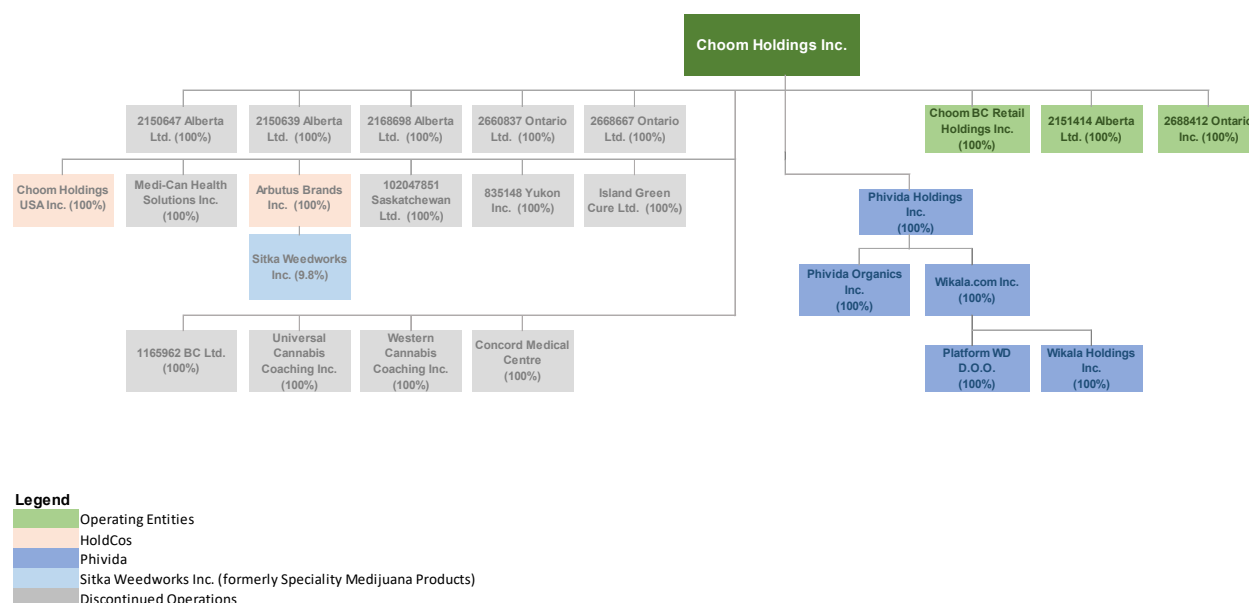
The Corporation was incorporated on September 18, 2006 under the *Business Corporations Act* (British Columbia) as “Orocan Resource Corp.” On February 3, 2012, the Corporation changed its name to “Standard Graphite Corporation” and on November 17, 2017, it changed its name to “Choom Holdings Inc.”

Choom is a reporting issuer in the Provinces of British Columbia, Alberta, Saskatchewan, Ontario and New Brunswick and Choom's Common Shares trade on the CSE under the symbol "CHOO" and on the OTCQB, operated by the OTC Markets Group Inc., under the symbol "CHOOF".

Choom's corporate office and principal place of business is located at #208 – 1525 West 8th Avenue Vancouver, British Columbia V6J 1T5. The Corporation's website address is [www.choom.ca](http://www.choom.ca). The Corporation does not incorporate the information on or accessible through its website into this Prospectus, and investors should not consider any information on, or that can be accessed through, its website as part of this Prospectus.

## Corporate Structure of Choom

The following diagram illustrates the Corporation's corporate structure as of the date hereof:



## Description of the Business

The Corporation's business strategy is to build one of Canada's premier retail cannabis chains, with locations across Canada in the provinces that allow for private retailers. The Corporation is operating and constructing retail locations to sell cannabis and cannabis related products under its recreational brand Choom with the following key strategies:

- **Finance:** Maximizing profitable sales through responsible new store growth and optimization of the existing business
- **Brand:** Propelling the Choom story and unifying the in-store and online experience
- **Culture:** Enabling and rewarding a culture of high performance
- **Operations:** Investing and building retail infrastructure

The Corporation is operating and constructing retail locations to sell cannabis and cannabis related products under its recreational brand Choom in select provinces. At the date of this Offering, Choom had the following open store locations across Canada:

| Province         | Licences  | Stores in Operation | Licences Pending |
|------------------|-----------|---------------------|------------------|
| Alberta          | 15        | 12                  | 0                |
| British Columbia | 2         | 2                   | 2                |
| Ontario          | 1         | 1                   | 3                |
| <b>Total</b>     | <b>18</b> | <b>15</b>           | <b>5</b>         |

Choom, through its wholly-owned subsidiaries 2151414 Alberta Ltd., Choom BC Retail Holdings Inc. and 2688412 Ontario Inc. is authorized to purchase, store and sell cannabis and cannabis accessories and other goods in accordance with the terms and conditions of its cannabis retail store licenses in Alberta, British Columbia and Ontario, respectively.

## RECENT DEVELOPMENTS

### Phivida Transaction

On June 2, 2020, the Corporation and Phivida entered into a definitive arrangement agreement (the “**Arrangement Agreement**”) pursuant to which the parties agreed that the Corporation would acquire all of the issued and outstanding common shares of Phivida in exchange for Common Shares in an arm’s length all-share transaction (the “**Phivida Transaction**”). On September 16, 2020, the Corporation completed the Phivida Transaction in accordance with the terms and conditions of the Arrangement Agreement. On March 23, 2021, the Corporation launched its new proprietary ecommerce platform using the digital assets acquired through the Phivida Transaction. Key attributes of the fully customized ecommerce site include full mobile optimization, increased speed, search engine optimization, SMS notifications and in-store fulfilment, including delivery and pickup options. Additional information concerning the Phivida Transaction is included in the Corporation’s public disclosure documents, including in the AIF and MD&A, which can be accessed on the Corporation’s SEDAR profile at [www.sedar.com](http://www.sedar.com).

### Aurora Convertible Debentures

On November 2, 2018, the Corporation completed a non-brokered private placement of a 6.5% convertible debenture (the “**Aurora Debenture**”) in the aggregate principal amount of \$20,000,000 to Aurora Cannabis Inc. (“**Aurora**”). The Aurora Debenture was convertible into Common Shares at a conversion price of \$1.25 per share and had a maturity date of November 2, 2022.

On June 24, 2020, the Corporation and Aurora amended and restated the Aurora Debenture (the “**Amended and Restated Aurora Debenture**”) to, among other things, (i) grant to Aurora a second ranking security interest over all of the Corporation’s present and after-acquired property; and (ii) reduce the conversion price of the debentures to \$0.65 per share.

On May 25, 2021, the Corporation entered into a series of agreements with Aurora (collectively the “**Aurora Debt Restructuring Agreements**”) contemplating the restructuring of the indebtedness represented by the Amended and Restated Aurora Debenture. The Aurora Debt Restructuring Agreements provide that immediately following the completion of the Offering, and provided that certain conditions precedent have been satisfied or waived, the Amended and Restated Debenture will be satisfied by:

- i. Aurora converting into Common Shares such portion of the indebtedness represented by the Amended and Restated Aurora Debenture as will result in Aurora holding 19.9% of the Corporation’s issued and outstanding Common Shares on a post-Offering basis (the “**Aurora Debt Conversion**”).

Assuming that the Minimum Offering is completed, and assuming the Agents do not exercise the Agents’ Option and there are no President’s List Sales, it is expected that approximately 79,428,767 Common Shares would be issued to Aurora as a result of the Aurora Debt Conversion. Assuming the Maximum Offering is fully subscribed and assuming the Agents do not exercise the Agents’ Option and there are no President’s List Sales, it is expected that approximately 84,087,004 Common Shares would be issued to Aurora as a

result of the Aurora Debt Conversion. Assuming the Maximum Offering is fully subscribed and assuming the Agents exercise the Agents' Option in full and there are no President's List Sales, it is expected that approximately 86,416,122 Common Shares would be issued to Aurora as a result of the Aurora Debt Conversion.

- ii. the Corporation issuing to Aurora a new secured convertible debenture (the "**2021 Aurora Debenture**") having the following key terms:
  - the aggregate principal amount of the 2021 Aurora Debenture will be CDN\$6,000,000;
  - the 2021 Aurora Debenture will bear interest at a rate of 7.0% per annum, payable on maturity;
  - the 2021 Aurora Debenture will be secured by a second ranking security interest in all of the Corporation's present and after-acquired assets;
  - the maturity date of the 2021 Aurora Debenture will be December 23, 2024; and
  - the 2021 Aurora Debenture will be convertible into Common Shares of the Corporation at a conversion price of \$0.10; provided, however, that conversion of the 2021 Aurora Debenture would be prohibited to the extent that such conversion would restrict the Corporation's eligibility to acquire or hold, through an application or otherwise, a retail operator licence, or similar licence, as a result of the ownership of the Corporation's securities by licenced producers (as such term is defined in the *Cannabis Act* (Canada)) being above the prescribed limit in any law, by-law, rule, regulation, order or act of any governmental authority; and
- iii. the Corporation paying to Aurora a perpetual debt restructuring fee equal to 1.25% of all revenue (net of taxes) received by the Corporation from the sale of products at the Corporation's (including its affiliates) retail cannabis locations (the "**Restructuring Fee**"), such percentage to be increased to a maximum of 5.0% should the Corporation and Aurora fail to enter into a Services Agreement (as hereinafter defined) within ninety (90) days from the Closing Date; provided, however, that the Corporation will have the option, exercisable at any time after the fifth (5<sup>th</sup>) anniversary of the Closing Date, to terminate the obligation to pay the Restructuring Fee upon paying Aurora a cash amount equal to six (6) times the preceding twelve-month Restructuring Fee.

The Corporation and Aurora have agreed to amend and restate the investor rights agreement originally entered into between the parties on November 2, 2018 effective the Closing Date (the "**Amended and Restated Investor Rights Agreement**"). Pursuant to the Amended and Restated Investor Rights Agreement, provided Aurora holds 10.0% or more of the Common Shares, it will have the ability to designate two (2) nominees to serve as directors of the Corporation. If Aurora holds between 5.0% and 10.0% of the Common Shares, it will have the ability to designate one (1) nominee to serve as a director of the Corporation. The Amended and Restated Investor Rights Agreement also provides that for so long as Aurora owns at least 5.0% of the issued and outstanding Common Shares, it shall have a right to participate in future of securities offerings undertaken by the Corporation in order to maintain its pro-rata ownership of the Corporation.

Choom and Aurora have also agreed to enter into a services agreement pursuant to which Choom would operate retail cannabis stores on behalf of Aurora (the "**Services Agreement**"). It is anticipated that the Services Agreement will be negotiated and entered into within ninety (90) days of the Closing Date.

### **December 2019 Financing**

On December 23, 2019, the Corporation completed a non-brokered private placement of debenture units (the "**December 2019 Debentures**") at \$250,000 per unit for gross proceeds of \$4,100,000. Each December 2019 Debenture will mature on December 23, 2021, subject to the rights of a holder to extend the term up to a further 12 months. Such December 2019 Debentures are convertible into Common Shares at a price of \$0.15 per share. Under this private placement, the Corporation also issued 1,666,666 Common Share purchase warrants (the "**December 2019**

**Warrants**”), each entitling the holder to acquire one Common Share at a price of \$0.20 per share until December 23, 2023.

On May 13, 2021, the Corporation and the holders of the December 2019 Debenture Units entered into an amending agreement (the “**Amending Agreement**”), amending the terms of the December 2019 Debentures to provide that, among other things, the maturity date of the December 2019 Debentures be extended to December 23, 2024. In addition, the Corporation has agreed, subject to receipt of CSE approval, to extend the expiry date of the December 2019 Warrants to December 23, 2024. The extension of the maturity date of the December 2019 Debentures and the extension of the expiry date of the December 2019 Warrants is contingent upon the transactions contemplated by the Aurora Debt Restructuring Agreements being completed.

### Restructuring Summary

Upon completion of the Offering, the Aurora Debenture and December 2019 Debentures will be revised based on the terms discussed above (collectively the “**Debt Restructuring**”). The table below summarizes the changes to the Corporation’s working capital at March 31, 2021 had the Offering and Debt Restructuring been facilitated during the quarter:

| Description                                             | As at March 31, 2021 (unaudited) | As at March 31, 2021 after giving effect to the Minimum Offering and Debt Restructuring <sup>(4)</sup> | As at March 31, 2021 after giving effect to the Maximum Offering and Debt Restructuring <sup>(4)</sup> | As at March 31, 2021 after giving effect to the Maximum Offering, assuming the Agents’ Option is exercised in full, and Debt Restructuring <sup>(5)</sup> |
|---------------------------------------------------------|----------------------------------|--------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------|
| Cash and Cash Equivalents                               | \$ 375,456                       | \$3,388,456                                                                                            | \$ 4,783,456                                                                                           | \$5,480,956                                                                                                                                               |
| Other Current Assets                                    | \$2,561,672                      | \$2,561,672                                                                                            | \$2,561,672                                                                                            | \$2,561,672                                                                                                                                               |
| <b>Total Current Assets</b>                             | \$2,937,128                      | \$5,950,128                                                                                            | \$7,345,128                                                                                            | \$8,042,628                                                                                                                                               |
| Trade and Other Payables <sup>(1)</sup>                 | \$4,520,721                      | \$2,738,866                                                                                            | \$2,738,866                                                                                            | \$2,738,866                                                                                                                                               |
| Current Portion of Convertible Debenture <sup>(2)</sup> | \$4,100,000                      | Nil                                                                                                    | Nil                                                                                                    | Nil                                                                                                                                                       |
| Other Current Liabilities                               | \$2,433,782                      | \$2,433,782                                                                                            | \$2,433,782                                                                                            | \$2,433,782                                                                                                                                               |
| <b>Total Current Liabilities</b>                        | \$11,054,503                     | \$5,172,648                                                                                            | \$5,172,648                                                                                            | \$5,172,648                                                                                                                                               |
| <b>Current Ratio<sup>(3)</sup></b>                      | 0.27                             | 1.15                                                                                                   | 1.42                                                                                                   | 1.55                                                                                                                                                      |

**Notes:**

(1) As at March 31, 2021, there was \$1,781,855 in outstanding interest owed to Aurora. This outstanding interest will be converted into Common Shares in connection with the Debt Restructuring.

(2) Principal amount of current portion of the convertible debentures. The maturity date of the December 2019 Debentures will be extended from December 23, 2021 to December 23, 2024.

(3) Calculated as Total Current Assets Divided by Total Current Liabilities.

(4) Assumes the Agents have not exercised the Agents' Option and no proceeds are raised from President's List Sales. Net of Agents' Fee and expenses of the Offering. See "Use of Proceeds".

(5) Assumes no proceeds are raised from President's List Sales. Net of Agents' Fee and expenses of the Offering. See "Use of Proceeds".

The following table is a summary of the Corporation's Convertible Debentures subsequent to the Restructuring:

|                          | <b>Principle</b> | <b>Interest Rate</b> | <b>Interest Due Date</b> | <b>Maturity Date</b> |
|--------------------------|------------------|----------------------|--------------------------|----------------------|
| December 2019 Debentures | \$4,100,000      | 10.0%                | Biannually               | December 23, 2024    |
| 2021 Aurora Debenture    | \$6,000,000      | 7.0%                 | December 23, 2024        | December 23, 2024    |

## **COVID-19**

Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, retail store closures, self-imposed quarantine periods and physical distancing, have caused material disruptions to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Corporation in future periods.

Choom continues to maintain business continuity during the COVID-19 pandemic and takes its cues from the government and public health officials to keep employees and customers safe and healthy. During the pandemic, enhanced store procedures including safety shields, more frequent cleaning, curbside pickup of product and delivery services, where permissible, were enacted.

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, as a result of a recent increase in COVID-19 cases across Canada. On April 8, 2021, for instance, Ontario made a Declaration of Emergency and a provincewide stay-at-home order. Under the stay-at-home order, retail cannabis stores in the Province of Ontario are able to continue offering curbside pickup and delivery. However, in-store sales are not permitted during this period. In addition, non-essential construction has been halted, which includes the construction of cannabis retail stores. In Alberta, COVID-19 measures include limitations on customer attendance in store, physical distancing measures and enhanced cleaning and disinfecting practices.

These measures, and any additional measures that may be implemented by government or public health authorities, could potentially result in delayed openings of our current and future retail cannabis locations and could also negatively impact our revenues. As at March 31, 2021, the date of the most recent financial statements incorporated by reference into this Prospectus, subject to the emergency funding referred to below, the Corporation's operations and financial condition were not materially affected by COVID-19. In light of the evolving nature of the COVID-19 pandemic, the Corporation continues to monitor the impact of COVID-19 on its operations and financial condition on an ongoing basis. As such, the Corporation intends to supplement its disclosure in future filings, where required under applicable Canadian securities laws, to disclose any material impact of COVID-19 on its operations and financial condition.

## **Canadian Emergency Wage Subsidy**

As of the date of this Prospectus, the Corporation has multiple operating subsidiaries that operate different segments of its business. During the nine month period ended March 31, 2021, one of the Corporation's subsidiaries, 2688412 Ontario Inc., experienced, individually, a decrease in revenue in the earlier part of the current financial year of the Corporation, and accordingly, was qualified to receive funds under the Canadian Emergency Wage Subsidy ("CEWS") during the nine month period ended March 31, 2021. The CEWS is provided by the Government of Canada to eligible Canadian employers whose businesses have been adversely affected by COVID-19. During the nine month period ended March 31, 2021, the Corporation received \$66,745 (March 31, 2020- \$0) in CEWS, which was credited to salary, wages and benefits in the consolidated statements of loss and comprehensive loss in the interim financial statements for the nine month period ended March 31, 2021.

Subsequent to March 31, 2021, the Corporation has received \$26,473 in additional CEWS for 2688412 Ontario Inc. The Corporation has no unfulfilled conditions and outstanding contingencies regarding the CEWS.

### Canada Emergency Business Account

In connection to the COVID-19 pandemic, the Company and its subsidiaries received \$260,000 in Canada Emergency Business Account (“CEBA”) loans from the Government of Canada as at March 31, 2021. These CEBA loans are non-interest bearing and mature on December 31, 2022. Repaying the loan balance on or before December 31, 2022 will result in loan forgiveness of approximately \$70,000. The principal balance of \$260,000 (June 30, 2020 - \$240,000) is included in Government assistance on the consolidated statements of financial position as at March 31, 2021. Subsequent to March 31, 2021, the Company received \$20,000 in additional CEBA loans from the Government of Canada. These additional CEBA loans were increases to the \$40,000 loan originally advanced to 2151414 Alberta Ltd. Repaying the aggregate loan balance of \$60,000 on or before December 31, 2022 will result in loan forgiveness of 33%.

### CONSOLIDATED CAPITALIZATION

Except as described below, there have not been any material changes in the share and loan capital of the Corporation, on a consolidated basis, since March 31, 2021. The following is a summary of the material changes in the share and loan capital of the Corporation, on a consolidated basis, since March 31, 2021:

- An aggregate of 9,379,756 stock options expired in accordance with their terms in May 2021; and
- The Corporation issued 374,707 Common Shares pursuant to share commitments in June 2021.

The following table sets forth the consolidated capitalization of the Corporation, on an undiluted basis, as at March 31, 2021, and the *pro forma* consolidated capitalization of the Corporation as at March 31, 2021, after giving effect to the material changes in the share and loan capital of the Corporation, on an undiluted, consolidated basis, since March 31, 2021 up to the date of this Prospectus, and adjusted to give effect to the Offering and the Debt Restructuring. The below table should be read in conjunction with the consolidated financial statements of the Corporation and the related notes and management’s discussion and analysis in respect of those statements that are incorporated by reference in this Prospectus.

| Description                      | As at March 31, 2021<br>(unaudited) | As at March 31,<br>2021, after giving<br>effect to the<br>Minimum Offering <sup>(1)</sup> | As at March 31,<br>2021, after giving<br>effect to the<br>Maximum Offering | As at March 31,<br>2021, after giving<br>effect to the<br>Maximum Offering<br>and Agents’ Option |
|----------------------------------|-------------------------------------|-------------------------------------------------------------------------------------------|----------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|
| <b>Shareholder Equity</b>        |                                     |                                                                                           |                                                                            |                                                                                                  |
| Common Shares <sup>(2)</sup>     | 325,129,566                         | 448,683,040                                                                               | 472,091,277                                                                | 483,795,395                                                                                      |
| Warrants <sup>(2)</sup>          | 42,585,041                          | 64,460,041                                                                                | 73,835,041                                                                 | 78,522,541                                                                                       |
| Options                          | 21,278,479                          | 11,898,723                                                                                | 11,898,723                                                                 | 11,898,723                                                                                       |
| Restricted Share Units           | 4,000,000                           | 4,000,000                                                                                 | 4,000,000                                                                  | 4,000,000                                                                                        |
| Share Commitments <sup>(3)</sup> | 374,707                             | -                                                                                         | -                                                                          | -                                                                                                |
| <b>Debt</b>                      |                                     |                                                                                           |                                                                            |                                                                                                  |



|                                                   |              |              |              |              |
|---------------------------------------------------|--------------|--------------|--------------|--------------|
| Current Convertible Debenture <sup>(4)</sup>      | \$4,100,000  | \$0          | \$0          | \$0          |
| Non-Current Convertible Debentures <sup>(4)</sup> | \$20,000,000 | \$10,100,000 | \$10,100,000 | \$10,100,000 |

Notes:

(1) Assuming the Agents' Option is not exercised. If the Agents' Option is exercised in full, there will be 456,404,874 Common Shares issued and outstanding upon completion of the Minimum Offering.

(2) Excludes securities issuable upon the exercise of the Warrants, Compensation Options, Corporate Finance Fee Warrants, stock options, and other warrants or rights to purchase Common Shares.

(3) Share commitments of the Corporation pursuant to which holders are issued Common Shares on the occurrence of certain conditions.

(4) Principal amount of Current and Non-Current Convertible Debentures. See "*Recent Developments*" for further discussion on the Corporation's proposed debt restructuring.

As at the date hereof, there are 325,504,273 Common Shares issued and outstanding, options granted under our stock option plan to acquire an aggregate of 11,898,723 Common Shares, and common share purchase warrants exercisable to acquire an aggregate of 42,585,041 Common Shares.

## USE OF PROCEEDS

### Net Proceeds

The Offering will not be completed and subscription funds will not be advanced to the Corporation unless the Minimum Offering has been raised. In the event of the Minimum Offering (and assuming the Agents' Option is not exercised), the net proceeds to the Corporation from the Offering will be approximately \$3,013,000 after deducting the Agents' Fee of \$245,000 and estimated expenses of the Offering of \$242,000. In the event the Maximum Offering is fully subscribed (and assuming the Agents' Option is not exercised), the net proceeds to the Corporation from the Offering will be approximately \$4,408,000, after deducting the Agents' Fee of \$350,000 and estimated expenses of the Offering of \$242,000.

If the Maximum Offering is fully subscribed and the Agents' Option is exercised in full, the net proceeds to the Corporation from the Offering will be approximately \$5,105,500 after deducting the Agents' Fee of \$402,500 and estimated expenses of the Offering of \$242,000. See "*Plan of Distribution*".

### Principal Purposes

The principal purpose of the Offering is the following:

- Improving the Corporation's balance sheet via the Debt Restructuring discussed above, which is contingent upon the completion of the Minimum Offering; and
- Using the net proceeds of the Offering in a manner consistent with its business objective of operating and constructing retail locations to sell cannabis and cannabis related products.

The estimated net proceeds (assuming no exercise of the Agents' Option) of the Offering are anticipated to be used by the Corporation to fund its cash requirements for its operations as currently conducted, as well as to grow its operations, as set forth below:

| Principal Purposes of Net Proceeds                                           | Minimum Offering <sup>(1)</sup> | Maximum Offering <sup>(1)</sup> |
|------------------------------------------------------------------------------|---------------------------------|---------------------------------|
| <b>Construction and opening of new cannabis retail stores:<sup>(2)</sup></b> |                                 |                                 |
| Consulting and Design                                                        | \$210,000 (7%)                  | \$335,000 (8%)                  |
| General Contractor Management Fee and Conditions                             | \$210,000 (7%)                  | \$335,000 (8%)                  |

|                                                               |                           |                           |
|---------------------------------------------------------------|---------------------------|---------------------------|
| Build (Framing, Finishes, Electrical, HVAC, Millwork, Etc.)   | \$1,155,000 (38%)         | \$1,842,500 (42%)         |
| IT (Security, POS, Menu TVs, Etc.)                            | \$420,000 (14%)           | \$670,000 (15%)           |
| Other (Ops Setup, Resources, Building Permits)                | \$105,000 (3%)            | \$167,500 (4%)            |
| <b>Acquisition of location in Vancouver, British Columbia</b> | \$150,000 (5%)            | \$150,000 (3%)            |
| <b>Debt Servicing</b>                                         | \$303,000 (10%)           | \$303,000 (7%)            |
| <b>General Corporate and Working Capital Purposes</b>         | \$460,000 (15%)           | \$605,000 (14%)           |
| <b>Total</b>                                                  | <b>\$3,013,000 (100%)</b> | <b>\$4,408,000 (100%)</b> |

Notes:

(1) Assuming the Agents' Option is not exercised and no sales from the President's List.

(2) Please refer to "Construction of retail stores" for further detail.

### Construction of Retail Stores

The Corporation has secured three (3) lease locations for retail cannabis stores in Ontario and two (2) lease locations in British Columbia for which it intends to commence or complete construction following the Offering. The table below illustrates the current store pipeline and stage of construction:

| Store | Province | Acquisition Date | Lease Secured    | Layout Review | Development Permit | License <sup>(1)</sup> | Construction Drawings | Construction Permit | Construction Started |
|-------|----------|------------------|------------------|---------------|--------------------|------------------------|-----------------------|---------------------|----------------------|
| #1    | ON       | NA               | Yes              | Yes           | N/A                | Yes                    | Yes                   | Yes                 | Yes                  |
| #2    | BC       | Completed        | Yes              | Yes           | Yes                | Yes                    | Yes                   | Yes                 | No                   |
| #3    | ON       | NA               | Yes              | Yes           | N/A                | Yes                    | Yes                   | Yes                 | No                   |
| #4    | ON       | NA               | Yes              | No            | N/A                | Yes                    | No                    | No                  | No                   |
| #5    | BC       | Jul-21           | Upon acquisition | No            | Yes                | No <sup>2</sup>        | No                    | No                  | No                   |

Notes:

(1) Submitted application and received Approval in Principle ("AIP") to operate a cannabis store subject to final inspections.

(2) Submitted application and waiting on AIP which will be received subsequent to the acquisition and securing the lease.

The Corporation believes the Minimum Offering is sufficient to build the existing pipeline of retail store locations. If the Maximum offering is achieved, the additional capital will be used for additional store locations in Alberta, British Columbia and Ontario, being the provinces in which the Corporation currently operates retail stores.

The Corporation had negative cash flow from its operating activities in the most recently completed financial years ended June 30, 2020 and 2019 and for the nine months ended March 31, 2021 and 2020. Although the Corporation anticipates it will have a positive operating cash flow from its operating activities in future periods following the construction of the aforementioned retail stores, the Corporation cannot guarantee it will be cash flow positive from operating activities in any future periods. To the extent that the Corporation has negative cash flow in any future period, proceeds from the Offering may be used to fund such negative cash flow from operating activities and could impact the number of retail stores constructed. See "Risk Factors".

### Acquisition

The Corporation intends to complete the acquisition of the Vancouver location, for which a Development Permit has been granted by the Board of Variance, with the proceeds received from the Offering. The final payment of \$150,000 is due July 1, 2021. The Corporation intends to commence construction upon completion of the acquisition. See store #5 in the table above under the heading "Construction of retail stores."

## Debt Servicing

The Corporation expects to use a portion of the Offering to service outstanding debt on the Corporation's balance sheet. Approximately \$210,000 in interest on the December 2019 Debentures, restructured as part of this Offering, is due June 2021. Additionally, approximately \$93,000 is due June 2021 to service the Corporation's outstanding \$1,250,000 promissory note.

## General Corporate and Working Capital Purposes

In addition to the available cash on hand, the Corporation expects to use approximately \$460,000 for general working capital purposes.

If the Maximum Offering is attained and the Agents' Option is exercised in full, the Corporation intends to use the additional net proceeds of up to \$697,500 for business development, working capital and general corporate purposes.

Although the Corporation intends to use the proceeds from the Offering as set forth above, the actual allocation of the net proceeds may vary depending on future developments or unforeseen events. There can be no assurance that the above objectives will be completed. See "*Risk Factors – Discretion Regarding the Use of Proceeds*".

Until applied, the net proceeds will be held as cash balances in the Corporation's bank account or invested in certificates of deposit and other instruments issued by banks or obligations of or guaranteed by the Government of Canada or any province thereof. Unallocated funds from the Offering will be added to the working capital of the Corporation, and will be expended at the discretion of Management.

## Business Objectives and Milestones

The following is a summary of the Corporation's business objectives and milestones following the completion of the Offering and the Debt Restructuring:

| Business Objective                                                                                             | Milestone(s) that must occur for Business Objective to be Accomplished <sup>(1)</sup>                                                                                                                                                                                                        | Anticipated Timing <sup>(2)</sup> |
|----------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|
| Construct and open approximately 5 new cannabis retail stores in the Provinces of Ontario and British Columbia | <ul style="list-style-type: none"><li>• Complete construction</li><li>• Obtain the required authorizations necessary to construct the store location and commence operations</li><li>• Hire store personnel</li><li>• Order and receive inventory necessary to commence operations</li></ul> | Q1 2022 to Q4 2022                |
| Acquisition of Vancouver location                                                                              | <ul style="list-style-type: none"><li>• Make the final payment of \$150,000</li></ul>                                                                                                                                                                                                        | Q1 2022                           |

Notes:

(1) Please refer to "*Construction of retail stores*" for the status of each store.

(2) Based on the Corporation's June 30<sup>th</sup> fiscal year end.

## PLAN OF DISTRIBUTION

Pursuant to the terms and conditions of the Agency Agreement to be entered into among the Corporation and the Agents, the Agents have agreed to act, and the Corporation has appointed the Agents as agents to the Corporation to offer for sale on a "commercially reasonable efforts" basis, subject to prior sale, if, as and when issued by the Corporation and accepted by the Agents in accordance with the terms and conditions contained in the Agency Agreement and subject to the approval of certain legal matters on the Corporation's behalf by its counsel, Pushor Mitchell LLP, and on behalf of the Agents by their counsel Borden Ladner Gervais LLP, 43,750,000 Units in the case of the Minimum Offering and up to 62,500,000 Units in the case of the Maximum Offering at a price of \$0.08 per Unit, payable in cash, for gross proceeds of \$3,500,000 in the case of the Minimum Offering and \$5,000,000 in the

case of the Maximum Offering. On June 25, 2021, the last day the Common Shares traded prior to the date of this Prospectus, the closing price of the Common Shares on the CSE was \$0.075 and US\$0.065 on the OTCQB. The Closing of the Offering may occur in one or more tranches on one or more Closing Dates. Provided that the Minimum Offering is met, the first Closing Date is expected to take place on or about July 6, 2021 or such other date as may be agreed upon by the Corporation and the Agents, but in any event, no Closing Date shall occur later than ninety (90) days following the final receipt for the (final) short form prospectus by the applicable securities commissions. While the Agents have agreed to use their commercially reasonable efforts to sell the Units, the Agents are not obligated to purchase any Units not sold.

The Corporation has agreed to grant to the Agents the Agents' Option exercisable, in whole or in part, at the Agents' sole discretion, to increase the size of the Offering by up to 15.0% of the number of Units. The Agents' Option is exercisable, in whole or in part, at any time until the date that is two (2) business days prior to the Closing Date. This Prospectus also qualifies the grant of the Agents' Option and the distribution of any Units issued pursuant to the exercise of the Agents' Option.

In consideration for the services provided by the Agents in connection with the Offering, and pursuant to the terms of the Agency Agreement, the Corporation will pay the Agents the Agents' Fee, equal to the sum of (i) 7.0% of the gross proceeds raised from the Offering (including any gross proceeds raised on exercise of the Agents' Option), other than the gross proceeds raised from President's List Sales and (ii) 3.5% of the gross proceeds raised from President's List Sales, payable in cash from the proceeds of the Offering. The Agents will also receive, as additional compensation, Compensation Options to purchase that number of Units that is equal to 7.0% of the Units sold pursuant to the Offering (including any Agents' Option Units sold pursuant to the exercise of the Agents' Option), but excluding the Units sold pursuant to President's List Sales. In connection with the President's List Sales, the Agents will receive Compensation Options to purchase that number of Units as is equal to 3.5% of the Units sold pursuant to the President's List Sales. Each Compensation Option is exercisable to purchase one Compensation Unit at the Offering Price for a period of 36 months from the Closing Date. Each Compensation Unit consists of one Compensation Option Unit Share and one-half of one Compensation Option Unit Warrant. Each Compensation Option Unit Warrant will entitle the holder to acquire one Compensation Option Warrant Share at a price of \$0.12 per Compensation Option Share for a period of 36 months following the Closing Date, subject to the same acceleration clause as is applicable to the Unit Warrants.

The Corporation has also agreed to pay the Lead Agent a corporate finance fee which shall be satisfied by issuing to the Lead Agent that number of Corporate Finance Fee Units as is equal to 3.0% of the number of Units issued pursuant to the Offering (including any Agents' Option Units sold pursuant to the exercise of the Agents' Option). Each Corporate Finance Fee Unit consists of one Corporate Finance Fee Unit Share and one-half of one Corporate Finance Fee Unit Warrant. Each Corporate Finance Fee Unit Warrant will entitle the holder to acquire one Corporate Finance Fee Warrant Share at a price of \$0.12 per Corporate Finance Fee Warrant Share for a period of thirty-six (36) months following the Closing Date, subject to the same acceleration clause as is applicable to the Unit Warrants.

Subscriptions for Units will be received subject to rejection or allotment, in whole or in part, and the Agents reserve the right to close the subscription books at any time without notice. Subscription proceeds will be received by the Agents, or by any other securities dealer authorized by the Agents or by a lawyer who is a practicing member in good standing with a law society of a jurisdiction where the Units are being offered, and will be held in trust until subscriptions for the Minimum Offering are received and other closing conditions of the Offering have been satisfied. If subscriptions for the Minimum Offering have not been received within ninety (90) days following the date of issuance of a receipt for the final prospectus, the Offering will not continue and the subscription proceeds will be returned to subscribers, without interest or deduction. In any event, the total period of the distribution will not end more than one hundred eighty (180) days from the date of issuance of a receipt for the final prospectus. Should a closing occur in respect of the Minimum Offering, one or more additional closings, if necessary, may occur until the earlier of the Maximum Offering being subscribed, ninety (90) days following the date of issuance of a receipt for the final prospectus or one hundred eighty (180) days in the event that an amendment of the prospectus is filed.

Except in limited circumstances, no certificates will be issued in respect of the Units, Unit Shares, Warrants or Warrant Shares. The Offering will be conducted under the book-based system in the Canadian jurisdictions where the Units are being sold. A subscriber in a Canadian jurisdiction where the Units are being sold who purchases Units will receive a customer confirmation from the registered dealers through which Units are purchased and who is a CDS depository-

service participant. CDS will record the CDS participants who hold Unit Shares and Warrants on behalf of owners who have purchased them in accordance with the book-based system.

The obligations of the Agents under the Agency Agreement are subject to certain closing conditions and may be terminated at the discretion of the Agents before the Closing Date on the basis of the Agents' assessment of the financial markets and upon the occurrence of certain stated events. The Agents shall be permitted to appoint a soliciting dealer group of other registered dealers acceptable to the Corporation for the purpose of arranging for purchases of Units under the Offering. The Corporation has agreed to indemnify the Agents and their affiliates and their respective directors, officers, employees, agents and shareholders against certain liabilities.

The Corporation has granted the Lead Agent a right of first refusal whereby until the later of: (i) one year from the Closing Date; and (ii) the closing date of the Corporation's next treasury offering of securities, whether by way of private placement or public offering, the Lead Agent shall be provided with the exclusive right and opportunity to act as lead manager and sole bookrunner for any offering of securities of the Corporation to be issued and sold in Canada by private placement or public offering or to provide professional, sponsorship or advisory services performed (or normally performed) by a broker or investment dealer.

The Corporation has agreed not to issue any additional equity or quasi-equity securities for a period of ninety (90) days from the Closing Date without prior written consent of the Lead Agent except in conjunction with: (i) the grant or exercise of stock options and other similar issuances pursuant to the share incentive plan of the Corporation and other share compensation arrangements; (ii) outstanding warrants; (iii) obligations in respect of existing agreements; (iv) the issuance of securities in connection with asset or share acquisitions in the normal course of business; and (v) the issuance of securities in connection with the Debt Restructuring on the terms announced by the Corporation on May 25, 2021, such consent not to be unreasonably withheld, delayed or conditioned.

If the Corporation does not complete the Offering, but the Corporation or any affiliate or subsidiary thereof completes any debt or equity financing transaction (excluding a bank loan from commercial bank lenders) prior to November 22, 2021 (any such transaction, an "**Alternative Transaction**") in respect of which the Lead Agent is not the sole lead underwriter, placement agent, arranger or initial purchaser, or in respect of which the Lead Agent does not receive at least the same amount of compensation pursuant to the Alternative Transaction as to which it would have been entitled under the Offering, the Lead Agent shall be entitled to receive immediately upon the completion of such Alternative Transaction the lesser of (i) the amount of compensation assuming completion of the Maximum Offering, and (ii) the commissions and Compensation Options calculated based on the amount raised pursuant to the Alternative Transaction; provided, however, that the Lead Agent shall not be entitled to any amount in the event the Agents voluntarily terminated the Agency Agreement (other than as a result of a material breach by the Corporation of its obligations thereunder) or the Corporation voluntarily terminates the Agency Agreement as a result of a material breach by the Agents of their obligations thereunder.

The Corporation has also agreed to reimburse the Agents for reasonable expenses and fees related to the Offering, whether or not the Offering is completed.

The Corporation will also indemnify the Agents, any syndicate or selling group members, their affiliates and their respective partners, directors, officers and employees (the "**Indemnified Parties**") against certain claims with which the Indemnified Parties may become involved in any capacity in so far as the claims relate to performance of the professional services of the Agents pursuant to the Agency Agreement.

The Corporation will apply to the CSE to list the Unit Shares to be distributed under this Prospectus on the CSE, along with the Warrants, Warrant Shares, Compensation Unit Warrant Shares and the Corporate Finance Fee Unit Shares. Listing will be subject to the Corporation fulfilling all of the listing requirements of the CSE. **The Corporation will apply to the CSE to list the Warrants; however, any such listing will be subject to the Corporation fulfilling all the listing requirements of the CSE. There can be no guarantee that the Warrants will ultimately be listed on the CSE or any other stock exchange. This may affect the pricing of the Warrants in the secondary market, the transparency and availability of trading prices, the liquidity of the Warrants and the extent of issuer regulation. See "Risk Factors".**

Under certain rules of the Canadian securities regulatory authorities and the Universal Market Integrity Rules for Canadian Marketplaces of the Investment Industry Regulatory Organization of Canada (the “UMIR”), the Agents may not, throughout the period of distribution, bid for or purchase Common Shares. These rules allow certain exceptions to those prohibitions. The Agents may only avail themselves of those exceptions on the condition that the bid or purchase not be for the purpose of creating actual or apparent active trading in, or raising the price, of the Common Shares. These exceptions include a bid or purchase permitted under the UMIRs relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. In connection with the Offering, the Agents may over-allot or effect transactions that stabilize or maintain the market price of the Common Shares at levels other than those that may otherwise exist in the open market. These transactions, if commenced, may be discontinued at any time.

The Agents and/or their respective affiliates have performed investment banking and advisory services for the Corporation and its affiliates from time to time for which they have received customary fees and expenses. The Agents and/or their respective affiliates may, from time to time, engage in transactions with, or perform services for, the Corporation and its affiliates in the ordinary course of business and receive related fees.

Other than in British Columbia, Alberta, Saskatchewan, Ontario and New Brunswick, no action has been taken by the Corporation or the Agents that would permit a public offering of the Units offered by this Prospectus in any jurisdiction where action for that purpose is required. The Units offered by this Prospectus may not be offered or sold, directly or indirectly, nor may this Prospectus or any other offering material or advertisements in connection with the offer and sale of any Units be distributed or published in any jurisdiction, except under circumstances that will result in compliance with the applicable rules and regulations of that jurisdiction. Persons into whose possession this Prospectus comes are advised to inform themselves about and to observe any restrictions relating to the Offering and the distribution of this Prospectus.

This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy any Units offered by this Prospectus in any jurisdiction in which such an offer or a solicitation is unlawful.

## **DESCRIPTION OF SECURITIES BEING DISTRIBUTED**

The Corporation’s authorized share capital currently consists of an unlimited number of Common Shares and an unlimited number of preferred shares of which, as at the date hereof, 325,504,273 Common Shares and Nil preferred shares are issued and outstanding. Assuming the completion of the Debt Restructuring, the Minimum Offering and no exercise of the Agents’ Option, there will be 448,683,040 Common Shares issued and outstanding (on a non-diluted basis); assuming the completion of the Debt Restructuring, the Maximum Offering and no exercise of the Agents’ Option, there will be 472,091,277 Common Shares issued and outstanding (on a non-diluted basis). Assuming the completion of the Debt Restructuring, the Minimum Offering and the exercise in full of the Agents’ Option, there will be 456,875,923 Common Shares issued and outstanding (on a non-diluted basis); assuming the completion of the Debt Restructuring, the Maximum Offering and the exercise in full of the Agents’ Option, there will be 483,795,395 Common Shares issued and outstanding (on a non-diluted basis).

### **Units**

Each Unit consists of one Unit Share and one-half of one Warrant. The following is a summary of the rights, privileges, restrictions and conditions attached to such securities.

### **Common Shares**

The Corporation is authorized to issue an unlimited number of Common Shares. The holders of Common Shares are entitled to receive notice of, attend and vote at all meetings of the shareholders of the Corporation, and each Common Share confers the right to one vote at all such meetings. Subject to the rights of the holders of any class of shares ranking in priority to the Common Shares, the holders of Common Shares are entitled to receive and participate rateably in any dividends declared by the board of directors in the Corporation. Subject to the rights of the holders of any other class of shares ranking in priority to the Common Shares, in the event of the liquidation, dissolution or winding-up of the Corporation or other distribution of the assets of the Corporation among its shareholders for the

purposes of winding up its affairs, the holders of the Common Shares are entitled to participate rateably in the distribution of the assets of the Corporation.

## **Warrants**

The Warrants will be governed by the terms of the Warrant Indenture to be entered into between the Corporation and the Warrant Agent. The Corporation will appoint the principal transfer offices of the Warrant Agent in Vancouver, British Columbia, or such other place designated by the Corporation with the approval of the Warrant Agent, as the location at which Warrants may be surrendered for exercise or transfer. The following summary of certain provisions of the Warrant Indenture contains all of the material attributes and characteristics of the Warrants but does not purport to be complete and is qualified in its entirety by reference to the provisions of the Warrant Indenture.

Each whole Warrant will entitle the holder to purchase one Warrant Share at an exercise price of \$0.12 per Warrant Share, subject to adjustment in certain circumstances, at any time prior to thirty-six (36) months following the Closing Date. If, at any time, following the Closing Date, the daily volume weighted average trading price of the Common Shares on the CSE or such other stock exchange on which the Common Shares are listed, is greater than \$0.16 for the preceding ten (10) consecutive trading days, the Corporation may, upon providing written notice to the holders of Warrants, accelerate the expiry date of the Warrants to the date that is thirty (30) days following the delivery of such written notice. Warrants not exercised prior to the warrant expiry time will be void and of no value.

The Warrant Indenture will provide for adjustment in the number of Warrant Shares issuable upon the exercise of the Warrants and/or the exercise price per Warrant Share upon the occurrence of certain events, including:

- a) the issuance of Common Shares or securities exchangeable for or convertible into Common Shares to holders of all or substantially all of the Corporation's Common Shares by way of stock dividend or other distribution (other than a "dividend paid in the ordinary course", as defined in the Warrant Indenture, or a distribution of Common Shares upon the exercise of the Warrants or pursuant to the exercise of director, officer or employee stock options granted under the Corporation's stock option plan);
- b) the subdivision, redivision or change of the Common Shares into a greater number of shares;
- c) the consolidation, reduction or combination of the Common Shares into a lesser number of shares;
- d) the issuance of rights, options or warrants to all or substantially all of the holders of the Common Shares under which such holders are entitled, during a period expiring not more than forty-five (45) days after the record date for such issuance, to subscribe for or purchase Common Shares, or securities exchangeable for or convertible into Common Shares, at a price per share to the holder (or having an exchange or conversion price per share) of less than 95% of the "current market price", as defined in the Warrant Indenture, for the Common Shares on such record date; and
- e) the issuance or distribution to all or substantially all of the holders of the securities of the Corporation including shares, rights, options or warrants to acquire shares of any class or securities exchangeable or convertible into any such shares or cash, property or assets and including evidences of indebtedness, or any cash, property or other assets.

The Warrant Indenture will also provide for adjustments in the class and/or number of securities issuable upon the exercise of the Warrants and/or exercise price per security in the event of the following additional events: (i) reclassifications of the Common Shares; (ii) consolidations, amalgamations, plans of arrangement, mergers or other business combinations of the Corporation with or into another entity; or (iii) any sale, lease, exchange or transfer of the undertaking or assets of the Corporation as an entirety or substantially as an entirety to another company or other entity, in which case each holder of a Warrant which is thereafter exercised will receive, in lieu of Common Shares, the kind and number or amount of other securities or property which such holder would have been entitled to receive as a result of such event if such holder had exercised the Warrants prior to the event.

No adjustment in the exercise price or the number of Warrant Shares purchasable upon the exercise of the Warrants will be required to be made unless the cumulative effect of such adjustment or adjustments would change the exercise

price by at least 1% or the number of Warrant Shares purchasable upon exercise by at least one hundredth of a Warrant Share. Further, no adjustment will be made for Common Shares issued: (i) upon exercise of the Warrants; (ii) pursuant to any dividend reinvestment or similar plan adopted by the Corporation; (iii) pursuant to stock option or purchase plans, as payment of interest on outstanding notes, in connection with strategic license agreements or other partnering arrangements; or (iv) in connection with a strategic merger, consolidation or purchase of substantially all of the securities or assets of a corporation or other entity.

The Corporation will also covenant in the Warrant Indenture that, during the period in which the Warrants are exercisable, it will give notice to holders of Warrants of certain stated events, including events that would result in an adjustment to the exercise price for the Warrants or the number of Warrant Shares issuable upon exercise of the Warrants, at least ten (10) business days prior to the record date or effective date, as the case may be, of such event.

If a Warrant holder is entitled to a fraction of a Warrant, the number of Warrants issued to that Warrant holder shall be rounded down to the nearest whole Warrant. No fractional Warrant Shares will be issuable upon the exercise of any Warrants; instead cash will be paid in lieu of fractional shares. Holders of Warrants will not have any voting rights or any other rights which a holder of Common Shares would have.

From time to time, the Corporation (when properly authorized) and the Warrant Agent, subject to the provisions of the Warrant Indenture, may amend or supplement the Warrant Indenture for certain purposes. Certain amendments or supplements to the Warrant Indenture may only be made by “extraordinary resolution”, which is defined in the Warrant Indenture as a resolution either: (i) passed at a meeting of the holders of Warrants at which there are holders of Warrants present in person or represented by proxy representing at least 25% of the aggregate number of the then outstanding Warrants and passed by the affirmative vote of holders of Warrants representing not less than 66⅔% of the aggregate number of all the then outstanding Warrants represented at the meeting and voted on such resolution; or (ii) adopted by an instrument in writing signed by the holders of Warrants representing not less than 66⅔% of the aggregate number of all of the then outstanding Warrants.

**There is currently no market through which the Warrants comprising part of the Units may be sold and purchasers may not be able to resell the Warrants that are purchased under this short form prospectus. The Corporation will apply to the CSE to list the Warrants; however, any such listing will be subject to the Corporation fulfilling all the listing requirements of the CSE. There can be no guarantee that the Warrants will ultimately be listed on the CSE or any other stock exchange. This may affect the pricing of the Warrants in the secondary market, the transparency and availability of trading prices, the liquidity of the Warrants and the extent of issuer regulation. See “Risk Factors”.**

## PRIOR SALES

For the twelve-month period prior to the date of this Prospectus, the Corporation issued the following Common Shares and securities convertible into Common Shares:

| Date of Issuance   | Number of Securities Issued | Securities Issued                                              | Price Per Security / Exercise Price |
|--------------------|-----------------------------|----------------------------------------------------------------|-------------------------------------|
| June 15, 2021      | 374,707                     | Common Shares <sup>(7)</sup>                                   | \$1.03                              |
| February 4, 2021   | 27,857,143                  | Common Shares <sup>(1)</sup>                                   | \$0.07                              |
| February 4, 2021   | 13,928,571                  | 2021 February Placement 12 cent Warrant <sup>(2)</sup>         | \$0.12                              |
| February 4, 2021   | 249,900                     | Common Shares <sup>(3)</sup>                                   | \$0.07                              |
| February 4, 2021   | 1,173,140                   | 2021 February Placement 12 cent Finders Warrant <sup>(4)</sup> | \$0.12                              |
| February 4, 2021   | 1,000,000                   | Stock Options <sup>(5)</sup>                                   | \$0.10                              |
| December 24, 2020  | 142,857                     | Common Shares for Debt <sup>(6)</sup>                          | \$0.07                              |
| December 15, 2020  | 374,709                     | Common Shares <sup>(7)</sup>                                   | \$1.03                              |
| November 12, 2020  | 1,276,042                   | Common Shares for Debt <sup>(8)</sup>                          | \$0.08                              |
| October 16, 2020   | 629,722                     | Common Shares <sup>(9)</sup>                                   | \$0.08                              |
| September 29, 2020 | 1,111,111                   | Common Shares <sup>(10)</sup>                                  | \$0.09                              |
| September 16, 2020 | 64,608,187                  | Common Shares <sup>(11)</sup>                                  | N/A                                 |



|                    |            |                                                |         |
|--------------------|------------|------------------------------------------------|---------|
| September 16, 2020 | 3,126,025  | Common Shares <sup>(12)</sup>                  | N/A     |
| September 4, 2020  | 4,000,000  | RSUs <sup>(13)</sup>                           | N/A     |
| July 23, 2020      | 4,347,826  | Common Share purchase Warrants <sup>(14)</sup> | \$0.115 |
| March 31, 2020     | 22,126,066 | Common Shares <sup>(15)</sup>                  | \$0.09  |

Notes:

- (1) Issued upon the close of the February 2021 Private Placement representing the common share portion of the units issued.
- (2) Issued upon the close of the February 2021 Private Placement representing the warrant portion of the units issued.
- (3) Issued upon the close of the February 2021 Private Placement representing the finders Common Shares issued.
- (4) Issued upon the close of the February 2021 Private Placement representing the finders warrants issued.
- (5) Issued to an officer under the Corporation's stock option plan.
- (6) Issued to settle severance obligations.
- (7) Issued pursuant to share commitments.
- (8) Issued to settle severance obligations.
- (9) Issued to settle trade payables.
- (10) Issued to settle severance obligations.
- (11) Issued in connection with the Phivida Transaction.
- (12) Issued in partial satisfaction of an advisory fee payable by the Corporation in connection with the Phivida Transaction.
- (13) Granted to officers of the Corporation and governed by the Corporation's restricted share unit plan.
- (14) Issued in connection with a bridge financing agreement entered into with Phivida.
- (15) Issued in connection with the Corporation's acquisition of all of the issued and outstanding common shares of 2688412 Ontario Inc.

### TRADING PRICE AND VOLUME

The Common Shares are listed on the CSE under the symbol "CHOO". The following table sets forth certain trading information for the Common Shares on the CSE for the twelve-month period prior to the date hereof.

| <u>Year</u> | <u>Month</u>        | <u>High</u> | <u>Low</u> | <u>Volume</u> |
|-------------|---------------------|-------------|------------|---------------|
| 2021        | June <sup>(1)</sup> | \$0.095     | \$0.07     | 26,898,086    |
| 2021        | May                 | \$0.11      | 0.085      | 6,640,515     |
| 2021        | April               | \$0.13      | \$0.10     | 9,240,000     |
| 2021        | March               | \$0.17      | \$0.125    | 18,030,000    |
| 2021        | February            | \$0.165     | \$0.095    | 29,970,000    |
| 2021        | January             | \$0.13      | \$0.065    | 37,700,000    |
| 2020        | December            | \$0.08      | \$0.065    | 16,780,000    |
| 2020        | November            | \$0.095     | \$0.07     | 12,810,000    |
| 2020        | October             | \$0.085     | \$0.07     | 6,720,000     |
| 2020        | September           | \$0.10      | \$0.07     | 7,830,000     |
| 2020        | August              | \$0.12      | \$0.10     | 6,470,000     |
| 2020        | July                | \$0.145     | \$0.11     | 4,470,000     |
| 2020        | June                | \$0.20      | \$0.14     | 8,540,000     |

Source: thecse.com

Note:

- (1) Reflects the trading activity for the Common Shares from June 1-25, 2021.

### CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Ryan Shewchuk Professional Corporation, special tax counsel to the Corporation, and of Borden Ladner Gervais LLP, tax counsel to the Agents, the following is, as of the date hereof, a general summary of the principal Canadian federal income tax considerations under the Tax Act generally applicable to a person who acquires a Unit pursuant to this Offering, and Warrant Shares upon exercise of the Warrants, and who, for purposes of the Tax Act and at all relevant times, (i) acquires and holds the Unit Shares and Warrants and will hold the Warrant Shares as capital property, and (ii) deals at arm's length and is not affiliated with the Corporation, the Agents or any subsequent purchaser of such securities (a "**Holder**"). Unit Shares, Warrants and Warrant Shares will generally be considered to be capital property to a Holder unless the Holder holds the Unit Shares, Warrants and Warrant Shares in the course of

carrying on a business of trading or dealing in securities or has acquired them in one or more transactions considered to be an adventure or concern in the nature of trade.

This summary is based upon the current provisions of the Tax Act, all specific proposals to amend the Tax Act (the “**Proposed Amendments**”) which have been announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof, and counsel’s understanding of the current published administrative policies and assessing practices of the Canada Revenue Agency (the “**CRA**”). This summary assumes that the Proposed Amendments will be enacted in the form proposed and does not take into account or anticipate any other changes in law, whether by way of judicial, legislative or governmental decision or action, nor does it take into account provincial, territorial or foreign income tax legislation or considerations, which may differ from the Canadian federal income tax considerations discussed herein. No assurances can be given that such Proposed Amendments will be enacted as proposed or at all, or that legislative, judicial or administrative changes will not modify or change the statements expressed herein.

This summary does not apply to a Holder (a) that is a “financial institution” (as defined in the Tax Act) for purposes of the mark-to-market provisions of the Tax Act; (b) that is a “specified financial institution” (as defined in the Tax Act); (c) an interest in which is a “tax shelter investment” for purposes of the Tax Act; (d) that elects or has elected to report its “Canadian tax results” (as defined in the Tax Act) in a currency other than Canadian currency; (e) that has entered or will enter into a “derivative forward agreement” (as defined in the Tax Act) with respect to the Unit Shares, Warrants or Warrant Shares; (f) that receives dividends on Unit Shares or Warrant Shares under or as part of a “dividend rental arrangement” (as defined in the Tax Act); or (g) that is a corporation resident in Canada and is, or becomes, or does not deal at arm’s length for purposes of the Tax Act with a corporation resident in Canada that is or becomes, as part of a transaction or event or series of transactions or events that includes the acquisition of the Units, controlled by a non-resident corporation (or pursuant to the Proposed Amendments, a non-resident person or a group of persons comprised of any combination of non-resident corporations, non-resident individuals or non-resident trusts that do not deal with each other at arm’s length) for purposes of the “foreign affiliate dumping” rules in section 212.3 of the Tax Act. Such Holders should consult their own tax advisors.

**This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in Units. The following description of income tax matters is of a general nature only and is not intended to be, nor should it be construed to be, legal or income tax advice to any particular Holder. Holders are urged to consult their own income tax advisors with respect to the tax consequences applicable to them based on their own particular circumstances.**

### **Allocation of Cost**

A Holder who acquires Units will be required to allocate the purchase price of each Unit between the Unit Share and the one-half of one Warrant on a reasonable basis in order to determine their respective costs for purposes of the Tax Act. Holders should consult their own tax advisors in this regard. For its purposes, the Corporation intends to allocate \$0.075 to the Unit Share and \$0.005 to the one-half Warrant. Although the Corporation believes that such allocation is reasonable, it is not binding on the CRA or any Holder and the CRA may not agree with such allocation. Counsel expresses no opinion with respect to such allocation.

The adjusted cost base to a Holder of a Unit Share acquired hereunder will be determined by averaging the cost of that Unit Share with the adjusted cost base (determined immediately before the acquisition of the Unit Share) of all other Common Shares held as capital property by the Holder immediately prior to such acquisition.

### **Exercise of Warrants**

A Holder will not realize a gain or loss upon the exercise of a Warrant to acquire a Warrant Share. When a Warrant is exercised, the Holder’s cost of the Warrant Share acquired thereby will be equal to the aggregate of the Holder’s adjusted cost base of such Warrant, plus the amount paid on the exercise of the Warrant. The Holder’s adjusted cost base of such Warrant Share will be determined by averaging the cost of the Warrant Share with the adjusted cost base (determined immediately before the acquisition of such Warrant Share) of all other Common Shares held as capital property by the Holder immediately prior to such acquisition.

## Residents of Canada

The following portion of the summary applies to a Holder who, for purposes of the Tax Act, is or is deemed to be resident in Canada at all relevant times (a “**Resident Holder**”). Certain Resident Holders to whom Unit Shares and Warrant Shares might not constitute capital property may, in certain circumstances, make the irrevocable election under subsection 39(4) of the Tax Act to deem the Unit Shares, the Warrant Shares, and every other “Canadian security” (as defined in the Tax Act), held by such Resident Holder in the taxation year of the election and all subsequent taxation years to be capital property. This election does not apply to the Warrants. Resident Holders should consult their own tax advisors regarding this election.

### *Disposition and Expiry of Warrants*

A Resident Holder who disposes or is deemed to dispose of a Warrant (other than upon the exercise thereof) will generally realize a capital gain (or capital loss) equal to the amount by which the proceeds of disposition, net of any reasonable costs of disposition, are greater (or less) than the adjusted cost base of the Warrant to the Resident Holder. If a Warrant expires unexercised, the Resident Holder will realize a capital loss equal to the adjusted cost base of such Warrant to the Resident Holder immediately before its expiry. The tax treatment of capital gains and capital losses is discussed under the subheading “Capital Gains and Capital Losses”.

### *Dividends*

Dividends received or deemed to be received on Unit Shares or Warrant Shares by an individual Resident Holder (including certain trusts) will be included in computing the individual’s income and will be subject to the gross-up and dividend tax credit rules applicable to taxable dividends received from taxable Canadian corporations including, where applicable, an enhanced gross-up and dividend tax credit for dividends designated as “eligible dividends” by the Corporation. There may be limitations on the ability of the Corporation to designate dividends as “eligible dividends”. Dividends received or deemed to be received on Unit Shares or Warrant Shares by a Resident Holder that is a corporation will be included in computing its income and will generally be deductible in computing its taxable income. In certain circumstances, subsection 55(2) of the Tax Act will treat a taxable dividend received or deemed to be received by a Resident Holder that is a corporation as proceeds of a disposition or a capital gain. Resident Holders that are corporations should consult their own tax advisors having regard to their own circumstances.

A Resident Holder that is a “private corporation” or a “subject corporation” (each as defined in the Tax Act) may be liable to pay a refundable tax under Part IV of the Tax Act on dividends received or deemed to be received on the Unit Shares or Warrant Shares, to the extent that such dividends are deductible in computing the Resident Holder’s taxable income.

### *Disposition of Unit Shares and Warrant Shares*

A Resident Holder who disposes or is deemed to dispose of a Unit Share or Warrant Share will generally realize a capital gain (or capital loss) equal to the amount, if any, by which the proceeds of disposition, net of any reasonable costs of disposition, are greater (or less) than the adjusted cost base of the Unit Share or Warrant Share, as the case may be, to the Resident Holder immediately before the disposition or deemed disposition. The tax treatment of capital gains and capital losses is discussed under the subheading “Capital Gains and Capital Losses”.

### *Capital Gains and Capital Losses*

One-half of any capital gain (a “**taxable capital gain**”) realized by a Resident Holder must be included in the Resident Holder’s income for the taxation year in which the disposition occurs. Subject to and in accordance with the provisions of the Tax Act, one-half of any capital loss (an “**allowable capital loss**”) must be deducted against taxable capital gains realized in the year of disposition. Any unused allowable capital losses may be applied to reduce net taxable capital gains realized in any of the three prior years or in any subsequent year in the circumstances and to the extent provided in the Tax Act.

A capital loss realized on the disposition of a Unit Share or Warrant Share by a Resident Holder that is a corporation may in certain circumstances be reduced by the amount of dividends that have been received or deemed to have been received by the Resident Holder on such share or shares substituted for such share to the extent and in the

circumstances described by the Tax Act. Similar rules may apply where a Resident Holder that is a corporation is a member of a partnership or a beneficiary of a trust that owns Unit Shares or Warrant Shares directly or indirectly through a partnership or trust. Such Resident Holder should consult its own tax advisor.

A Resident Holder that is throughout the year a “Canadian-controlled private corporation” (as defined in the Tax Act) may be liable to pay a refundable tax on its “aggregate investment income” (as defined in the Tax Act) for the year, including taxable capital gains. Such Resident Holder should consult its own tax advisor.

#### *Alternative Minimum Tax*

Capital gains realized and taxable dividends received or deemed to be received by a Resident Holder that is an individual (other than certain trusts) may be liable for alternative minimum tax under the Tax Act. Resident holders should consult their own tax advisors with respect to the application of alternative minimum tax.

#### **Non-Residents of Canada**

The following portion of the summary applies to Holders who, at all relevant times, for the purposes of the Tax Act, (i) are not resident or deemed to be resident in Canada, and (ii) do not use or hold Unit Shares, Warrants or Warrant Shares in the course of a business carried on or deemed to be carried on in Canada (a “**Non-Resident Holder**”). Special rules, which are not discussed in this summary, may apply to a Non-Resident Holder that is an insurer carrying on business in Canada and elsewhere or that is an “authorized foreign bank” (as defined in the Tax Act). Such Non-Resident Holders should consult their own tax advisors.

#### *Dividends*

Dividends paid or credited or deemed to be paid or credited on Unit Shares or Warrant Shares to a Non-Resident Holder will generally be subject to Canadian withholding tax at the rate of 25%, subject to reduction under the provisions of an applicable tax treaty or convention. In the case of a Non-Resident Holder that is a resident of the United States and fully entitled to benefits under the *Canada-United States Tax Convention* (1980), as amended, the rate of withholding tax on such dividends beneficially owned by such Non-Resident Holder will generally be reduced to 15%. This rate is reduced to 5% in the case of a Non-Resident Holder that is the beneficial owner of the dividends and that is a corporation that owns beneficially at least 10% of the voting stock of the Corporation.

#### *Dispositions of Unit Shares, Warrants and Warrant Shares*

A Non-Resident Holder who disposes of or is deemed to have disposed of a Unit Share, a Warrant or a Warrant Share will not be subject to income tax under the Tax Act in respect of any capital gain realized thereon unless, at the time of disposition, the Unit Share, Warrant or Warrant Share, as the case may be, is or is deemed to be “taxable Canadian property” (as defined in the Tax Act) of the Non-Resident Holder, and the gain is not exempt from tax pursuant to the terms of an applicable tax treaty or convention.

Provided the Unit Shares and Warrant Shares are listed on a “designated stock exchange” (which currently includes the CSE), the Unit Shares, Warrants and Warrant Shares generally will not constitute taxable Canadian property of a Non-Resident Holder at the time of disposition unless at any time during the 60-month period immediately preceding the disposition: (a) one or any combination of (i) the Non-Resident Holder, (ii) persons with whom the Non-Resident Holder did not deal at arm’s length, and (iii) partnerships in which the Non-Resident Holder or a person with whom the Non-Resident Holder did not deal at arm’s length holds a membership interest directly or indirectly through one or more partnerships, owned 25% or more of the issued shares of any class or series of the capital stock of the Corporation, and (b) more than 50% of the fair market value of the Unit Shares or Warrant Shares was derived directly or indirectly from one or any combination of real or immovable property situated in Canada, Canadian resource properties (as defined in the Tax Act), timber resource properties (as defined in the Tax Act) and options in respect of, or interests in, or for civil law rights in, any such property, whether or not such property exists. The Unit Shares, Warrants or Warrant Shares may also be deemed to be taxable Canadian property of a Non-Resident Holder in certain circumstances.

In the event that a Unit Share, Warrant or Warrant Share constitutes taxable Canadian property of a Non-Resident Holder and any capital gain realized on the disposition thereof is not exempt from tax pursuant to the terms of an

applicable income tax treaty or convention, the income tax consequences discussed under “Residents of Canada – Capital Gains and Capital Losses” would generally apply to the Non-Resident Holder.

Non-Resident Holders whose Unit Shares, Warrants or Warrant Shares are taxable Canadian property should consult their own tax advisors.

## **RISK FACTORS**

An investment in the Units is subject to a number of risks which involve a high degree of uncertainty and must be considered highly speculative due to the nature of the Corporation’s business. These risks, including those described below, could have a material adverse effect upon, among other things, the future operating results, potential earnings, business prospects and condition (financial or otherwise) of the Corporation. A prospective purchaser of such securities should carefully consider the information described in this Prospectus, the documents incorporated by reference in this Prospectus, each of which may be accessed on the Corporation’s SEDAR profile at [www.sedar.com](http://www.sedar.com), including, without limitation, the risk factors set forth under the heading “Risk Factors” in the AIF and in the MD&A, and the information set forth under the heading “*Cautionary Note Regarding Forward-Looking Information*”.

The risks described or incorporated by reference herein are not the only risk factors facing the Corporation and should not be considered exhaustive. Additional risks and uncertainties not currently known to the Corporation, or that the Corporation currently considers immaterial, may also materially and adversely affect the business, operations and condition (financial or otherwise) of the Corporation. Should one or more of the risks or uncertainties described below, in the AIF or in the MD&A materialize or should the underlying assumptions of the Corporation’s business prove incorrect, actual results may differ significantly from those anticipated, believed, estimated, expected, intended or planned.

### *Completion of the Offering*

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

### *Loss of Entire Investment*

An investment in the Units is speculative and may result in the loss of a purchaser’s entire investment. Only potential purchasers who are experienced in high-risk investments and who can withstand a complete loss of their investment should consider purchasing the Units in this Offering. Before making an investment decision, prospective purchasers of Units should consider the information contained and incorporated by reference in this Prospectus and, in particular, the risk factors set out herein and in the documents incorporated by reference herein. Readers are cautioned that such risk factors are not exhaustive.

### *Discretion Regarding the Use of Proceeds*

The Corporation currently intends to allocate the net proceeds of the Offering as described under “*Use of Proceeds*”. However, management will have broad discretion concerning the use of the proceeds of the Offering as well as the timing of their expenditures. As a result, an investor will be relying on the judgment of management for the application of the proceeds of the Offering. Management may use the net proceeds of the Offering in ways other than as described under “*Use of Proceeds*” that an investor may not consider desirable. The results and the effectiveness of the application of the proceeds are uncertain. If the proceeds are not applied effectively, the Corporation’s results of operations may suffer.

### *Sales of Substantial Amounts of the Corporation’s Securities May Have an Adverse Effect on the Market Price of the Securities*

Sales of substantial amounts of the Corporation’s securities, or the availability of such securities for sale, could

adversely affect the prevailing market prices for the Corporation's securities, including the Common Shares. A decline in the market prices of the Common Shares or other securities could impair the Corporation's ability to raise additional capital through the sale of securities should it desire to do so.

#### *The Corporation's Securities May Experience Price Volatility*

There can be no assurance that an active market for the Common Shares partially comprising the Units will be sustained after the Offering. Securities of small and mid-cap companies have experienced substantial volatility in the past and often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include global economic developments and market perceptions of the attractiveness of certain industries. There can be no assurance that continuing fluctuations in price will not occur. The price per Common Share may be affected by the changes to the Corporation's financial condition or results of operations. As a result of any of these factors, the market price of the securities of the Corporation at any given point in time may not accurately reflect the long term value of the Corporation.

#### *The Warrants May Not Be Approved for Listing*

While the Corporation will endeavour to obtain the listing of the Warrants, there can be no assurance that such listing application will be accepted by the CSE and the listing of the Warrants on the CSE is not a condition to closing the Offering. Listing will be subject to the Corporation fulfilling all of the listing requirements of the CSE, and there is no assurance that these listing requirements will be fulfilled.

#### *Holders of Warrants have no Rights as Shareholders*

Until a holder of Warrants acquires Warrant Shares upon exercise of such Warrants, such holder will have no rights with respect to the Warrant Shares underlying such Warrants. Upon exercise of such Warrants, such holder will be entitled to exercise the rights of a holder of Common Shares only as to matters for which the record date occurs after the exercise date of such Warrants.

#### *No Assurance of Future Liquidity for the Common Shares*

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 Common Shares on the trading market, or that the Corporation will continue to meet the listing requirements of the CSE or the OTCQB, or achieve listing on any other public listing exchange.

#### *The Corporation has Negative Cash Flow from Operations*

The Corporation has had negative cash flow from operating activities and, due to the nature of its business, there can be no assurance that the Corporation will be profitable. To fund its current operations and anticipated expansions, additional funds may be required. A portion of these funds may be funded out of the net proceeds of the Offering. The Corporation cannot guarantee it will achieve cash flow positive status in the future or have access to sufficient financial resources to fund its operations. Continued negative cash flow may restrict the Corporation's ability to pursue its business objectives which could have a material adverse effect on the Corporation's business, prospects, financial condition and results of operations.

#### *Additional Financing*

The continued development of the Corporation, including the building and operation of the Corporation's retail cannabis stores, is capital intensive. In order to execute the anticipated growth strategy, the Corporation expects to require additional equity and/or debt financing to support on-going operations, to undertake capital expenditures and to undertake additional acquisitions or other business combination transactions. There can be no assurance that additional financing will be available to the Corporation when needed or on terms, which are acceptable to the Corporation. The Corporation's inability to raise financing to support on-going operations or to fund capital expenditures or acquisitions could limit the Corporation's growth and may have a material adverse effect upon future

profitability. The Corporation may require additional financing to fund its operations to the point where it is generating positive cash flows.

If additional funds are raised by offering equity securities or convertible debt, existing shareholders of the Corporation could suffer significant dilution. Any debt financing secured in the future could involve the granting of security against assets of the Corporation and also contain restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Corporation to obtain additional capital and to pursue business opportunities, including potential acquisitions. The Corporation may require additional financing to fund its operations.

#### *A Significant Number of Common Shares are Owned by a Limited Number of Existing Shareholders*

The Corporation's management, directors and employees own a substantial number of the outstanding Common Shares (on a non-diluted and partially-diluted basis). As such, the Corporation's management, directors and employees, as a group, are in a position to exercise influence over matters requiring shareholder approval, including the election of directors and the determination of corporate actions. As well, these shareholders could delay or prevent a change in control of the Corporation that could otherwise be beneficial to the Corporation's shareholders.

#### *The COVID-19 Pandemic*

The COVID-19 pandemic has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of COVID-19 is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Corporation and its operating subsidiaries in future periods.

As of the date of this Prospectus, the duration and the immediate and eventual impact of COVID-19 remains unknown. In particular, it is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Corporation and its industry partners. To date, a number of businesses have suspended or scaled back their operations and development as cases of COVID-19 have been confirmed, for precautionary purposes or as governments have declared a state of emergency or taken other actions. However, the exact extent to which COVID-19 impacts, or will impact, the Corporation's business and the market for the Common Shares, will depend on future developments, which are highly uncertain and cannot be predicted at this time, and include the duration, severity and scope of the pandemic and the actions taken to contain or treat COVID-19 (including recommendations from public health officials). In particular, the continued spread of COVID-19 globally could materially and adversely impact the Corporation's business, including without limitation, store closures or reduced operational hours or service methods, employee health, workforce productivity, reduced access to supply, increased insurance premiums, limitations on travel, the availability of experts and personnel and other factors that will depend on future developments beyond the Corporation's control, which could have a material adverse effect. There can be no assurance that the personnel of the Corporation will not be impacted by COVID-19 and ultimately see its workforce productivity reduced or incur increased costs as a result of these health risks. In addition, COVID-19 represents a widespread global health crisis that could adversely affect global economies and financial markets resulting in an economic downturn that could have a material adverse effect.

### **INTERESTS OF EXPERTS**

Certain legal matters relating to the issue and sale of the securities offered hereunder will be passed upon by Pushor Mitchell LLP and Ryan Shewchuk Professional Corporation on behalf of the Corporation, and by Borden Ladner Gervais LLP, on behalf of the Agents. As of the date of this Prospectus, the partners and associates of Pushor Mitchell LLP, Ryan Shewchuk Professional Corporation and Borden Ladner Gervais LLP own, directly or indirectly, in the aggregate, less than 1% of the issued and outstanding Common Shares.

Smythe LLP, the auditors of the Corporation, has advised the Corporation that they are independent of the Corporation within the meaning of the Rules of Professional Conduct of Chartered Professional Accountants of British Columbia.

None of the aforementioned firms or persons, nor any directors, officers or employees of such firms, are currently expected to be elected, appointed or employed as a director, officer or employee of the Corporation or of any of associate or affiliate of the Corporation.

#### **AUDITORS, TRANSFER AGENT AND REGISTRAR**

Smythe LLP, located at 1700 – 475 Howe Street, Vancouver, British Columbia, V6C 2B3, are the auditors of the Corporation at its principal offices in Vancouver, British Columbia.

Computershare Investor Services Inc., located at 510 Burrard Street, Vancouver, British Columbia V6C 3B9, is the transfer agent and registrar of the Common Shares at its principal offices in Vancouver, British Columbia.

#### **OTHER MATERIAL FACTS**

To management's knowledge, there are no other material facts about the securities being distributed that are not otherwise disclosed in this Prospectus or in the documents incorporated by reference herein, or are necessary for the Prospectus to contain full, true and plain disclosure of all material facts relating to the securities being distributed.

#### **PURCHASERS' STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION**

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two (2) business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revision of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

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

Original purchasers of securities issued under this Prospectus which are convertible, exchangeable or exercisable into other securities of the Corporation ("**Convertible Securities**") will have a contractual right of rescission against the Corporation in respect of the conversion, exchange or exercise of such Convertible Securities. The contractual right of rescission will entitle such original purchasers to receive both the original amount paid for such securities, as well as the amount paid upon conversion, exchange or exercise of such Convertible Securities, upon surrender of the securities issued to such purchaser upon conversion, exchange or exercise of such Convertible Securities (or any convertible securities issued upon the conversion of such Convertible Securities, if applicable), in the event that this Prospectus contains a misrepresentation, provided that: (i) the conversion, exchange or exercise takes place within one hundred eighty (180) days of the date of the purchase of the Convertible Securities under this Prospectus; and (ii) the right of rescission is exercised within one hundred eighty (180) days of the date of the purchase of such Convertible Securities under this Prospectus. This contractual right of rescission will 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 purchasers of Convertible Securities under section 130 of the *Securities Act* (Ontario) or otherwise at law. Original purchasers of Convertible Securities 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, limited to the price at which such Convertible Securities were offered to the public under the prospectus offering. This means that, under



the securities legislation of certain provinces, if the purchaser pays additional amounts upon conversion, exchange or exercise of the security, those amounts may not be recoverable under the statutory right of action for damages that applies in those provinces. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of this right of action for damages, or consult with a legal advisor.

#### **ADDITIONAL INFORMATION**

Following the completion of the Offering, the Corporation will be required to file reports and other information with the securities commissions in certain provinces and territories of Canada. These filings will be electronically available from SEDAR at [www.sedar.com](http://www.sedar.com).

## **CERTIFICATE OF THE CORPORATION**

Dated: June 28, 2021

This short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of the Provinces of British Columbia, Alberta, Saskatchewan, Ontario and New Brunswick.

(Signed) “Corey Gillon”

By: Corey Gillon  
Chief Executive Officer

(Signed) “Dylan Murray”

By: Dylan Murray  
Chief Financial Officer

### **On Behalf of the Board of Directors**

(Signed) “Chris Bogart”

By: Chris Bogart  
Director

(Signed) “Peter Simeon”

By: Peter Simeon  
Director

## **CERTIFICATE OF THE AGENTS**

Dated: June 28, 2021

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of the Provinces of British Columbia, Alberta, Saskatchewan, Ontario and New Brunswick.

### **CANACCORD GENUITY CORP.**

(Signed) “Graham Saunders”  
Graham Saunders

### **LEEDE JONES GABLE INC.**

(Signed) “Jim Dale”  
Jim Dale