

**CONFIDENTIAL OFFERING MEMORANDUM**  
**October 31, 2017**

The Issuer: CannaTest Photonics Ltd. (the "**Corporation**" or "**CannaTest**")

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Currently Listed or Quoted: **The securities of the Corporation do not trade on any exchange or market.**

Reporting Issuer? No.

SEDAR Filer? No.

Securities Offered: Units of the Corporation ("**Units**"), each Unit comprised of one common share in the capital of the Corporation ("**Common Share**") and one-half of one transferable Common Share purchase warrant (each whole warrant a "**Warrant**"). Each Warrant shall be exercisable into one additional Common Share of the Corporation at an exercise price of \$0.70 per Common Share for a period of two years from the Closing Date (subject to the Acceleration Provision (defined herein)).

Price per Security: \$0.45 per Unit.

Minimum/Maximum Offering: Up to 11,111,111 Units for gross proceeds of up to \$5,000,000, with an over-allotment option for up to 3,333,333 additional Units ("**Over-Allotment Option**"). **There is no minimum Offering amount. Funds available under the Offering may not be sufficient to accomplish CannaTest's proposed objectives. You may be the only purchaser.**

Minimum Subscription Amount: There is no minimum subscription amount an investor must invest.

Payment Terms: Payment in full by certified cheque, bank draft, wire transfer or other form of guaranteed funds acceptable to the Agent, payable to 'PI Financial Corp.', with delivery of a fully-executed and completed Subscription Agreement. See ITEM 5.

Proposed Closing Date: Closing is expected to occur on or about November 30, 2017, or such other date as the Corporation and the Agent may agree to.

Income Tax Consequences: There are important tax considerations applicable to an investment in these securities. See ITEM 6.

Selling Agent: The Corporation has retained PI Financial Corp. (the "**Agent**"), an IIROC-regulated Dealer Member firm, for the distribution and sale of the Units. However, the Corporation may also distribute through additional selling agents. See ITEM 7

**Resale Restrictions**

You will be restricted from selling your securities for an indefinite period. See ITEM 10.

**Purchaser's Rights**

You have two business days to cancel your agreement to purchase these securities. If there is a misrepresentation in this Offering Memorandum, you have the right either to sue for damages or to cancel the agreement. See ITEM 11.

***This Offering is being made to, and subscriptions will only be accepted from, persons resident in each of the provinces of Canada except for Quebec. This Offering is being made pursuant to certain exemptions contained in National Instrument 45-106 – Prospectus Exemptions ("NI 45-106").***

***No securities regulatory authority or regulator has assessed the merits of these securities or reviewed this Offering Memorandum. Any representation to the contrary is an offence. This is a risky investment. See ITEM 8.***

## CONFIDENTIALITY

This Offering Memorandum is confidential and has been prepared solely for delivery to and review by selected prospective purchasers of the securities offered hereby. This copy of the Offering Memorandum is personal to the person to whom it is delivered and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire any of the securities offered hereby. Distribution of this Offering Memorandum to any person other than the person to whom it is delivered and those persons, if any, retained to advise such person with respect thereto is unauthorized, and any disclosure of any of its contents without the prior written consent of the Corporation is prohibited. Each prospective purchaser, by accepting delivery of this Offering Memorandum, agrees to the foregoing and undertakes to make no photocopies of or to otherwise reproduce, in whole or in part, this Offering Memorandum, or any documents relating thereto and, if such prospective purchaser does not purchase any of the securities offered hereby or the Offering is terminated, to return promptly this Offering Memorandum and all such documents to the Corporation, if so requested by the Corporation.

## ABOUT THIS OFFERING MEMORANDUM

The information contained in this Offering Memorandum is intended only for the persons to whom it is transmitted for the purposes of evaluating the securities offered hereby. Prospective purchasers should only rely on the information in this Offering Memorandum. No persons are authorized to give any information or make any representation in respect of the Corporation or the securities offered herein and any such information or representation must not be relied upon.

This Offering is a private placement and is not, and under no circumstances is to be construed as, a public offering of the securities described herein. The securities are being offered in reliance upon exemptions from the registration and prospectus requirements set forth in applicable securities legislation.

The securities referred to in this Offering Memorandum have not been, nor will they be, registered under the United States Securities Act of 1933, as amended, and may not be offered or sold within the United States (the "U.S.") or to, or for the account or benefit of, U.S. persons absent U.S. registration or an applicable exemption from the U.S. registration requirements. This Offering Memorandum does not constitute an offer for sale of securities for sale, nor a solicitation for offers to buy any securities. Any public offering of securities in the U.S. must be made by means of a prospectus containing detailed information about the company and management, as well as financial statements.

**THIS IS A SPECULATIVE OFFERING. An investment in the securities described in this Offering Memorandum must be regarded as highly speculative due to the nature of the Corporation's business and its relatively early stage of development.** Purchasers must rely on the ability, expertise, judgment, discretion, integrity and good faith of the management of the Corporation. The securities are suitable only for purchasers who are able to accept the risks inherent in the Corporation's business and who can afford to lose their entire investment. In addition, there are a number of other risk factors that should be considered by persons proposing to make an investment in the securities. **Purchasers should consult their own professional advisors to assess the income tax, legal and other aspects of the investment. See ITEM 8.**

All dollar amounts stated in this Offering Memorandum are expressed in Canadian currency, except where otherwise indicated.

## FORWARD-LOOKING INFORMATION

Certain statements contained in this Offering Memorandum constitute forward-looking information. These statements relate to future events or CannaTest's future performance. Forward-looking information can often be identified by the use of words such as "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "believe", "budget", "plan", "forecast", "potential", "intend" or similar words suggesting future outcomes, or other expectations, beliefs, plans, objective, assumptions, intentions, or statements about future events or performance. All statements other than statements of historical fact are forward-

looking statements. These statements reflect the Corporation's current views with respect to future events and are subject to known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward- looking statements.

Risks and other factors that could cause actual results to differ materially from expectations include, among other things, general economic and market factors, business competition, changes in government regulations or in tax laws, in addition to those factors discussed or referenced under the heading "*Risk Factors*". These factors should not be considered exhaustive. Many of these risk factors are beyond the Corporation's control and each contributes to the possibility that the forward-looking statements will not occur or that actual results, performance or achievements may differ materially from those expressed or implied by such statements. The impact of any one risk, uncertainty or factor on a particular forward-looking statement is not determinable with certainty as these risks, uncertainties and factors are interdependent and management's future course of action depends upon CannaTest's assessment of all information available at that time.

The forward-looking statements made herein relate only to events or information as of the date of this Offering Memorandum and are expressly qualified by this cautionary statement. Except as required by law, the Corporation undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events.

## **MARKET AND INDUSTRY DATA**

This Offering Memorandum contains statistical data, market research and industry forecasts that were prepared by the Corporation or obtained from government or other industry publications and reports or are based on estimates derived from such publications and reports. Government and industry publications and reports generally indicate that they have obtained their information from sources believed to be reliable, but do not guarantee the accuracy and completeness of their information. While the Corporation believes such data to be reliable, market data, industry data and data prepared by the Corporation is subject to variations and cannot be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any statistical survey. The Corporation has not independently verified any of the data from independent third party sources referred to in this Offering Memorandum or ascertained the underlying assumptions relied upon by such sources.

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## GLOSSARY

**"Acceleration Provision"** means that, in the event the volume weighted average closing price of the Common Shares trades on a stock exchange at \$1.00 or more for 10 consecutive trading days at any time subsequent to the expiry of six months from the date of issuance of the Warrants, then the Corporation will earn the right, by providing notice (the **"Acceleration Notice"**) to the Warrant holders, to accelerate the Expiry Date of the Warrants to the date which is 30 days from the date of the Acceleration Notice;

**"Board"** means the board of directors of the Corporation;

**"Business Day"** means a day other than a Saturday, Sunday or any day on which the principal office of the Corporation's bankers located in Calgary, Alberta, is not open for business during normal banking hours;

**"Closing"** means the closing of the Offering;

**"Closing Date"** means the date on which Closing occurs;

**"Common Share"** means a common share in the capital of the Corporation;

**"Maximum Offering"** means the Offering being fully subscribed for resulting in the sale of 11,111,111 Units;

**"NI 45-106"** means National Instrument 45-106 – *Prospectus Exemptions*;

**"Offering"** means this offering of up to 11,111,111 Units;

**"Offering Jurisdiction"** means each of the provinces of Canada (other than Quebec) where the Units are being offered pursuant to available prospectus exemptions (in accordance with Securities Legislation) in such provinces of Canada;

**"Offering Memorandum"** means this offering memorandum;

**"Person"** means any individual, partnership, limited partnership, joint venture, syndicate, sole proprietorship, company or corporation with or without share capital, unincorporated association, trust, trustee, executor, administrator or other legal personal representative, regulatory body or agency, government or governmental agency, authority or entity, however designated or constituted;

**"Proposed Qualifying Transaction"** means the proposed arm's-length qualifying transaction between Snow Eagle and the Corporation pursuant to the terms and conditions of the letter of intent dated August 30, 2017 and accepted September 11, 2017, and between Snow Eagle and the Corporation;

**"Registered Plans"** means RRSPs, RRIFs, TFSAs, DPSPs, registered education savings plans, and registered disability savings plans;

**"Securities Legislation"** means the laws and regulations in each province and territory of Canada that are applicable to the Corporation and the requirements, rules, policies, instruments and decisions of the local securities authorities that are applicable to the Corporation;

**"Shareholder"** means the Person or Persons for the time being entered in the share register of the Corporation as the holder or holders of any Common Shares;

**"Snow Eagle"** means Snow Eagle Resources Ltd.;

**"Subscription Agreement"** means the subscription agreement executed by a subscriber to purchase Units;

**"Tax Act"** means the *Income Tax Act* (Canada) and the regulations thereunder, as the same may be amended, restated, supplemented or replaced from time to time;

**"Unit"** means a unit of the Corporation issued under the Subscription Agreement, each Unit comprised of one Common Share and one half of one Warrant, and **"Units"** means more than one Unit; and

**"Warrant"** means each whole transferable Common Share purchase warrant, where each such warrant shall be exercisable into one Common Share of the Corporation at an exercise price of \$0.70 per Common Share for a period of two years from the Closing Date (subject to the Acceleration Provision).

## ITEM 1 – USE OF AVAILABLE FUNDS

### 1.1 Funds

The net proceeds of the Offering and other funds available to the Corporation immediately following the Closing are as follows:

		Assuming Maximum Offering <sup>(1)</sup>	Assuming Maximum Offering plus full Over-Allotment Option
A	Amount to be raised by this Offering	\$5,000,000	\$6,500,000
B	Selling commissions and fees <sup>(2)(3)(4)</sup>	\$425,000 <sup>(5)</sup>	\$552,500 <sup>(6)</sup>
C	Estimated Offering costs (e.g. legal, accounting, etc.)	\$100,000	\$100,000
D	Available Funds: $D = A - (B+C)$	\$4,475,000	\$5,847,500
E	Additional Sources of Funding	\$1,908,000 <sup>(7)(8)</sup>	\$1,908,000 <sup>(7)(8)</sup>
F	Working Capital Deficiency	Nil	Nil
G	Total: $G = (D+E) - F$	\$6,383,000	\$7,755,500

**Notes:**

- (1) The Corporation may raise only a portion of the Maximum Offering.
- (2) The Corporation will also issue to the Agent such number of compensation options as is equal to 8.5% of the aggregate number of Units sold under the Offering. See ITEM 7.
- (3) The Corporation may enter into agreements with third parties to provide marketing, administrative and related services in connection with the Offering on such terms and conditions as may be deemed advisable by the Board. The above table does not assume any fees payable in connection with such arrangements.
- (4) The Corporation is entitled to provide a president's list of investors that will comprise not more than 10% of the Offering and for which a commission of 2% will be payable, and a preferred commission of 6% will apply to up to 20% of the Offering in respect of Units allocated to investment advisors listed with the Investment Industry Regulatory Organization of Canada (together, such allocations being the "**Alternative Commission Allocation**").
- (5) Assuming the Alternative Commission Allocation is maximized, the aggregate selling commissions and fees of the Maximum Offering will be equal to \$367,500.
- (6) Assuming the Alternative Commission Allocation is maximized, the aggregate selling commissions and fees of the Maximum Offering plus full Over-Allotment Option will be equal to \$477,750.
- (7) In connection with prior sales (see "*Prior Sales*" for further detail), the Corporation has \$1,908,000 in available funds remaining.
- (8) Does not include approximately \$790,000 in financing which the Corporation would receive if successful in obtaining funding from Alberta Innovates Technology Futures, Natural Sciences and Engineering Research Council of Canada and the Scientific Research and Experimental Development Tax Incentive when the Corporation makes its application in respect of the same. If successful, the Corporation expects to receive the financing within 18 months from the completion of the Offering.

## 1.2 Use of Available Funds

The Corporation will use the available funds as follows:

Description of intended use of available funds listed in order of priority	Assuming Maximum Offering	Assuming Maximum Offering plus full Over-Allotment Option
Opti-Q device development and device development contingency	\$1,008,000	\$1,008,000
Antibody development and antibody development contingency	\$474,000	\$474,000
Instrument and kit production	\$61,000	\$61,000
Patent pending application	\$70,000	\$70,000
Marketing and support (includes initial market research, preparation of marketing materials and manual development, conferences and trade shows, product support and ancillary marketing costs)	\$345,000	\$345,000
Completion of the Proposed Qualifying Transaction (includes anticipated professional, brokerage and listing fees)	\$650,000	\$650,000
Additional development initiatives (roadside testing and biomarking applications)	\$1,000,000	\$1,500,000
Contingency	\$300,000	\$300,000
Administrative and other costs <sup>(1)</sup>	\$262,000	\$262,000
Working capital	\$2,213,000	\$3,085,500
Total:	\$6,383,000	\$7,755,500

**Note:**

- (1) The Corporation plans to pay to Alberta BioPhotonics Inc., a related party, a sum of \$40,000 representing the outstanding amount owed to Alberta BioPhotonics Inc. in connection with the acquisition of the Proprietary Technology (defined herein). See "Our Business" for further details.



### 1.3 Reallocation

The Corporation intends to utilize the available funds (net proceeds) as stated above. The Corporation will reallocate funds only for sound business reasons as determined at the sole discretion of the Board. The Corporation will scale the levels of expenditures on the basis of the actual gross proceeds of the Offering.

## ITEM 2 – BUSINESS OF CANNATEST

### 2.1 Structure

CannaTest is a corporation incorporated under the *Business Corporations Act* (Alberta) on January 25, 2017.

The head and principal office of the Corporation is located at 7 - 3535 Research Park Road NW, Calgary, AB T2L 2K8. The registered and records office of the Corporation is located at 1400, 350 - 7th Avenue SW, Calgary, AB T2P 3N9.

The Corporation does not have any subsidiaries. The Corporation's financial year-end is December 31.

### 2.2 Our Business

CannaTest is an Alberta-based technology and marketing company whose core business is focused on the development and commercializing of a new platform technology, which will assist producers in the Canadian medical marijuana ("**MMJ**") industry in optimizing and tracking the quality and safety of their products. CannaTest's Proprietary Technology (defined below) employs certain widely accepted spectroscopy methods with broad application and has been developed at the University of Calgary in conjunction with the University of Alberta. CannaTest is in a start-up phase and as such has not commenced commercial operations. Provided that it achieves sufficient funding under this Offering, CannaTest plans to complete the final development of its Proprietary Technology and produce a market-ready product, based on such technology, for use in the MMJ industry.

#### Products

On February 23, 2017, CannaTest purchased from Alberta BioPhotonics Inc. ("**ABP**") all of ABP's right, title and interest in its spectroscopy-based analysis and associated instrumentation, including the Opti-Q device, hemp and cannabis-related kits and manuals, extraction protocols and data capture and analysis algorithms (collectively, the "**Proprietary Technology**") for applications on cannabis testing. In connection with its acquisition of the Proprietary Technology, CannaTest issued 16,320,000 Common Shares to ABP and 680,000 Common Shares to creditors of ABP, and issued to ABP a promissory note in the principal amount of \$100,000, of which \$40,000 remains outstanding. CannaTest is also required to pay to ABP a 1% royalty on revenues received by CannaTest through the sale of products or services based on, or derived from, the Proprietary Technology.

CannaTest intends to use the Proprietary Technology to complete the development of three distinct products within the next twelve months:

- (a) A fluorimeter, which can be used to quantify a wide range of specific compounds in solution, such as salt concentrations or biological molecules like DNA or proteins. In respect of DNA quantification, CannaTest's technology is expected to be approximately 25 times more sensitive in its detection capabilities than the leading model of the top manufacturer of fluorimeters in the market. The fluorimeter device will form the platform for the use of CannaTest's fluorescence anisotropy devices ("**Cartridges**").
- (b) The Cartridges use many of the same internal components as CannaTest's fluorimeters but also incorporates additional specialized optical components that enable the specific detection of certain targeted chemicals. The Cartridge and fluorimeter together comprise the Opti-Q.

- (c) Consumable testing kits, which contain all additional components and reagents needed to carry out testing using the fluorimeter and Cartridges. CannaTest is in discussions with and expects to enter into a strategic partnership with a U.S. dye manufacturer, who will supply CannaTest with the necessary dyes needed for developing and producing the kits.

## Business Strategy and Objective

Using its Proprietary Technology, CannaTest's primary objective is to provide the Canadian MMJ industry with an industry-leading product in terms of its combined sensitivity, speed and accuracy for (a) MMJ production monitoring, (b) MMJ product management and tracking, and (c) testing of MMJ. **The Corporation has no immediate plans to enter or service, directly or indirectly, the MMJ industry in the U.S. CannaTest's facility and operations are situated in Canada only and there are no assets or operations located outside of Canada.**

To achieve this objective, CannaTest has a two-part solution comprised of an instrument called the Opti-Q and consumable testing kits. Each consumable testing kit consists of the necessary antibodies and additional components which, when used with the Proprietary Technology, are necessary for testing. The Opti-Q is a portable and customizable device that, upon the completion of its development, will assist producers in the MMJ industry in optimizing and tracking the quality and safety of their products, and can help consumers monitor the quality and safety of MMJ.

The Opti-Q is a type of fluorimeter: a device that can detect and measure the amount of specific chemicals or molecules in a sample. Fluorimeters are specialized analytical instruments often used in industrial, clinical and commercial environments. The improved detection sensitivity of the Opti-Q allows the user to reduce the size and overall quantity of samples consumed for testing purposes, thereby reducing associated costs.

## The Market

The MMJ industry is evolving and expanding at a rapid rate. As mentioned above, the Company has no current plans to enter or service the U.S. market, but may revisit the idea if and when the MMJ industry is no longer illegal federally in the U.S.

Based on Health Canada figures, in June 2015 there were approximately 24,000 MMJ users, and as of June 2017 there were approximately 201,000 MMJ users<sup>1</sup>. Health Canada forecasts that the number of MMJ users will increase to 400,000 people by the year 2024, reaching a \$1.3 billion-dollar market<sup>2</sup>. According to the Cannabis Evidence Series report dated February 2, 2017 and published by the University of Calgary, 10.5% of Canadians self-reported using cannabis within the last 12 months<sup>3</sup>, which suggests to management of CannaTest ("**Management**") that with the proposed legalization of non-medicinal ("**adult use**") cannabis by the Federal government in 2018, the medical and adult use market could grow well beyond 400,000 users and \$1.3 billion before 2024.

The U.S market for legal marijuana usage, whether adult use or medicinal, is estimated to have reached \$4.0 - \$4.5 billion in 2016<sup>4</sup> and, despite the fact that MMJ and adult use marijuana remain a Schedule I drug federally in the U.S. and remain illegal at such level, a national poll conducted in February 2017 by Quinnipiac University found that 59% of adults surveyed favoured the legalization of marijuana use in the

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<sup>1</sup> <https://www.canada.ca/en/health-canada/services/drugs-health-products/medical-use-marijuana/licensed-producers/market-data.html>

<sup>2</sup> <http://www.cbc.ca/news/canada/health-canada-swamped-with-medical-marijuana-business-applications-1.2661070>

<sup>3</sup> <https://open.alberta.ca/dataset/0239e5c2-5b48-4e93-9bcc-77172f7bdc5e/resource/021d8f84-5d8b-4e21-b0bb-81340d407944/download/AHTDP-Cannabis-Evidence-Series-2017.pdf> (Page 18)

<sup>4</sup> <https://mjbizdaily.com/wp-content/uploads/2017/05/Factbook2017ExecutiveSummary.pdf>

U.S.<sup>5</sup>. Management expects this market size figure could increase to \$5.1 - \$6.1 billion by the 2017. The market is expected by Management to continue to grow to \$10.1 – \$13.7 billion by 2020<sup>4</sup>. These projections do not account for the industrial hemp markets in Canada or the U.S.

Despite the growth in the sector, Management believes that plant production optimization is lacking; producers do not have a reliable, quick, and sensitive solution to monitor the growth of their MMJ. Provided with a solution for this problem, producers can be in a better position to keep track of how fast or slow their plants are growing while administering the right types and amounts of nutrients at the proper stage of plant growth. Plant production optimization would also help producers better determine the optimal time to harvest their MMJ (currently, producers rely on changes in color of trichomes, small structures that stick out of the MMJ plant, to determine the harvesting time; this method is inaccurate and subjective.) Furthermore, with Management's expectation of increased public demand for MMJ and tighter government regulations relating to the standard of production of MMJ, producers, regulators, and end-users need a fast, sensitive, and cost-effective method to measure and provide assurance of the quality, strength and content/safety of MMJ. CannaTest expects that testing will become more common and more frequent as the size of MMJ and adult use markets grow and with the proliferation of more regulation and quality control requirements.

Management believes there are thousands producers of marijuana and infused manufacturers in the US in 2017. In Canada, there are currently 69 licensed producers as of the date of this Offering Memorandum.

Management believes that producers would benefit the most from product optimization by making sure their plants grow in the most optimal conditions and are harvested at the right time. This would improve overall product yield and quality. This is especially important due to the competitive nature of the current market; increasing yield could result in a lower cost/gram of MMJ hence increasing profitability. Furthermore, producers can ensure that their harvests comply with government regulations when it comes to the purity and effectiveness (potency) of their products. Testing can be done onsite thereby reducing the number of samples that need to be hand-delivered/shipped for testing in specialized labs, which is expected to save producers time and money.

In the U.S., at least one gram of MMJ is needed for every test which translates into around \$8 of lost revenue for every sample sent in for testing. However, the recommended quantity is about five grams (or about \$40 of lost revenue) to obtain good results. This figure does not consider the actual cost of testing which could be anywhere from \$70 to \$100 (management estimates the price is four to five times higher in Canada due to more stringent testing protocols specified by Health Canada). This is especially significant for small to medium producers who sell multiple strains and need to ensure the quality and safety of their MMJ prior to sales. CannaTest's solution is projected to require only 0.1 to 0.5 grams of sample for testing. Based on CannaTest's research, one Canadian grower has informed CannaTest that it spends more than \$3,000 per week on testing alone (its annual sales were close to \$2.4 million suggesting that the cost of testing is around 7% of its sales).

Management believes the cost of starting a simple lab with the necessary testing equipment that is capable of testing MMJ at the same level as CannaTest's Opti-Q start at \$200,000 and reach as high as \$1,000,000 depending on the size and testing volume of the lab. These figures do not include licensing fees, maintenance expenses, salaries, and other overhead costs needed to run the lab. These costs are considerably outside the budget of small and medium producers. Hence, most producers must depend on commercial labs to fulfill their testing needs.

Dispensaries and retail shops receive hundreds, sometimes thousands, of pounds of MMJ yearly. Dispensaries and retail shops constitute the largest potential customer base (as of January 2017, management believes there are in excess of 350 and 3,300 dispensaries currently found in Canada and

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<sup>5</sup> <https://poll.qu.edu/national/release-detail?ReleaseID=2432>

the U.S., respectively). Interestingly, most dispensaries are not obliged by government agencies to conduct testing. However, some of them do conduct testing for legal risk mitigation (due to unhealthy products) as well as to promote themselves to prospective customers amongst their competitors. Management believes testing will become more and more prominent for a business to differentiate itself from the competition. Furthermore, several major pharmaceutical chains in Canada have expressed interest in dispensing MMJ to patients. Due to the simplicity of the Opti-Q, dispensaries, pharmacies, and retail shops can easily and quickly verify the quality and safety of their plants without the need for sending samples to testing labs. This is especially important considering that many dispensaries and retail shops can sell out their stock within a matter of days of receiving a shipment. Sending samples to labs increases the waiting time between receiving lab results (which can typically take ten to twelve days in Canada, or three to five days in the US, but this can be faster with higher testing fees).

Management believes that regulators will find it easy to ensure that producers (and if applicable, dispensaries) are following government quality and tracking-related guidelines by simply taking the Opti-Q with them to growing or distribution facilities. Regulators will have the opportunity to access electronic records of producer and dispensary tests for review prior to and during on-site visits. Once at the site, regulators will be able to perform real-time testing on the MMJ products, eliminating the need to take samples back to the lab. This would reduce compliance enforcement costs of regulators. Management believes that, currently, regulators are doing very little testing as part of compliance enforcement because of the cost, time and complexity of the available enforcement methods.

Consumers and end-users of MMJ who grow their own MMJ can also monitor the growth of their plants which gives them the opportunity to maximize their harvest. MMJ users benefit by ensuring that the MMJ they buy or grow and consume is of higher quality and is safer for consumption. Management believe that the Opti-Q can save end-users time and money by improving the existing testing process.

Testing labs may also have difficulties when measuring specific attributes in MMJ samples. A major advantage of the Opti-Q is that it can be customized for specific applications. For example, if testing labs are finding a specific attribute difficult to measure such as a new pesticide, then CannaTest can develop a test specific to testing that attribute/pesticide. In addition to potency testing, the Opti-Q will also allow testing for toxic molecules like fungicides and pesticides, and the first such test kit for myclobutanil is currently in development. Moreover, the modular setup also allows testing for toxic heavy metals such as cadmium, mercury, or lead. CannaTest has also initiated test development for these other opportunities.

## **Technology Economic Potential**

CannaTest's technology is expected to alleviate some of the basic quality problems plaguing the Canadian MMJ industry by providing it with a simple, effective, and quick solution for monitoring and analyzing the quality of MMJ products. CannaTest-designed instruments are also expected to improve the industry's ability to quantify new and different aspects of MMJ using the same device. CannaTest anticipates being able to create this adaptability in the Opti-Q in a cost effective way. The expected competitive cost of kits sold to the end-user allows the production and distribution market segments to focus more on business growth than on quality control and regulatory compliance. It should also provide regulatory and compliance agencies with more reliable and accurate measurements, as well as a more effective means of checking compliance. Lastly, it should provide the end-user or consumer with assurance on the quality and consistency of their product.

### *Current Industry Testing Issues*

In a position paper regarding potency testing and labeling, dated February 16, 2017, prepared by the Cannabis Farmers Council (the "**CFC**") and submitted to the Washington State Liquor and Cannabis Board, the CFC noted that, among other things:

- (a) lab tests of potency are currently demonstrably unreliable;

- (b) the inconsistency of lab results (or "cross lab variability") coupled with the false confidence that such results give to the buying public is detrimental to individual purchasers as well as the healthy development of the industry as a whole;
- (c) the cross lab variability reveals the weakness of the current testing system, and is a major inconvenience to producers who are forced to pay significant fees for universal testing of all harvested product (i.e. a massive payout for a dubious indication of potency);
- (d) the overall scheme of cannabis testing should be reconsidered in light of the questionable value of the results; and
- (e) the high cost of testing is a major contributing factor to the dire circumstances of so many producers.

Findings like these suggest the need for a more sensitive, flexible and lower-cost testing option, which provides consistent and reliable results, than currently exists in the market.

#### *Pricing and Distribution*

Management believes the all-in cost of running a test for concentration of active ingredients or the presence of foreign molecules or compounds in MMJ will be lower with the Opti-Q as compared to the products and processes currently available. The Opti-Q allows for quick, inexpensive and accurate attribute detection as well as flexibility and portability. Management of CannaTest has determined, based on its own investigations, that producers and consumers can have their plants tested at a specialized lab that charges anywhere from CDN\$40 to CDN\$75 per test to test for tetrahydrocannabinol ("**THC**"), cannabidiol ("**CBD**") and cannabinol ("**CBN**") (testing costs in Canada are at least four to five times higher than in the U.S., based on Management's research).

Currently available testing options require many producers and consumers to deliver their sample(s) to a testing lab, and involve a waiting period of up to 12 days for test results. The effort and logistics involved with sample packaging and delivery, related paperwork and the receipt of results can be a deterrent to many producers and consumers who need to, or wish to, ensure the quality of their product. A quick and simple in-house solution is a natural solution to overcoming these challenges.

The Corporation plans to initially distribute the technology in Canada, followed by future expansion into legal global markets. Various distribution avenues will be employed, including: (i) distributors of MMJ testing instruments; (ii) direct contact with the cannabis growing community; and (iii) sales using typical sales channels including CannaTest's website, social media and ads in MMJ-related magazines and publications.

CannaTest believes that distribution in the Canadian market will require experts who know the market well. CannaTest is currently in discussions with persons, including industry experts who can advise it on the best strategies for market access and expansion. CannaTest is also consulting with Innovate Calgary, a local hub with numerous connections in various industries, to propose various go-to-market strategies.

#### **Competition**

There are three main types of competition when it comes to MMJ testing:

- 1) Testing labs
- 2) Testing instruments made by manufacturers
- 3) Testing kits

Management believes that there are currently no direct competitors of CannaTest, and no testing products using the same process as the Proprietary Technology, when it comes to providing a sensitive, in-house solution for monitoring the growth of MMJ; the current methods focus on testing MMJ once the plant is harvested and dried (right before sale). CannaTest's objective is to provide producers the

opportunity to optimize MMJ production with a “real-time” solution; plants can be tested at several time points in their lifetime thereby allowing the grower to modify growing conditions as and when needed.

A brief explanation on the current and anticipated state of testing labs, testing instruments and testing kits is provided below.

### *Testing Labs*

When it comes to testing for the purity and effectiveness of MMJ, testing labs are the option most commonly used by producers. Producers may be required by regulatory bodies governing the MMJ industry to prove the quality of their products and, if they do not maintain their own testing facilities, they must then rely on testing labs for detection. Testing labs are often licensed by the government to conduct MMJ testing. Many testing labs provide sensitive and accurate sample testing. Initially, CannaTest will not be competing with testing labs as it anticipates that its activities will not require governmental licensing, as it does not expect to operate as a testing lab.

### *Testing Instruments made by Manufacturers*

Producers have the option of purchasing and maintaining their own testing facilities, but current market instruments involved in testing could easily cost \$175,000 to more than \$225,000, excluding the salaries of the trained personnel and the cost of the space needed to operate these instruments. Based on CannaTest's survey of the existing product offering in the Canadian MMJ testing industry, there are currently several MMJ testing devices that can cost anywhere from \$700 to \$60,000. The most common problem with these available devices is the low sensitivity, inconsistency, and inaccuracy of their results. As an example, one such device studied by Management can test for only a limited set of attributes from MMJ samples. The technology behind the device is also incapable of accurately determining the concentrations of the various attributes in MMJ; errors by the manufacturer have been reported to be plus or minus 20% of values obtained in reference to a technique called gas chromatography. Gas chromatography is being phased out for MMJ testing and replaced with the more accurate high pressure liquid chromatography method ("**HPLC**").

The HPLC method is based on chromatography and involves the separation and identification of target molecules in complex mixtures during the flow of a solution across a column. Depending on the nature of the molecules and the column material, there will be strong, moderate, or weak interactions which will separate molecules while they flow through the column where they are detected over time upon exiting. Standards are used to allow a comparison in terms of the amount of the selected target molecules present. The molecules are detected once they flow off the column over time.

The Opti-Q method is not a HPLC method. It instead uses antibodies for molecule detection. The antibody method involves the use of proteins that have been designed for the detection of specific molecules. The human immune system uses them to detect pathogens, and the Opti-Q method uses them to detect certain cannabinoids. The Opti-Q's use of antibodies ensures that only the molecules of interest are detected by the device.

### *Kits Produced for Home Use*

Several kits have been produced in-house by hobbyists and small companies. These kits are targeted primarily towards individuals who grow their own MMJ. Their capabilities are limited in that they can only test for one or two attributes (THC and CBD) and they are very inaccurate, giving general effectiveness of samples rather than specific numbers which results in large measuring errors. In Canada, these kits can cost anywhere from \$165 to \$425 for 25 tests. In other words, the cost per test can range between \$7 and \$17. In addition, testing usually takes one to two hours and they often use harsh chemicals that require extreme care when handling, increasing the chances of end-user injury.

### *Strengths and Weaknesses of Competition*

CannaTest has summarized below what it believes to be the key strengths and weaknesses of its known competition.

## Strengths

### Testing labs:

- Are more established and have been running for several years
- Might have connections with current customers
- Can test for multiple attributes

### Testing instruments:

- Can do testing on-site
- Can measure some attributes

### Hobbyist kits:

- Readily available
- Relatively cheap in comparison to testing labs
- Less time-consuming than testing labs

## Weaknesses

### Testing labs:

- Unable to conduct “real-time” production optimization monitoring
- Still cannot test for all necessary attributes (often cannot test for heavy metals and some bacteria)
- Long turnaround time (10 - 12 days)
- Involves dropping off samples at testing facility (more expensive)
- Testing results vary from lab to lab (inconsistent)

### Testing Instruments:

- Most are expensive for the producer
- Limited to THC and CBD testing (heavy metals, mould cannot be tested for)
- Require trained personnel and maintenance
- Inconsistent and inaccurate
- Adaptability to changing needs is questionable

### Home-Based Kits:

- Not sensitive (more qualitative than quantitative)
- Lack of accuracy, very crude and not standardized
- Often involve the use of harsh chemicals (dangerous to health of end-user)



## Competitive Advantage of the Opti-Q Solution



**Production Optimization** – By allowing producers to test their plants throughout their growth cycle, the Opti-Q will allow producers to ensure that their plants are growing in the most optimal and cost effective manner. It will also allow producers to respond more quickly to any contamination or quality issues that are detected within a given product cycle.



**Ease of Use** – With the Opti-Q, there is no need to look through complex charts to determine the quality of the sample, as is required by the current testing labs and manufacturers. Testing can be done easily and data can be analyzed by the provided software immediately. Data can also be transferred via wireless or wired connection for archiving and saved on a database. This will greatly assist with inventory control.



**In-House Testing** – Whether for a producer, regulator, or end-user, the Opti-Q can be used anytime and anywhere. User can avoid the hassle of shipping samples to testing labs.



**Sensitivity and Accuracy** – Producers, regulators, and other users can be confident that they will receive consistent and accurate results due to the sensitivity and accuracy of the Opti-Q.



**Competitive cost** – To CannaTest's knowledge, its device is the least expensive high-sensitivity testing instrument in the cannabis testing industry. Kits sold with the Opti-Q in Canada are expected to be at least 70-80% less costly than testing labs, providing producers, regulators and end-users with sustained savings.



**Flexibility** – The Opti-Q can have up to four different channels (i.e. at least 4 different attributes can be measured at the same time), but CannaTest expects to expand the Opti-Q's capabilities to eight different channels. The instrument can also be customized to focus on any mix of attributes, depending on the end-user's preference.



**Quick Turnaround time** – The time needed per test is projected to take five to ten minutes (including the time needed to prepare and to analyze the results), thereby greatly reducing the time needed for testing.



**Portability** – The Opti-Q can be battery powered and is compatible with e-tablets, allowing for easy circulation and review of test results. This may prove particularly useful for regulatory bodies or agencies responsible for engaging with dispensaries to test their products. It will also be useful for producers or distributors with multiple operating locations.

## Intellectual Property

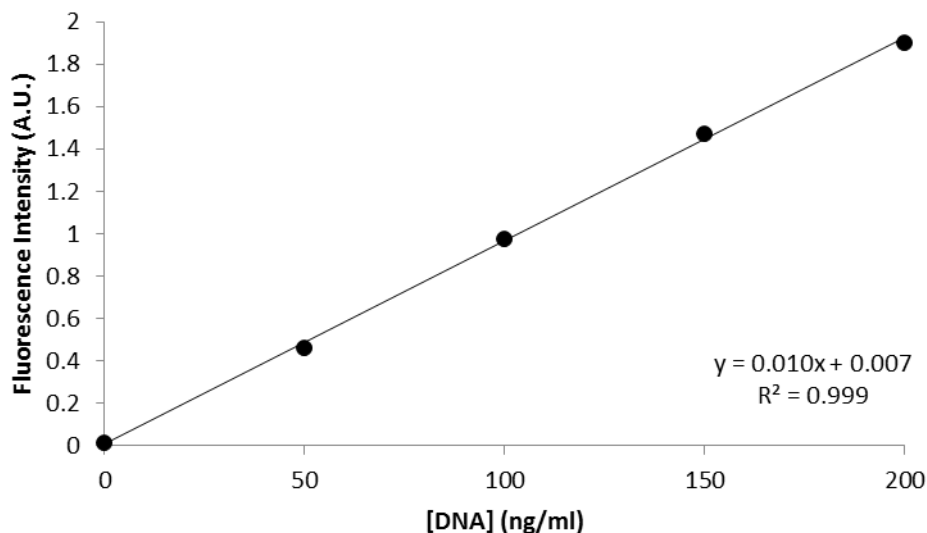
CannaTest has several patents in the pipeline that can be used to protect its technology. CannaTest is currently in the process of submitting two patent applications.

As with any invention or design, patents can be infringed upon by individuals in countries where a patent was not submitted or, rarely, from companies who reside in the jurisdiction of the patent. CannaTest is taking various steps in its manufacturing process to make it as difficult as possible for competitors to emulate its intellectual property. However, CannaTest recognizes that technology can still be copied despite the best of efforts of companies. CannaTest is therefore developing various products simultaneously, which will allow it to maintain a strategic advantage over potential competitors who attempt to replicate its technology. Furthermore, development of the necessary antibodies for testing requires significant expertise and financial resources which, when coupled with the first mover advantage that CannaTest hopes to acquire and the strong brand that it intends to develop in this space, will minimize the risk of intellectual property infringement.

## Proof of Concept and Validation

### *Proof of Concept – Direct Fluorescence*

The core technology forming the basis of CannaTest's Proprietary Technology, which is currently being used for DNA and protein detection in research labs, has been shown to function with high precision, speed, and accuracy. Currently, CannaTest's first generation Opti-Q can detect and measure DNA (a common molecule tested for in university research labs) in minute amounts with more than 25 times the sensitivity demonstrated by its strongest competitor. Testing can be done in less than four minutes and at a fraction of the cost of known competitor products. Below is a graph that shows the sensitivity of the Opti-Q in measuring DNA:

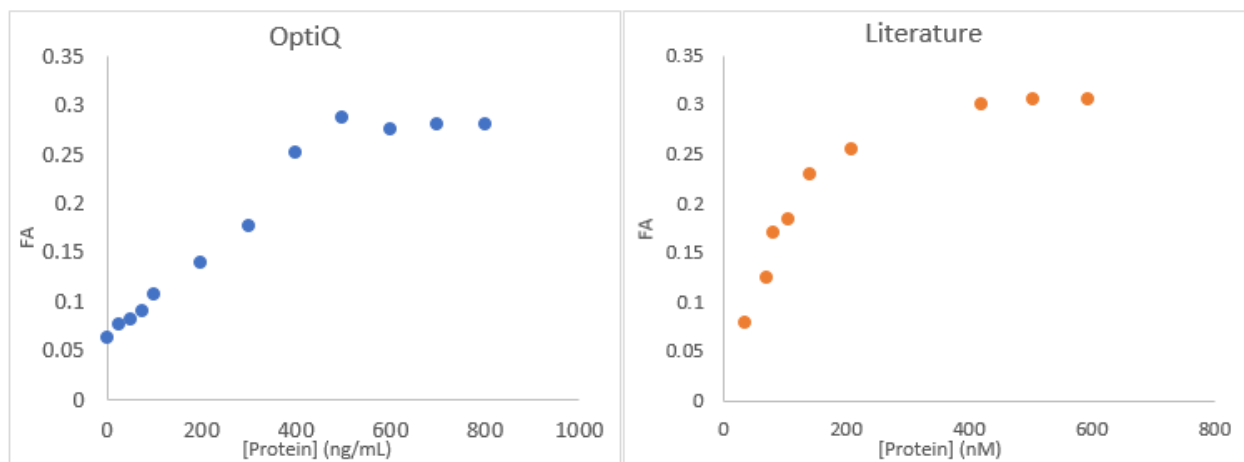


*Sample dsDNA Curve using the Opti-Q*

The above graph represents how close the measured values (dots) agree with the expected results (line) above, this measurement gives a R2 value of 0.999. The R2 is a statistical measure of how well the data points fit to the proposed line. An ideal value of R2 should equal one. The Opti-Q produces a line that is very close to being ideal. In other words, CannaTest's test results have demonstrated the Opti-Q as a highly sensitive and accurate measuring device.

### Proof of Concept –Fluorescence Anisotropy

With development, the Opti-Q will be tailored for MMJ testing. The concept of anisotropy is what will be used to measure the major attributes of MMJ. Currently, a prototype has been tested and shows excellent correlation between CannaTest's device and results published in high-end scientific journals using very large and expensive anisotropy devices; both results show a similar curve shape and data values (see the shape of the red dots and the values in each graph below).



*Figures comparing the data obtained from the Opti-Q and a large and expensive competitor device using the same detection technique as the Opti-Q. The above example is of measuring of streptavidin, a common molecule used in biology applications. The results on the right are published in a scientific journal (Wang L, Clifford B, Graybeal L, Tolley L, ME. M. Detection of target proteins by fluorescence anisotropy. Journal of fluorescence. 2013;23:881-888).*

The above example provides support that CannaTest's Proprietary Technology works. The device using antibodies for the detection of THC and CBD is a variation of the DNA device and validation of the technology is currently being finalized. However, CannaTest still needs to turn the current prototype into a much more sensitive device to test for THC, CBD and CBN (which are smaller than streptavidin, the molecule being tested for in the graphs above). With further technological development, the Opti-Q can then be used to test for the major attributes of MMJ.

### External Validation

CannaTest has externally validated the DNA/protein device through an independent engineering firm. Results from the evaluation found a very promising technology that can be easily improved further for testing and manufacturing. The engineering firm suggested a smaller electronic board size, changes in software, and minor changes in instrument shape for optimal functionality. One important factor that the independent engineering firm has identified and examined is the determination of the optimal manufacturing method for the device. Currently, CannaTest's prototypes are 3D printed, but these prototypes will be replaced with a more durable manufacturing method, such as thermoforming or injection moulding. The process of replacing the existing prototypes is currently in progress.

CannaTest's second prototype, which uses anisotropy (the technique used to detect THC, CBD and CBN), expects to receive over \$135,000 of project funding from the Alberta Government. Many reports have been submitted to technology experts at the Government of Alberta to assess the progress of the project, and feedback has been positive throughout.

The Corporation's next steps will be to ask an independent engineering firm to closely examine CannaTest's anisotropy device, which closely resembles the DNA/protein device, and provide suggestions on functionality and optimization.

## Development of the Business

CannaTest was incorporated on January 25, 2017 and remains in a start-up phase without any commercial operations. On February 23, 2017, CannaTest purchased the Proprietary Technology from ABP pursuant to a technology purchase agreement (the "**ABP Agreement**") for the purpose of testing and determining organic and inorganic compounds contained within biological samples derived from marijuana or hemp plants or compounds derived therefrom. The consideration paid for the Proprietary Technology consisted of 17,000,000 Common Shares of CannaTest, at a deemed value of \$0.20 per Common Share, and a promissory note (the "**ABP Note**") in the amount of \$100,000. The debt owed to ABP can be repaid by the payment of \$100,000 in cash or by the issuance of 500,000 Common Shares of CannaTest. \$40,000 remains outstanding under the ABP Note.

ABP is a related party of CannaTest. A number of the Board and executive officers of CannaTest also hold key management and board positions of ABP, and prior to the Closing of the Offering, ABP holds an aggregate of 44.89% of the issued and outstanding Common Shares of CannaTest, on a fully-diluted basis, and an aggregate of 58.69% on a non-diluted basis.

In connection with the assignment by Dr. Prenner of certain technology ("**Developed Technology**", and which includes the Proprietary Technology) to ABP, ABP entered into an arrangement with UTI Limited Partnership ("**UTI**") whereby it agreed to pay to UTI a royalty of 1% of any revenues or cash equivalent received by ABP or its affiliates from sales, less sale discounts, certain taxes paid, import and export duties and certain other deductions. In connection with the purchase of the Proprietary Technology by CannaTest, the royalty obligation relating to the Proprietary Technology was assigned to CannaTest.

The Corporation completed private placement financings of units of the Corporation on March 20, 2017, May 16, 2017 and June 22, 2017 for net proceeds of \$842,000, \$941,900 and \$207,000, respectively, and with a purchase price of \$0.20 per unit of the Corporation in all cases. Each unit was comprised of one Common Share and one-half of one Common Share purchase warrant. On October 9, 2017, the Corporation completed a private placement of units of the Corporation for net proceeds of \$122,850, with a purchase price of \$0.45 per unit of the Corporation. Each unit was comprised of one Common Share and one-half of one Common Share purchase warrant. See "*Prior Sales*" for further details on the offerings.

## Long Term Objectives

The business model and technology utilized by CannaTest permits the development of additional testing kits usable with the Proprietary Technology. To this end, CannaTest will undergo further research and development operations with the goal of creating a variety of test kits for molecules such as other pesticides, chemicals, metals and ions, or plant-related targets. This research will be conducted as an ongoing, staggered parallel process, utilizing research resources to develop new test kit technology when the current projects are completed. Current projects are expected to reach a completion state over a 4-9 month period, at which time reallocation of resources will occur. Based on previous experiences we expect the costs to be \$150-200K per kit including antibody costs, salary and equipment.

Beyond that, we aim to continue developing multichannel devices for high throughput testing and continuous testing. This will require additional staff and continuation of current consulting services. The expected timeline based on preliminary developments is estimated at 12-18 months, with expected costs in the \$500-700k range.

As well, CannaTest has the potential option to investigate the feasibility of additional product and revenue streams to fit other niche markets. Potential exists for the conversion of core technologies towards roadside testing, which would be based on saliva testing and may take 14-20 months, and product biotracking applications which would be a significant change in development strategy and would require preliminary tests to determine project complexity, feasibility, cost, and timelines. Preliminary work for this project alone could require more than \$200k. These projects are likely to incur major additional costs, as

changes to the established technology would have to occur, additional laboratory and other manpower will become necessary, and supporting space, materials, and infrastructure would need to be obtained.

### Short Term Objectives and How CannaTest Intends to Achieve those Objectives

CannaTest is progressing quickly toward achieving the objectives noted in the table below. Antibody development for myclobutanil, heavy metal, THC and CBD has been underway since May 2017 and is currently on schedule. The product build and electronics have gone through several prototypes, users have tested the prototypes and their feedback has been applied to the final build that is in progress. Development of testing kits is a process the CannaTest team is familiar with as similar kits were developed for DNA testing.

What we must do and how we will do it	Target completion date or if not known number of months to complete	Our cost to complete
Completion of myclobutanil antibodies (including cross-reactivity analysis)	Q4 2017	\$5,000
Development of myclobutanil testing kit	Q1 2018	\$30,000
Development of first heavy metal kit	Q1 2018	\$70,000
Finalization of product build and electronics	Q4 2017	\$200,000
Production of first generation test units	Q1 2018	\$60,000
Completion of THC antibodies	Q4 2017	\$64,000
Development of THC testing kit	Q2 2018	\$55,000
Completion of CBD antibodies	Q2 2018	\$64,000
Development of CBD kit	Q3 2018	\$55,000

## ITEM 3 – INTERESTS OF DIRECTORS, MANAGEMENT, PROMOTERS AND PRINCIPAL HOLDERS

### 3.1 Compensation and Securities Held

The following table provides the specified information about the directors and officers of the Corporation and each person who, directly or indirectly, beneficially owns or controls, or who will own or control following the Maximum Offering, 10% or more of any class of voting securities of the Corporation.

Name and municipality of principal residence	Positions held and the date of obtaining that position	Compensation paid by the Corporation since inception and the compensation anticipated to be paid in the current financial year	Number, type and percentage of securities of the Corporation held after completion of Maximum Offering	Number, type and percentage of securities of the Corporation held after completion of Maximum Offering with full Over-Allotment Option
Elmar J. Prenner Calgary, Alberta  51 Hawkwood Rd NW, Calgary, AB T3G 1Z3	Director (February 17, 2017 to present) and Chief Technology Officer (February 23, 2017 to present)	Nil	100,100 Common Shares  (0.26%)  749,000 options to purchase Common Shares  Nil warrants to purchase Common Shares	100,100 Common Shares  (0.24%)  749,000 options to purchase Common Shares  Nil warrants to purchase Common Shares

Name and municipality of principal residence	Positions held and the date of obtaining that position	Compensation paid by the Corporation since inception and the compensation anticipated to be paid in the current financial year	Number, type and percentage of securities of the Corporation held after completion of Maximum Offering	Number, type and percentage of securities of the Corporation held after completion of Maximum Offering with full Over-Allotment Option
Danny Dalla-Longa Calgary, Alberta  2315 Erlton Place SW, Calgary, AB T2S 2Z3	Director, President, Chief Executive Officer and Secretary (January 25, 2017 to present)	Nil	650,100 Common Shares  (1.67%)  749,000 options to purchase Common Shares  250,000 warrants to purchase Common Shares	650,100 Common Shares  (1.54%)  749,000 options to purchase Common Shares  250,000 warrants to purchase Common Shares
Gary P. Jones Calgary, Alberta  505-201 Quarry Way SE, Calgary, AB T2C 5M5	Chief Financial Officer (January 25, 2017 to present)	Nil	250,000 Common Shares <sup>(1)</sup>  (0.64%)  450,000 options to purchase Common Shares  125,000 warrants to purchase Common Shares <sup>(1)</sup>	250,000 Common Shares <sup>(1)</sup>  (0.59%)  450,000 options to purchase Common Shares  125,000 warrants to purchase Common Shares <sup>(1)</sup>
Sid Dutchak Calgary, Alberta  356 Sienna Park Drive SW Calgary, AB T3H 3L6	Director (February 23, 2017 to present)	Nil	Nil	Nil
Rick Hanson Calgary, Alberta  175 Scenic Park Crescent NW Calgary, AB T3L 1R5	Director (May 12, 2017 to present)	Nil	Nil	Nil
Alberta Biophotonics Inc. <sup>(2)</sup>	N/A	Nil	16,320,000 Common Shares  (41.94%)  Nil warrants to purchase Common Shares	16,320,000 Common Shares  (38.63%)  Nil warrants to purchase Common Shares

**Notes:**

- (1) Shares and warrants are held through 1702425 Alberta Ltd.
- (2) Elmar J. Prenner and Danny Dalla-Longa hold 36% and 30%, respectively, of the voting shares of Alberta Biophotonics Inc.

## 3.2 Management Experience

### Directors and Senior Officers

The name and principal occupation of the current directors and officers of CannaTest over the past five years are as follows:

Name	Principal occupation and related experience
<p><b>Elmar J. Prenner, PhD</b> Director, Chief Technology Officer and Co-Founder</p>	<p>Dr. Prenner is a professor at the Department of Biological Sciences at the University of Calgary. He is experienced in technology commercialization as co-founder of D-Tex, whose board he served on for three years. In addition, he has developed a range of bioassays for environmental screening and biomedical applications, in part in collaboration with industrial partners. These efforts were supported by application-focused funding sources such as Alberta Advanced Education, Alberta Innovates Technology Futures, Nanoworks, MicroSystems Technology Research Initiative, the Canadian Institute of Photonics Innovation and NSERC Engage.</p>
<p><b>Danny Dalla-Longa, CPA, CBV</b> Director, President, Chief Executive Officer and Secretary</p>	<p>Mr. Dalla-Longa is the President of Dalco Capital Ltd. Previously, Mr. Dalla-Longa served as Vice President of Corporate Finance at several brokerage firms. Prior to Dalco Capital Ltd., Mr. Dalla-Longa was a partner in the corporate finance and business valuations group of a major international accounting firm for 18 years. He has extensive experience with public companies in several different industry sectors. Mr. Dalla-Longa also served as the MLA for Calgary-West from 1993 to 1997 as the Energy Critic in the Alberta Legislature and also served as Calgary caucus chair. Mr. Dalla-Longa will serve as Chief Executive Officer and Director of CannaTest.</p>
<p><b>Gary P. Jones, BComm (Hons)</b> Chief Financial Officer</p>	<p>Mr. Jones is President of 1702425 Alberta Ltd, a privately held investment consulting company. Previously, he was one of the Managing Partners for a Private Equity firm involved in the Energy Sector.</p> <p>Mr. Jones was previously also Vice-President, Investment Counsellor for one of Canada's major Financial Institutions. In addition, he still serves as a Director for a number of Canadian private companies.</p>
<p><b>Sid Dutchak, LLB</b> Director</p>	<p>Mr. Dutchak is president of Genstate Development Corp., a private Calgary based consulting firm. He obtained a Bachelor of Laws degree from the University of Saskatchewan and practiced commercial and corporate law in Saskatchewan. He served as that province's Minister of Justice and Attorney General. Subsequent to relocating to Calgary, Mr. Dutchak served as director and executive officer of several companies listed on the TSX, TSX-V and NASDAQ exchanges in a wide array of sectors including technology, resource development, oilfield services, and entertainment.</p>
<p><b>Rick Hanson</b> Director</p>	<p>Mr. Hanson is currently the Senior Vice President, Regulatory &amp; Public Affairs for Merrco Payments Inc. Prior to this, he had a 40 year career in policing in both the RCMP and the Calgary Police Service. He was the Chief of Police in Calgary from 2007 until retiring in 2015. During that time he served as Vice President of the Canadian Association of Chiefs of Police and was president</p>

	of the Alberta Association of Chiefs of Police. Mr. Hanson has served as a board member on a number of not for profit Boards and stays active on the fund development committee of the Calgary Police Foundation.
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## Founders

The following table sets out the biography of the founding members of CannaTest:

Name	Principal occupation and related experience
<b>Elmar J. Prenner, PhD</b> Director, Chief Technology Officer and Co-Founder	Please see above for Dr. Prenner's biography.
<b>Dr. Kirat Singh, PhD</b> Vice President Research, Co-Founder	Dr. Singh holds a PhD in physics and specializes in optics and device design. He has worked at highly regarded research institutions in Europe and Canada and holds 14 patents. Dr. Singh was Chief Scientific Officer at D-TEX Inc and was instrumental in the design of novel hyper-spectral imaging devices commercialized by Alberta-based companies. Dr. Singh has significant experience in the design of optical devices. Drs. Prenner and Singh have collaborated for more than a decade and bring significant international experience to CannaTest.

## Advisory Board

The following table sets out the biography of CannaTest's advisory board:

Name	Principal occupation and related experience
<b>Raimar Loebenberg, PhD</b>	Dr. Loebenberg is an established scientist of pharmaceutical sciences at the University of Alberta. His lab has worked extensively with MMJ and has devised analytical assays and extraction methods for various MMJ cannabinoids. He is currently a member of the US Pharmacopeia Dietary Supplement Expert Committee, a federal body responsible for assisting the FDA and other related parties in developing monographs, or guidelines, related to botanical dietary supplements and herbal medicines. Over the years, he has obtained substantial experience working with and studying cannabis. His lab will be the major player in the development of MMJ antibodies needed for testing by Opti-Q.
Imre Kovacs	Mr. Kovacs is an entrepreneur with over twenty years of experience. He started his first company, which supplied information technology services, while he was still in university. After ten years of business ventures in Toronto, he entered the emerging cannabis market. Successful ventures in the cultivation space led to his establishing Canada's first municipally-licensed medical cannabis dispensary (in Vernon, British Columbia) which pioneered many industry firsts. As a founding member of the Cannabis Trade Alliance of Canada (CTAC) and OCCRA (Ontario Cannabis Consumer and Retail Alliance), Mr. Kovacs brings fifteen years of industry experience to CannaTest.
John Conroy	Mr. Conroy is a barrister and solicitor who graduated from the University of British Columbia Law School in 1971 and was called to the Bar of British Columbia in 1972. He has his own



	<p>law firm, Conroy &amp; Company, based in Abbotsford, British Columbia and his practice is primarily as defense counsel in criminal matters with an additional focus on sentencing and post-sentencing matters which involves an extensive administrative law and constitutional law practice. In 1992 Mr. Conroy was awarded the Commemorative Medal for the 125th Anniversary of Canadian Confederation for significant contributions to Canada, community and fellow Canadians. In January 1996 Mr. Conroy was appointed Queen's Counsel. In August 2005 he was awarded the Gold medal of the International Society for the Reform of the Criminal Law in recognition of his contribution to the goals of the Society. In 2012 he received the Queens Diamond Jubilee medal. He was awarded the 2014 Liberty Award by the British Columbia Civil Liberties Association for Excellence in Legal Advocacy. In 2015 he received from the Office of the Correctional Investigator for Canada, the Ed McIsaac Human Rights in Corrections Award.</p>
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### 3.3 Penalties, Sanctions and Bankruptcy

- (a) There has been no penalty or sanction that has been in effect during the last 10 years, or any cease trade order that has been in effect for a period of more than 30 consecutive days during the past 10 years, against:
- (i) a director, executive officer or control person of the Corporation; or
  - (ii) any company of which a person referred to in 3.3(a)(i) above was a director, executive officer or control person at that time.
- (b) There has been no declaration of bankruptcy, voluntary assignment in bankruptcy, proposal under any bankruptcy or insolvency legislation, proceedings, arrangement or compromise with creditors or appointment of a receiver, receiver manager or trustee to hold assets, that has been in effect during the last 10 years with regard to any:
- (i) director, executive officer or control person of the Corporation; or
  - (ii) any companies of which a person referred to in 3.3(b)(i) above was a director, executive officer or control person at that time.

### 3.4 Loans

Other than the ABP Note, there are no debentures or loans to or from director, management, promoters and principal holders of the Corporation as at the date of this Offering Memorandum.

## ITEM 4 – CAPITAL STRUCTURE

### 4.1 Share Capital

Description of security	Number of authorized to be issued	Price per security	Number outstanding as at October 31, 2017	Number outstanding after Maximum Offering	Number outstanding after Maximum Offering plus full Over-Allotment Option
Common Shares <sup>(1)</sup>	Unlimited	N/A	27,805,700	38,916,811	42,250,144
Warrants <sup>(2)</sup>	N/A	See note (2) below	5,798,750	11,354,306	13,020,973

**Notes:**

- (1) For more information about the rights and privileges associated with the Common Shares, see ITEM 5.1.
- (2) Issued in connection with a private placement of units of the Corporation, each unit comprised of one Common Share and one-half of a Common Share purchase warrant. Warrants entitle the holder to purchase one Common Share at a pre-

determined price for a period of 24 months from the date of issuance of such warrant – See "Prior Sales" for further details. Includes 456,000 broker warrants issued in connection with aforementioned private placement of units.

## 4.2 Long-Term Debt Securities

Not applicable.

## 4.3 Prior Sales

As of the date of this Offering Memorandum, the following Common Shares were issued:

Date of issuance	Type of security issued	Number of securities issued	Price per security <sup>(8)</sup>	Total funds received <sup>(9)</sup>
October 9, 2017	Units <sup>(4)</sup>	273,000 Common Shares 136,500 Warrants	\$0.45	\$122,850
June 22, 2017	Units <sup>(3)</sup>	1,125,000 Common Shares 562,500 Warrants 90,000 Broker Warrants <sup>(7)</sup>	\$0.20	\$207,000
May 16, 2017	Units <sup>(1)</sup>	5,037,500 Common Shares 2,518,750 Warrants 326,000 Broker Warrants <sup>(6)</sup>	\$0.20	\$941,900
March 20, 2017	Units <sup>(1)(2)</sup>	4,250,000 Common Shares 2,125,000 Warrants 40,000 Broker Warrants <sup>(5)</sup>	\$0.20	\$842,000
February 24, 2017	Common Shares	120,000 Common Shares	\$0.20	\$24,000
February 24, 2017	Common Shares	680,000 Common Shares	\$0.20	Nil <sup>(10)</sup>
February 23, 2017	Common Shares	16,320,000 Common Shares	\$0.20	Nil <sup>(10)</sup>
January 25, 2017	Common Shares	200 Common Shares	\$1.00	\$100

### Notes:

- (1) Each unit comprised of one Common Share and one-half of a Common Share purchase warrant, at a price of \$0.20 per unit. Warrants entitle the holder to purchase one Common Share at a price of \$0.35 for a period of 24 months from March 20, 2017.
- (2) Issued in connection with a private placement of units of the Corporation, each unit comprised of one Common Share and one-half of a Common Share purchase warrant, at a price of \$0.20 per unit. Warrants entitle the holder to purchase one Common Share at a price of \$0.35 for a period of 24 months from May 16, 2017.

- (3) Issued in connection with a private placement of units of the Corporation, each unit comprised of one Common Share and one-half of a Common Share purchase warrant, at a price of \$0.20 per unit. Warrants entitle the holder to purchase one Common Share at a price of \$0.35 for a period of 24 months from June 22, 2017.
- (4) Each unit comprised of one Common Share and one-half of a Common Share purchase warrant, at a price of \$0.45 per unit. Warrants entitle the holder to purchase one Common Share at a price of \$0.70 for a period of 24 months from October 9, 2017.
- (5) Each broker warrant entitles the holder to purchase one Common Share at a price of \$0.35 for a period of 18 months from March 20, 2017.
- (6) Each broker warrant entitles the holder to purchase one Common Share at a price of \$0.35 for a period of 18 months from May 16, 2017.
- (7) Each broker warrant entitles the holder to purchase one Common Share at a price of \$0.35 for a period of 18 months from June 22, 2017.
- (8) Represents price of security sold under the heading "*Type of security issued*".
- (9) Represents net proceeds received.
- (10) 16,320,000 Common Shares were issued to ABP as partial consideration for the purchase of the Proprietary Technology, and 680,000 Common Shares were issued to certain creditors of ABP in satisfaction of certain ABP debt in connection with the purchase of the Proprietary Technology.

## ITEM 5 – SECURITIES OFFERED

### 5.1 Terms of Securities

Each Common Share entitles the holder thereof to receive notice of any meetings of Shareholders of the Corporation, to attend and to cast one vote in person or by proxy per Common Share at all such meetings. Holders of Common Shares are entitled to receive on a pro-rata basis such dividends, if any, as and when declared by the Board at its discretion from funds legally available therefore and upon the liquidation, dissolution or winding up of the Corporation are entitled to receive on a pro-rata basis the net assets of the Corporation after payment of debts and other liabilities, in each case subject to the rights, privileges, restrictions and conditions attaching to any other series or class of shares ranking senior in priority to or on pro-rata basis with the holders of Common Shares with respect to dividends or liquidation. The Common Shares do not carry any pre-emptive, subscription, redemption or conversion rights.

The Common Shares currently are not listed on any stock exchange. As at the date of this Offering Memorandum, there are a total of 27,805,700 Common Shares issued and outstanding.

Each Warrant shall be exercisable into one additional Common Share of the Corporation at an exercise price of \$0.70 per common share for a period of two years from the Closing Date. The Warrants contain an acceleration provision that states: "If the volume weighted average closing price of the Common Shares trade on a Stock Exchange at \$1.05 or more for 10 consecutive trading days at any time subsequent to the expiry of six months from the date of issuance of the Warrants, then the Corporation will earn the right, by providing notice (the "**Acceleration Notice**") to the Warrant holder, to accelerate the expiry date of the Warrants to that date which is 30 days from the date of the Acceleration Notice."

### 5.2 Subscription Procedure

#### Subscription Documents

Subscribers who wish to purchase Units will be required to enter into a Subscription Agreement with the Corporation by completing and delivering the Subscription Agreement and related documentation to the Agent or, if a member of the President's List or Selling Group (as defined herein), to Shea Nerland LLP ("**Legal Counsel**") in its capacity as legal counsel to the Corporation. The Subscription Agreement contains, among other things, representations and warranties required to be made by the purchaser that it is duly authorized to purchase the Units and the securities underlying the Units, that it is purchasing the Units for investment and not with a view for resale and as to its corporate status or other qualifications to purchase the Units on a "private placement" basis.

Units may be purchased in the following manner:

- (a) execute a Subscription Agreement as well as any documentation required by the applicable securities laws of the jurisdiction in the subscriber is a resident (copies of which are attached to the Subscription Agreement);
- (b) pay the total subscription price in respect of the Units subscribed for, by way of a certified cheque, bank draft or wire transfer payable to "PI Financial Corp."; and
- (c) deliver all of the foregoing to PI Financial Corp., 1900 - 666 Burrard Street, Vancouver, British Columbia V6G BN1, Attention: Jim Locke.

Subject to applicable securities laws, and the purchaser's two-day cancellation right, a subscription for Units, evidenced by a duly completed Subscription Agreement delivered to the Agent or Legal Counsel, as applicable, shall be irrevocable by the purchaser. See ITEM 11 – Purchaser's Rights. The subscription funds delivered together with a Subscription Agreement will be held in trust until midnight of the second Business Day subsequent to the date that each Subscription Agreement is signed by a purchaser. The Agent or Legal Counsel, as applicable, will return all consideration to you if you exercise the right to cancel the Subscription Agreement within the prescribed time.

Subscription funds received will be held in trust by the Agent or Legal Counsel, as applicable, pending closing of the Offering. 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 Corporation intends to complete the closing under this Offering Memorandum as soon as practicable, with the intent that closing is expected to occur on or about November 30, 2017.

Subscriptions for Units are subject to acceptance by the Corporation and compliance with applicable securities laws. The Subscription Agreement referred to herein contains representations and warranties of the purchaser, which the Corporation will be relying upon in order to determine the eligibility of the potential purchaser to subscribe for and purchase Units pursuant to the Offering.

Notwithstanding the above, subscription agreements from trustees for RRSPs under the Tax Act will be accepted by the Corporation without the accompanying payment, to accommodate their administrative procedures. In such case, the share certificates for the securities underlying the Units will be delivered by the Corporation in exchange for payment of the Subscription Price.

The securities underlying the Units have not been and will not be registered under the United States Securities Act of 1933, as amended, and subject to certain exceptions, may not be offered or sold in the U.S.

You should carefully review the terms of the Subscription Agreement attached hereto for more detailed information concerning the rights and obligations applicable to you and the Corporation. Execution and delivery of the Subscription Agreement will bind you to the terms thereof, whether executed by you or by an agent on your behalf.

#### Distribution

The Offering is being made to, and subscriptions will only be accepted from, persons resident in the each of the provinces of Canada except for Quebec pursuant to the Offering Memorandum, "accredited investor" and other applicable exemptions from the prospectus requirements of NI 45-106 adopted by Canadian Securities Administrators. Subscriptions for the Units may also be accepted from Subscribers in other jurisdictions at the Corporation's discretion, provided that each such purchaser provides to the Corporation the full particulars of the exemption from the registration and prospectus requirements under applicable securities laws being relied on and evidence of the purchaser's qualifications thereunder.

The foregoing exemptions relieve the Corporation from the provisions of applicable securities laws which otherwise would require the Corporation to file and obtain a receipt for a prospectus. Accordingly, prospective Subscribers for the Units will not receive the benefits associated with a subscription for

securities issued pursuant to a filed prospectus, including the review of material by securities regulatory authorities.

**Each purchaser is urged to consult with his or her own legal adviser as to the details of the statutory exemption being relied upon and the consequences of purchasing securities pursuant to such exemption.**

## **ITEM 6 – INCOME TAX CONSEQUENCES**

### **6.1 Tax Advice**

You should consult your own professional advisers to obtain advice on the tax consequences that apply to you.

In the opinion of Shea Nerland LLP, counsel to the Corporation, the following summary fairly presents the principal Canadian federal income tax considerations generally applicable to prospective purchasers of Units pursuant to this offering memorandum who, for the purposes of the Tax Act, are residents in Canada, deal at arm's length with, and are not affiliated with, the Corporation and meet the other requirements described in further detail under the heading "*Income Tax Consequences*".

### **6.2 Income Tax Consequences**

#### Material Canadian Federal Income Tax Considerations to Holders of Securities Underlying the Units

This summary is of a general nature only and is not intended to be, nor should it be considered to be, legal or tax advice to any particular holder of the securities underlying the Units and no representation is made with respect to the income tax consequences to any such person. Accordingly, purchasers of Units should consult their own tax advisors having regard to their particular circumstances.

The following summary describes the principal Canadian federal income tax considerations in respect of the holding or disposition of the securities underlying the Units generally applicable to a beneficial owner of the securities underlying the Units who, at all relevant times, for purposes of the Tax Act (i) deals at arm's length and is not affiliated with the Corporation; and (ii) holds such securities underlying the Units as "capital property" (referred to in this portion of the summary as a "holder"). Generally, Common Shares and Warrants will be capital property to a holder provided the holder does not hold those Common Shares or Warrants in the course of carrying on a business or as part of an adventure or concern in the nature of trade.

#### Holders Resident in Canada

This portion of the summary is generally applicable to a holder who, at all relevant times, for purposes of the Tax Act and any applicable income tax convention, is, or is deemed to be, resident in Canada (referred to in this portion of the summary as a "resident holder"). Certain resident holders may be entitled to make the irrevocable election permitted by subsection 39(4) of the Tax Act to deem to be capital property any Common Shares (and all other "Canadian securities", as defined in the Tax Act) owned by such resident holder in the taxation year in which the election is made and in all subsequent taxation years. Resident holders whose Common Shares might not otherwise be considered to be capital property should consult their own tax advisors concerning this election. This election is not available in respect of the Warrants.

This portion of the summary is not applicable to (i) a resident holder that is a "specified financial institution", (ii) a resident holder an interest in which is a "tax shelter investment", (iii) a resident holder that is, for the purposes of section 142.2 of the Tax Act, a "financial institution", (iv) a resident holder that reports its "Canadian tax results" in a currency other than Canadian currency, or (v) a resident holder that enters into, with respect to its Common Shares or Warrants, a "derivative forward agreement" as each

such term is defined in the Tax Act. Such resident holders should consult their tax advisors with respect to the consequences of holding Common Shares or Warrants.

### Dividends

A resident holder will be required to include in computing its income for a taxation year any dividends received on the Common Shares. In the case of a resident holder that is an individual (other than certain trusts), such dividends will be subject to the gross-up and dividend tax credit rules applicable to taxable dividends received from taxable Canadian corporations, including the enhanced gross-up and dividend tax credit applicable to any dividends designated as an eligible dividend in accordance with the provisions of the Tax Act. A dividend received by a resident holder that is a corporation will generally be deductible in computing the corporation's taxable income.

A resident holder that is a "private corporation", as defined in the Tax Act, or any other corporation controlled, whether because of a beneficial interest in one or more trusts or otherwise, by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts), will generally be liable to pay a refundable tax of 38<sup>1/3</sup>% under Part IV of the Tax Act on dividends received (or deemed to be received) on Common Shares to the extent such dividends are deductible in computing the holder's taxable income for the taxation year.

### Dispositions

Generally, on a disposition or deemed disposition of a Common Share or Warrant, a resident holder will 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, exceed (or are less than) the adjusted cost base to the resident holder of the Common Share or Warrant immediately before the disposition or deemed disposition.

Generally, a resident holder is required to include in computing its income for a taxation year one-half of the amount of any capital gain (referred to in this portion of the summary as a "taxable capital gain") realized in the year. Subject to and in accordance with the provisions of the Tax Act, a resident holder is required to deduct one-half of the amount of any capital loss (referred to in this portion of the summary as an "allowable capital loss") realized in a taxation year from taxable capital gains realized by the resident holder in the year and allowable capital losses in excess of taxable capital gains for the year may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such years.

The amount of any capital loss realized by a resident holder that is a corporation on the disposition of a common share may be reduced by the amount of any dividends received (or deemed to be received) by the resident holder on such share (or another share where the common share has been acquired in exchange for such other share) to the extent and under the circumstances prescribed by the Tax Act. Similar rules may apply where a common share is owned by a partnership or trust of which a corporation, trust or partnership is a member or beneficiary. Resident holders to whom these rules may be relevant should consult their own tax advisors.

### Refundable Tax

A resident holder that is throughout the taxation year a "Canadian-controlled private corporation", as defined in the Tax Act, is liable for tax, a portion of which may be refundable, on investment income, including taxable capital gains realized and dividends received or deemed to be received in respect of the Common Shares or Warrants (but not dividends or deemed dividends that are deductible in computing taxable income).

## Taxation of Private Corporations

On July 18, 2017, the Department of Finance declared its intention to amend the Tax Act in ways that may affect the taxation of investment income for a resident holder that is a corporation. At this time, no draft legislation is available, and the effect of these proposals is unknown. This offering memorandum does not and cannot provide any opinion or representation regarding the impact or anticipated impact of these proposals.

### **6.3 RRSP and TFSA Eligibility**

Not all securities are eligible for investment in a registered retirement saving plans (RRSP) or a Tax-Free Savings Account (TFSA).

The Tax Act and its Regulations provide that a security is a “qualified investment” for the purposes of the RRSP and the TFSA if the security is shares of a “specified small business corporation”, as defined in section 4901(2) of the Regulations.

Based on the information provided by management on October 31, the Corporation is, as at October 31, 2017, a “Canadian corporation” and a “private corporation”, each within the meaning of subsection 89(1) of the Tax Act, and is not controlled, directly or indirectly, in any manner whatever, by one or more persons who are non-residents of Canada. The Corporation is not a cooperative corporation within the meaning of the Tax Act. The Corporation is a “small business corporation” within the meaning of subsection 248(1) of the Tax Act because all or substantially all of the fair market value of its assets is attributable to assets that are used principally in an active business carried on primarily in Canada by the Corporation.

Based on this information, the Common Shares will be shares of a “specified small business corporation” on October 31 and therefore the Common Shares will constitute a qualified investment for the purposes of the RRSP or TFSA as at that date.

Under paragraph 4900(1)(e) of the Regulations to the Tax Act, a warrant is a qualified investment for the purpose of the RRSP or a TFSA if the warrant grants the holder the right to acquire, immediately or in the future, property all of which is a qualified investment, provided that the property is a share of the issuer of the Warrant. The Warrants give the holder the right to acquire the Common Shares, which are shares of the issuer of the Warrant. The Warrants do not grant the holder the right to acquire property other than the Common Shares. On this basis, the Warrants will be a qualified investment for the purposes of the RRSP or a TFSA, as at October 31.

Notwithstanding the above, the Warrants will not be a qualified investment for the purposes of the RRSP or a TFSA if the annuitant of the RRSP or the holder of the TFSA is a person who does not deal at arm’s length with the Corporation.

The eligibility of the Common Shares and the Warrants as qualified investments for an RRSP or a TFSA depends upon the Corporation remaining a specified small business corporation. This test must be met on a continuous basis, and if the Corporation ceases to be a specified small business corporation at any time, the Common Shares and the Warrants shall cease to be a qualified investment for the purposes of the RRSP and the TFSA.

### **6.4 RRSP and TFSA Prohibited Investment Rules**

The Tax Act includes certain additional rules that may prohibit a security from being a “qualified investment” for the purposes of, among other things, the RRSP and the TFSA. Where an investment is a “prohibited investment” of an RRSP or a TFSA, it shall not be a “qualified investment” of the RRSP or TFSA.

The information within this offering memorandum regarding RRSP and TFSA eligibility is inapplicable to any RRSP or TFSA in respect of which the Common Shares or the Warrants would be a “prohibited investment”, as defined in subsection 207.01(1) of the Tax Act. You should consult your own professional advisors to obtain advice on whether a Common Share or a Warrant will be a “prohibited investment” for your RRSP or TFSA.

## **6.5 Advantage Rules**

The Tax Act includes certain anti-avoidance rules that may impose potential taxes or obligations on, among other persons, the annuitant of an RRSP or the holder of a TFSA in respect of an “advantage”, as defined in subsection 207.01(1) of the Tax Act. Whether an “advantage” exists in respect of your investment in the Units depends on your personal facts and circumstances, which may change from time to time. You should consult your own professional advisors to obtain advice on whether an “advantage” exists in respect of your investment in the Units or any circumstances surrounding such investment.

## **ITEM 7 – COMPENSATION PAID TO SELLERS AND FINDERS**

### **7.1 Finder's Fee or Referral Fee**

The Corporation has engaged PI Financial Corp. (the “**Agent**”), an IIROC-regulated Dealer Member Firm under applicable securities laws, to distribute and sell the Units on a commercial reasonable efforts basis. The Corporation will pay to the Agent a commission of 8.5% of the gross proceeds of the Offering on the closing of the Offering, including in respect of any Units issued or sold pursuant to the exercise of the Over-Allotment Option. The Corporation is entitled to provide a president's list of investors (“**President's List**”) that will comprise not more than 10% of the Offering and for which a commission of 2% will be payable, and a preferred commission of 6% will apply to up to 20% of the Offering in respect of Units allocated to investment advisors listed with the Investment Industry Regulatory Organization of Canada (the “**Selling Group**”).

The Corporation will also issue to the Agent, on the closing of the Offering, that number of compensation options (the “**Compensation Options**”) as is equal to 8.5% of the aggregate number of Units sold under the Offering (including any Units sold pursuant to the Over-Allotment Option). The issuance of Compensation Options for Units sold to President's List or Selling Group investors will be equal to 2% and 6%, respectively, of such number of Units as are sold pursuant to such investors. Each Compensation Option will entitle the Agent to purchase, at an exercise price equal to \$0.50, one Common Share. The Compensation Options may be exercised at any time and from time to time for a period of three years following the Closing Date, and the Compensation Option certificates will be in form and substance satisfactory to the Agent and its counsel, and will be delivered to the Agent on the closing of the Offering.

The Corporation, in its discretion, may in the future seek assistance from additional dealers to effect the sale of the Units on a commercially reasonable efforts basis and on a private placement basis (subject to applicable securities laws). In consideration of the services of such dealers, the Corporation may pay the dealers a commission, subject to negotiation.

## **ITEM 8 – RISK FACTORS**

### **8.1 Risk Factors**

Investment in the Units should only be made after consulting with independent and qualified sources of investment and tax advice. Investment in the Units at this time is highly speculative due to the stage of the Corporation's development and requirement to raise additional financing to carry out its long-term business plan. Investors must rely on management of the Corporation. Any investment in the Corporation at this stage involves a high degree of risk. The following risks should be carefully evaluated by



prospective investors prior to investing in Units. These risk factors are not a definitive list of all risk factors associated with an investment in the Corporation.

## **Investment Risk**

**No Market for Units:** There is no formal market for the securities underlying the Units, and one is not expected to develop. This offering of Units is not qualified by way of prospectus, and consequently the resale of Units is subject to restrictions under Securities Legislation. Accordingly, it is possible that Shareholders may not be able to resell the securities underlying the Units. As a result, an investment in the Units is suitable only for sophisticated investors who do not require liquidity and are able to bear the financial risk of the investment for an extended period of time.

**Interest Rate Fluctuations:** It is anticipated that the market price for the securities underlying the Units at any time will be affected by the level of interest rates prevailing at such time. A rise in interest rates may have a negative effect on the market price of the securities underlying the Units. Shareholders who wish to redeem or sell their securities underlying the Units may, therefore, be exposed to the risk that the redemption price or sale price of the Units will be negatively affected by interest rate fluctuations.

**General Economic and Market Conditions:** The success of the Corporation may be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, and national and international political circumstances. Unexpected volatility or illiquidity could impair the Corporation's profitability, or result in losses.

**Financial Crisis:** In the event of a financial crisis globally caused by macro factors such as those discussed above or specific sector factors (such as regulatory actions), the Corporation may be seriously negatively affected.

**Market Disruptions Risk:** War and occupation, terrorism and related geopolitical risks may in the future lead to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally. These risks could also adversely affect the Corporation.

## **Issuer Risk**

**No operating history in an evolving industry:** The Corporation has no operating history in an evolving industry that may not develop as expected. Assessing its business and future prospects is challenging in light of the risks and difficulties it may encounter. These risks and difficulties include its ability to:

- navigate complex and evolving regulatory and competitive environments;
- increase the number of customers;
- successfully maintain and evolve CannaTest's internal controls to manage compliance with an evolving and complex regulatory environment;
- increase the effectiveness of its direct marketing and ability to identify the trends relevant to its targeted market;
- successfully develop and deploy new products;
- successfully maintain its funding strategy;
- successfully navigate economic conditions and fluctuations in the MMJ market;
- effectively manage the growth of its business;
- successfully expand its business;
- continue to develop, maintain and scale its platform;
- effectively use limited personnel and technology resources;
- effectively maintain and scale its financial and risk management controls and procedures;
- maintain the security of its platform and the confidentiality of the information provided and utilized across its platform; and
- attract, integrate and retain an appropriate number of qualified employees.

**Start-up Company:** Investment in a start-up company such as the Corporation is inherently subject to many risks, and investors should be prepared to withstand a complete loss of their investments. The Corporation has a very limited operating history upon which investors may base an evaluation of its performance; therefore, it is still subject to the entire risks incident to the creation and development of a new business.

**No assurance of profitability:** The Corporation operates at loss and there is no assurance that the Corporation will ever be profitable.

**Dependence on Key Personnel:** The Corporation is highly dependent on the services of Dr. Prenner and Mr. Dalla-Longa and the loss of any of their services could have an adverse effect on the future operations of the Corporation.

**Attraction and Retention of Professional and Qualified Personnel:** The Corporation's ability to realize its objectives is dependent on its ability to attract and retain additional, qualified personnel. Competition for such personnel can be intense, and there can be no assurance that the Corporation's results shall not be adversely affected by difficulty in attracting and/or retaining qualified personnel.

**No Guaranteed Return:** There is no guarantee that an investment in Units will earn any positive return in the short or long-term. The value of the securities underlying the Units may increase or decrease depending on market, economic, political, regulatory and other conditions affecting the Corporation. Investment in Units is more volatile and risky than some other forms of investments. A subscription for Units should be considered only by persons financially able to maintain their investment and who can bear the risk of loss associated with an investment in the Corporation.

**No Payment of Dividends:** The Corporation has never paid cash dividends on its Common Shares and does not intend to pay any cash dividends with respect to its Common Shares in the foreseeable future. The Corporation intends to retain any earnings for use in the operation of its business. The Corporation's Board shall determine dividend policy in the future based upon, among other things, the Corporation's results of operations, financial condition, contractual restrictions and other factors deemed relevant at the time. The Corporation intends to retain appropriate levels of its earnings, if any, to support the Corporation's business activities.

**Interests of Principals and Others in Material Contracts and Conflicts of Interest:** Except for the agreement pursuant to which certain principals of the Corporation will develop the antibodies to be incorporated into the kits to be sold by CannaTest, the agreements and arrangements between the Corporation and its officers and directors have not been the result of arm's length negotiations but are believed to be reasonable in relation to the services performed. The Corporation will be relying on its respective officers and directors to advise with respect to the development of its business. Certain of these officers and directors of the Corporation are now or may become in the future officers and/or directors of other entities or act as principals, officers or directors of other businesses. They may have conflicts of interest in allocating management time, services and functions among the Corporation and any other present or future businesses which they may organize, or provide management services to, as well as other business ventures in which they are or may become involved.

**Operations:** The Corporation is in the development phase of its operations. An investor must assess the impact of the limited business history of the Corporation. Investors in the Corporation will be required to rely upon the Corporation in its ability to develop its products, the selection of the geographical territories to be developed, the management and operation of the Corporation's proposed marketing to key partners, strategic alliances and end-users and the general administration of its business.

The Corporation will rely, to a significant extent, on the expertise of its officers, employees and consultants. In addition, the overall performance of the business of the Corporation will be improved substantially upon the success of the sale of the Units under the Offering.

The Corporation cannot be certain that its business strategy or model will be successful or that revenues or profitability will be achieved. Even if profitability can be achieved, the Corporation cannot be certain that it can be consistently sustained or increased in the future.

**Business Risks and Barriers to Entry:** The Corporation cannot be certain that its business strategy or model will not be subject to current or future competition offering a similar product and service or that other competitors may gain a first mover advantage over the Corporation. The Corporation cannot assure that there will be sufficient industry demand for the Corporation's products in each market that the Corporation chooses to enter. Should there not be sufficient demand, the Corporation may experience a barrier to growing the business of the Corporation in such market.

**Technology Contingency:** The Corporation cannot be certain that it will be able to successfully validate and manufacture its intellectual property, including the Opti-Q. There is no assurance that the existing intellectual property and prototypes held by the Corporation will be able to successfully measure the attributes of various substances that it is intended to measure.

**Nature of the Underlying Business:** The Corporation intends to operate in an emerging industry. Its success is dependent upon its ability to develop and market its product profitably in the domestic and international marketplaces while successfully navigating a rapidly changing regulatory environment which affects both the Corporation as well as its prospective customers. Also important will be the Corporation's ability to source and maintain adequate financing to meet the cash flow requirements of its operations.

**Cash Flow Deficiencies:** The successful operation of the Corporation will be dependent on management's ability to establish and maintain sales revenue sufficient to meet expenditures. There is no assurance that the operations of the Corporation will provide sufficient cash flow necessary for the Corporation to remain a going concern.

**Additional Financing:** The Corporation intends to use the net proceeds of this Offering for the purposes of continuing activities necessary to operate the business. The Corporation will require additional funds to develop and grow its business. The Corporation cannot accurately predict the timing and amount of such capital requirements. The Corporation presently has no commitments for additional financing and it cannot give any assurance that any commitments can be obtained on favourable terms or at all.

**Changes in Legislation Risk:** There can be no assurance that income tax, securities, and other laws or the interpretation and application of such laws by courts and governmental authorities will not be changed in a manner which adversely affects the Corporation and Shareholders. It is also possible that short selling restrictions may be imposed, making shorting securities to manage downside risk more difficult, or not possible.

#### **Data Security and Privacy Breaches**

The cybersecurity risks faced by the Corporation, service providers and Shareholders have increased in recent years due to the proliferation of cyber-attacks that target computers, information systems, software, data and networks. Cyber-attacks include, among other things, unauthorized attempts to access, disable, modify or degrade information systems and networks, the introduction of computer viruses and other malicious codes such as "ransomware", and fraudulent "phishing" emails that seek to misappropriate data and information or install malware on users' computers. The potential effects of cyber-attacks include the theft or loss of data, unauthorized access to, and disclosure of, confidential personal and business-related information, service disruption, remediation costs, increased cyber-security costs, lost revenue, litigation and reputational harm which can materially affect the Corporation. The Corporation continuously monitors security threats to its information systems and implements measures to manage these threats, however the risk to the Corporation and therefore the Shareholders cannot be fully mitigated due to the evolving nature of these threats, the difficulty in anticipating such threats and the difficulty in immediately detecting all such threats.

**Concentration of Investments:** The Corporation operates in one industry and intends to operate only in Canada. As a result, the Corporation may be subject to more rapid or dramatic changes in value than

would be the case if the Corporation were required to operate among a diverse set of industries and regions.

## **Industry Risk**

***Change in Laws, Regulations and Guidelines Applicable to the Cannabis Industry:*** There is an existing legal and regulatory framework in place governing the growth, sale and distribution of medicinal cannabis in Canada and in certain states in the U.S. Companies that grow, store and sell medicinal cannabis in such jurisdictions are subject to various laws, regulations and guidelines relating to the manufacture, management, transportation, storage and disposal of cannabis, as well as laws and regulations relating to health and safety, the conduct of operations and the protection of the environment. The Government of Canada is currently considering a new legal framework for adult use cannabis. Developments affecting each of these rules and regulations could significantly adversely affect the business, financial condition and results of the operations of companies on which the Corporation is reliant. Currently, cannabis remains a Schedule I substance in the U.S., with no indication of a change in status in the near future. As a result, the Corporation has no immediate plans to enter or service, directly or indirectly, the MMJ industry in the U.S.

***Operational Risks of Medicinal Cannabis:*** Companies involved in medicinal cannabis research face intense competition, may have limited access to the services of banks, may have substantial burdens on company resources due to litigation, complaints or enforcement actions, and are heavily dependent on receiving necessary permits and authorizations to engage in medical cannabis research, growth and distribution. Federally regulated banking institutions may sometimes be unwilling to make financial services available to growers and sellers of cannabis.

***Reliance on Licenses:*** Some of the prospective customers of the Corporation in are strictly regulated and dependent upon licenses to grow, store and sell medicinal cannabis. The licenses are subject to ongoing compliance and reporting requirements. Failure to comply with the requirements of such licenses or any failure to maintain them would have an adverse material impact on the business, financial condition and operating results of such companies.

**The foregoing statements of risk do not purport to be a complete explanation of all the risks involved in purchasing the Units. Potential investors should read this entire Offering Memorandum and consult with their legal, tax and financial advisers, before making a decision to invest in the Units.**

## **ITEM 9 – REPORTING OBLIGATIONS**

### **9.1 Documents Provided to Shareholders Annually**

The Corporation is not required to send you any documents on an annual or ongoing basis. The Corporation is not a “reporting issuer” as such term is defined in applicable securities legislation and accordingly is not subject to most of the continuous disclosure reporting obligations imposed on reporting issuers by securities legislation in Alberta. In accordance with requirements of the *Business Corporations Act* (Alberta), the Corporation is required to provide audited financial statements to its shareholders at least 21 days prior to each annual general meeting and to deposit copies for inspection in its corporate records maintained at its records office which are available for inspection by any shareholders during normal business hours.

Where required pursuant to applicable laws, the Corporation may file with the securities regulatory authorities or deliver to the securities regulatory authorities, audited annual financial statements of the Corporation, as well as a notice that accompanies the financial statements describing how the proceeds raised under the Offering have been used and such other information for a non-reporting issuer that distributes securities using the offering memorandum exemption required by applicable securities laws.

## **9.2 Sources of Information about the Corporation**

Information about the Corporation's incorporation, amendments to its documents, directors, officers, annual corporate filings and other corporate information can be obtained from the Corporate Registry of Alberta by contacting the registry at <http://www.servicealberta.ca/contact.cfm>.

## **ITEM 10 – RESALE RESTRICTIONS**

### **10.1 General Statement**

For trades in Alberta, British Columbia, New Brunswick, Newfoundland and Labrador, Nova Scotia, Ontario, Prince Edward Island and Saskatchewan, these securities will be subject to a number of resale restrictions, including a restriction on trading. Until the restriction on trading expires, you will not be able to trade the securities unless you comply with an exemption from the prospectus and registration requirements under applicable securities legislation.

### **10.2 Restricted Period**

For trades in Alberta, British Columbia, New Brunswick, Newfoundland and Labrador, Nova Scotia, Ontario, Prince Edward Island and Saskatchewan, unless permitted under securities legislation, you cannot trade the securities before the date that is four months and a day from the later of: (a) the Closing Date; and (b) the date the Corporation becomes a reporting issuer in any province or territory of Canada.

Unless permitted under securities legislation, you must not trade the securities without the prior written consent of the regulator in Manitoba unless (a) CannaTest has filed a prospectus with the regulator in Manitoba with respect to the securities you have purchased and the regulator in Manitoba has issued a receipt for that prospectus, or (b) you have held the securities for at least 12 months.

The regulator in Manitoba will consent to your trade if the regulator is of the opinion that to do so is not prejudicial to the public interest.

## **ITEM 11 – PURCHASER'S RIGHTS**

If you purchase these securities, you will have certain rights, some of which are described below. For information about your rights, you should consult a lawyer.

The following is a summary of the statutory or contractual rights of action for damages or rescission which may be available to a purchaser of Units. The applicable securities laws in certain jurisdictions provides purchasers, or requires purchasers be provided, with remedies for rescission or damages, or both, if this Offering Memorandum or any amendment to it or any information or documents incorporated or deemed to be incorporated herein by reference contains a misrepresentation. However, these remedies must be exercised within the time limits prescribed. Purchasers should refer to the applicable legislative provisions for the complete text of these rights and/or consult with a legal advisor. The rights of action described herein are in addition to and without derogation from any other right or remedy that a purchaser may have at law.

As used herein, except where otherwise specifically defined, "misrepresentation" means an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make any statement in this Offering Memorandum or any amendment hereto or any information or documents incorporated or deemed to be incorporated herein by reference not misleading in light of the circumstances in which it was made. A "material fact" means a fact that significantly affects or would reasonably be expected to have a significant effect on the market price or value of the securities underlying the Units.

**The following summaries are subject to any express provisions of the securities legislation of each selling jurisdiction and the regulations, rules and policy statements thereunder and reference is made thereto for the complete text of such provisions.**

### **11.1 Two Day Cancellation Right**

You can cancel your agreement to purchase the Units. To do so, you must send a notice to PI Financial Corp. by midnight on the 2<sup>nd</sup> business day after you sign the agreement to purchase the Units.

### **11.2 Purchaser's Rights in Jurisdictions**

As used herein, "**Misrepresentation**" has the meaning assigned under each Offering Jurisdiction's respective securities act, but generally means an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make any statement in this Offering Memorandum or any amendment hereto not misleading in light of the circumstances in which it was made. A "**material fact**" has the meaning assigned under the securities act of each Offering Jurisdiction, but generally means a fact that significantly affects or would reasonably be expected to have a significant effect on the market price or value of the securities underlying the Units.

#### Ontario

Section 130.1 of the *Securities Act* (Ontario) (the "Ontario Act") provides that every purchaser of securities pursuant to an offering memorandum (such as this offering memorandum) or any amendment thereto shall have a statutory right of action for damages or rescission against the issuer and any selling security holder in the event that the offering memorandum contains a misrepresentation (as defined in the Ontario Act). A purchaser who purchases securities offered by the offering memorandum during the period of distribution has, without regard to whether the purchaser relied upon the misrepresentation, a right of action for damages or, alternatively, while still the owner of the securities, for rescission against the issuer and any selling security holder provided that:

- (a) if the purchaser exercises its right of rescission, it shall cease to have a right of action for damages as against the issuer and the selling security holders, if any;
- (b) the issuer and the selling security holders, if any, will not be liable if they prove that the purchaser purchased the securities with knowledge of the misrepresentation;
- (c) the issuer and the selling security holders, if any, will not be liable for all or any portion of damages that it proves do not represent the depreciation in value of the securities as a result of the misrepresentation relied upon; and
- (d) in no case shall the amount recoverable exceed the price at which the securities were offered.

Section 138 of the Ontario Act provides that no action shall be commenced to enforce these rights more than:

- (a) in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or
- (b) in the case of an action for damages, the earlier of: (i) 180 days after the date that the purchaser first had knowledge of the facts giving rise to the cause of action; or (ii) three years after the date of the transaction that gave rise to the cause of action.

This offering memorandum is being delivered in reliance on certain exemptions from the prospectus requirements, including those contained under section 2.3 (the "accredited investor exemption") and section 2.10 (the "minimum amount exemption") of NI 45-106. The rights referred to in section 130.1 of the Ontario Act do not apply in respect of an offering memorandum (such as this offering memorandum) delivered to a prospective purchaser in connection with a distribution made in reliance on the accredited investor exemption if the prospective purchaser is:

- (a) a Canadian financial institution or a Schedule III bank (each as defined in NI 45-106);
- (b) the Business Development Bank of Canada incorporated under the Business Development Bank of Canada Act (Canada); or
- (c) a subsidiary of any person referred to in paragraphs (a) and (b), if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by directors of that subsidiary.

The rights of action for rescission or damages are in addition to and do not derogate from any other right that the purchaser may have at law.

#### Saskatchewan

Section 138 of *The Securities Act*, 1988 (Saskatchewan), as amended (the "Saskatchewan Act") provides that in the event that an offering memorandum (such as this offering memorandum) or any amendment to it sent or delivered to a purchaser contains a misrepresentation (as defined in the Saskatchewan Act), a purchaser who purchases Units covered by the offering memorandum or any amendment to it has a right of action against the issuer or a selling security holder on whose behalf the distribution is made or has a right of action for damages against:

- (a) the issuer or a selling security holder on whose behalf the distribution is made;
- (b) every promoter and director of the issuer or the selling security holder, as the case may be, at the time the offering memorandum or any amendment to it was sent or delivered;
- (c) every person or company whose consent has been filed respecting the offering, but only with respect to reports, opinions or statements that have been made by them;
- (d) every person who or company that, in addition to the persons or companies mentioned in (a) to (c) above, signed the offering memorandum or the amendment to the offering memorandum; and
- (e) every person who or company that sells securities on behalf of the issuer or selling security holder under the offering memorandum or amendment to the offering memorandum.

Such rights of rescission and damages are subject to certain limitations including the following:

- (a) if the purchaser elects to exercise its right of rescission against the issuer or selling security holder, it shall have no right of action for damages against that party;

- (b) in an action for damages, a defendant will not be liable for all or any portion of the damages that he, she or it proves do not represent the depreciation in value of the securities resulting from the misrepresentation relied on;
- (c) no person or company, other than the issuer or a selling security holder, will be liable for any part of the offering memorandum or any amendment to it not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company failed to conduct a reasonable investigation sufficient to provide reasonable grounds for a belief that there had been no misrepresentation or believed that there had been a misrepresentation;
- (d) in no case shall the amount recoverable exceed the price at which the securities were offered; and
- (e) no person or company is liable in an action for rescission or damages if that person or company proves that the purchaser purchased the securities with knowledge of the misrepresentation.

In addition, no person or company, other than the issuer or selling security holder, will be liable if the person or company proves that:

- (a) the offering memorandum or any amendment to it was sent or delivered without the person's or company's knowledge or consent and that, on becoming aware of it being sent or delivered, that person or company gave reasonable general notice that it was so sent or delivered; or
- (b) with respect to any part of the offering memorandum or any amendment to it purporting to be made on the authority of an expert, or purporting to be a copy of, or an extract from, a report, an opinion or a statement of an expert, that person or company had no reasonable grounds to believe and did not believe that there had been a misrepresentation, the part of the offering memorandum or any amendment to it did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of, or an extract from, the report, opinion or statement of the expert.

Not all defences upon which the issuer or others may rely are described herein. Please refer to the full text of the Saskatchewan Act for a complete listing.

Similar rights of action for damages and rescission are provided in section 138.1 of the Saskatchewan Act in respect of a misrepresentation in advertising and sales literature disseminated in connection with an offering of securities.

Section 138.2 of the Saskatchewan Act also provides that where an individual makes a verbal statement to a prospective purchaser that contains a misrepresentation relating to the security purchased and the verbal statement is made either before or contemporaneously with the purchase of the security, the purchaser has, without regard to whether the purchaser relied on the misrepresentation, a right of action for damages against the individual.

Section 141(1) of the Saskatchewan Act provides a purchaser with the right to void the purchase agreement and to recover all money and other consideration paid by the purchaser for the securities if the securities are sold in contravention of the Saskatchewan Act, the regulations to the Saskatchewan Act or a decision of the Saskatchewan Financial Services Commission.

Section 141(2) of the Saskatchewan Act also provides a right of action for rescission or damages to a purchaser of securities to whom an offering memorandum or any amendment to it was not sent or delivered prior to or at the same time as the purchaser enters into an agreement to purchase the securities, as required by Section 80.1 of the Saskatchewan Act.



Section 147 of the Saskatchewan Act provides that no action shall be commenced to enforce any of the foregoing rights more than:

- (a) in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or
- (b) in the case of any other action, other than an action for rescission, the earlier of: (i) one year after the plaintiff first had knowledge of the facts giving rise to the cause of action; or (ii) six years after the date of the transaction that gave rise to the cause of action.

The Saskatchewan Act also provides a purchaser who has received an amended offering memorandum delivered in accordance with subsection 80.1(3) of the Saskatchewan Act has a right to withdraw from the agreement to purchase the securities by delivering a notice to the person who or company that is selling the securities, indicating the purchaser's intention not to be bound by the purchase agreement, provided such notice is delivered by the purchaser within two Business Days of receiving the amended offering memorandum.

The rights of action for damages or rescission under the Saskatchewan Act are in addition to and do not derogate from any other right which a purchaser may have at law.

#### Manitoba

Section 141.1 of the *Securities Act* (Manitoba), as amended (the "Manitoba Act") provides that where an offering memorandum (such as this offering memorandum) or any amendment to it contains a misrepresentation, a purchaser who purchases a security offered by the offering memorandum is deemed to have relied on the representation if it was a misrepresentation at the time of purchase and has a right of rescission against the issuer or has a right of action for damages against (i) the issuer, (ii) every director of the issuer at the date of the offering memorandum, and (iii) every person or company who signed the offering memorandum:

Such rights of rescission and damages are subject to certain limitations including the following:

- (a) if the purchaser chooses to exercise a right of rescission against the issuer, the purchaser shall have no right of action for damages against the parties (i), (ii) and (iii) listed above;
- (b) in an action for damages, a defendant will not be liable for all or any part of the damages that he or she proves do not represent the depreciation in value of the security as a result of the misrepresentation;
- (c) in no case shall the amount recoverable exceed the price at which the securities were offered under the offering memorandum; and
- (d) no person or company is liable in an action for rescission or damages if that person or company proves that the purchaser had knowledge of the misrepresentation.

In addition, no person or company, other than the issuer, will be liable if the person or company proves that:

- (a) the offering memorandum was sent to the purchaser without the person's or company's knowledge or consent, and that, after becoming aware that it was sent, the person or company promptly gave reasonable notice to the issuer that it was sent without the person's or company's knowledge and consent;
- (b) with respect to any part of the offering memorandum purporting to be made on the authority of an expert or to be a copy of, or an extract from, an expert's report, opinion or statement, the person or company proves that the person or company did not have any

reasonable grounds to believe and did not believe that (i) there had been a misrepresentation, or (ii) the relevant part of the offering memorandum (A) did not fairly represent the expert's report, opinion or statement, or (B) was not a fair copy of, or an extract from, the expert's report, opinion or statement; or

- (c) with respect to any part of the offering memorandum not purporting to be made on an expert's authority and not purporting to be a copy of, or an extract from, an expert's report, opinion or statement, unless the person or company (i) did not conduct an investigation sufficient to provide reasonable grounds for a belief that there had been no misrepresentation, or (ii) believed there had been a misrepresentation.

Not all defences upon which the issuer or others may rely are described herein. Please refer to the full text of the Manitoba Act for a complete listing.

Section 141.2 of the Manitoba Act provides that a purchaser of a security to whom an offering memorandum was required to be sent in compliance with Manitoba securities legislation, but was not sent within the prescribed time has a right of action for rescission or damages against the dealer, offeror or issuer who did not comply with the requirement.

Section 141.3 of the Manitoba Act also provides that a purchaser of a security to whom an offering memorandum is required to be sent may rescind the contract to purchase the security by sending a written notice of rescission to the issuer not later than midnight on the second day, excluding Saturdays and holidays, after the purchaser signs the agreement to purchase the securities.

Section 141.4 of the Manitoba Act provides that no action may be commenced to enforce any of the foregoing rights:

- (a) in the case of an action for rescission, more than 180 days after the day of the transaction that gave rise to the cause of action; or
- (b) in the case of any other action, other than an action for rescission, the earlier of: (i) 180 days after the day that the plaintiff first had knowledge of the facts giving rise to the cause of action, or (ii) two years after the day of the transaction that gave rise to the cause of action.

The rights of action for damages or rescission under the Manitoba Act are in addition to and do not derogate from any other right which a purchaser may have at law.

#### Nova Scotia

Section 138 of the *Securities Act* (Nova Scotia) (the "Nova Scotia Act") provides that in the event that an offering memorandum (such as this offering memorandum), together with any amendment thereto, or any advertising or sales literature (as such terms are defined in the Nova Scotia Act) contains a misrepresentation (as defined in the Nova Scotia Act), the purchaser will be deemed to have relied upon such misrepresentation if it was a misrepresentation at the time of purchase and has, subject to certain limitations and defences, a statutory right of action for damages against the seller and, subject to certain additional defences, every director of the seller at the date of the offering memorandum and every person who signed the offering memorandum or, alternatively, while still the owner of the securities purchased by the purchaser, may elect instead to exercise a statutory right of rescission against the seller, in which case the purchaser shall have no right of action for damages against the seller, directors of the seller or persons who have signed the offering memorandum, provided that, among other limitations:

- (a) no action shall be commenced to enforce any of the foregoing rights more than 180 days after the date on which the initial payment was made for the securities;
- (b) no person will be liable if it proves that the purchaser purchased the securities with knowledge of the misrepresentation;

- (c) in the case of an action for damages, no person will be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the securities as a result of the misrepresentation relied upon; and
- (d) in no case will the amount recoverable in any action exceed the price at which the securities were offered to the purchaser.

In addition, a person or company, other than the issuer, will not be liable if that person or company proves that:

- (a) the offering memorandum or amendment to the offering memorandum was sent or delivered to the purchaser without the person's or company's knowledge or consent and that, on becoming aware of its delivery, the person or company gave reasonable general notice that it was delivered without the person's or company's knowledge or consent;
- (b) after delivery of the offering memorandum or amendment to the offering memorandum and before the purchase of the securities by the purchaser, on becoming aware of any misrepresentation in the offering memorandum or amendment to the offering memorandum the person or company withdrew the person's or company's consent to the offering memorandum or amendment to the offering memorandum, and gave reasonable general notice of the withdrawal and the reason for it; or
- (c) with respect to any part of the offering memorandum or amendment to the offering memorandum purporting (i) to be made on the authority of an expert, or (ii) to be a copy of, or an extract from, a report, an opinion or a statement of an expert, the person or company had no reasonable grounds to believe and did not believe that (A) there had been a misrepresentation, or (B) the relevant part of the offering memorandum or amendment to offering memorandum did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of, or an extract from, the report, opinion or statement of the expert.

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

If a misrepresentation is contained in a record incorporated by reference into, or deemed incorporated by reference into, the offering memorandum or amendment to the offering memorandum, the misrepresentation is deemed to be contained in the offering memorandum or an amendment to the offering memorandum.

The rights of action for rescission or damages under the Nova Scotia Act are in addition to and do not derogate from any other right the purchaser may have at law.

#### New Brunswick

Section 150 of the *Securities Act* (New Brunswick) (the "New Brunswick Act") provides that where an offering memorandum (such as this offering memorandum) contains a misrepresentation, a purchaser who purchases securities shall be deemed to have relied on the misrepresentation if it was a misrepresentation at the time of purchase and:

- (a) the purchaser has a right of action for damages against (i) the issuer, (ii) the selling security holder on whose behalf the distribution is made, (iii) every person who was a director of the issuer at the date of the offering memorandum, (iv) every person who signed the offering memorandum, or

- (b) where the purchaser purchased the securities from a person referred to in paragraph (a)(i) or (ii), the purchaser may elect to exercise a right of rescission against the person referred to in that subparagraph, in which case the purchaser shall have no right of action for damages against the person.

This statutory right of action is available to New Brunswick purchasers whether or not such purchaser relied on the misrepresentation. However, there are various defences available. In particular, no person will be liable for a misrepresentation if such person proves that the purchaser purchased the securities with knowledge of the misrepresentation. Moreover, in an action for damages, the amount recoverable will not exceed the price at which the securities were offered under the offering memorandum and any defendant will not be liable for all or any part of the damages that the defendant proves do not represent the depreciation in value of the security as a result of the misrepresentation.

If the purchaser intends to rely on the rights described in (a) or (b) above, such purchaser must do so within strict time limitations. The purchaser must commence an action for rescission within 180 days after the date of the transaction that gave rise to the cause of action. The purchaser must commence its action for damages within the earlier of:

- (a) one year after the purchaser first had knowledge of the facts giving rise to the cause of action; or
- (a) six years after the date of the transaction that gave rise to the cause of action.

The foregoing summary is subject to the express conditions of the New Brunswick Act and the regulations promulgated thereunder and specific reference should be made to same. The rights of action for rescission or damages under the New Brunswick Act are in addition to and do not derogate from any other right the purchaser may have at law.

#### Newfoundland & Labrador

Section 130.1 of the *Securities Act* (Newfoundland and Labrador) provides that if an offering memorandum (such as this offering memorandum) contains a misrepresentation, a purchaser who purchases Units offered by the offering memorandum is deemed to have relied on the representation if it was a misrepresentation at the time of purchase, and the purchaser has:

- (a) a right of action for damages against:
  - (i) the issuer;
  - (ii) every director of the issuer at the date of the offering memorandum;
  - (iii) every person or company who signed the offering memorandum; and
- (b) a right of rescission against the issuer.

If the purchaser chooses to exercise a right of rescission against the issuer, the purchaser has no right of action for damages against a person or company referred to above.

If a misrepresentation is contained in a record incorporated by reference in, or is deemed to be incorporated into, the offering memorandum, the misrepresentation is deemed to be contained in the offering memorandum.

When a misrepresentation is contained in the offering memorandum, no person or company other than the issuer, is liable:

- (a) if the person or company proves

- (i) that the offering memorandum was sent to the purchaser without the person's or company's knowledge or consent, and
  - (ii) that, on becoming aware of it being sent, the person or company promptly gave reasonable notice to the issuer that it was sent without the person's or company's knowledge and consent;
- (b) if the person or company proves that, after becoming aware of the misrepresentation, the person or company withdrew the person's or company's consent to the offering memorandum and gave reasonable notice to the issuer of the withdrawal and the reason for it;
- (c) if, with respect to any part of the offering memorandum purporting to be made on the authority of an expert or to be a copy of, or an extract from, an expert's report, opinion or statement, the person or company proves that the person or company did not have any reasonable grounds to believe and did not believe that (i) there had been a misrepresentation, or (ii) the relevant part of the offering memorandum (A) did not fairly represent the expert's report, opinion or statement, or (B) was not a fair copy of, or an extract from, the expert's report, opinion or statement; or
- (d) with respect to any part of the offering memorandum not purporting to be made on an expert's authority and not purporting to be a copy of, or an extract from, an expert's report, opinion or statement, unless the person or company (i) did not conduct an investigation sufficient to provide reasonable grounds for a belief that there had been no misrepresentation, or (ii) believed there had been a misrepresentation.

The amount recoverable shall not exceed the price at which the Units were offered under the offering memorandum.

In an action for damages, the defendant is not liable for all or any part of the damages that the defendant proves do not represent the depreciation in value of the security as a result of the misrepresentation.

All or any one or more of the persons or companies that are found to be liable or accept liability in an action for damages are jointly and individually liable. A defendant who is found liable to pay a sum in damages may recover a contribution, in whole or in part, from a person who is jointly and individually liable to make the same payment in the same cause of action unless, in all circumstances of the case, the court is satisfied that it would not be just and equitable.

No action shall be commenced to enforce these contractual rights more than:

- (a) in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or
- (b) in the case of an action for damages, the earlier of: (i) 180 days after the purchaser first has knowledge of the facts giving rise to the cause of action; or (ii) three years after the date the purchaser signs the agreement to purchase the Units.

#### Prince Edward Island

Section 112 of the *Securities Act* (Prince Edward Island) (the "PEI Act") provides to a purchaser who purchases a security offered by an offering memorandum (such as this offering memorandum) containing a misrepresentation, without regard to whether the purchaser relied on the misrepresentation, a right of action for damages against (a) the issuer, (b) the selling security holder on whose behalf the distribution is made, (c) every director of the issuer at the date of the offering memorandum, and (d) every person who signed the offering memorandum.

If an offering memorandum contains a misrepresentation, a purchaser who purchases a security offered by the offering memorandum during the period of distribution has a right of action for rescission against the issuer or the selling security holder on whose behalf the distribution is made. If the purchaser elects to exercise a right of action for rescission, the purchaser shall have no right of action for damages.

A person, other than the issuer and selling security holder, is not liable if the person proves that:

- (a) the offering memorandum was sent to the purchaser without the person's knowledge or consent and that, on becoming aware of its being sent, the person had promptly given reasonable notice to the issuer that it had been sent without the knowledge and consent of the person;
- (b) the person, on becoming aware of the misrepresentation in the offering memorandum, had withdrawn the person's consent to the offering memorandum and had given reasonable notice to the issuer of the withdrawal and the reason for it; or
- (c) with respect to any part of the offering memorandum purporting to be made on the authority of an expert or purporting to be a copy of, or an extract from, a report, statement or opinion of an expert, the person had no reasonable grounds to believe and did not believe that (i) there had been a misrepresentation, or (ii) the relevant part of the offering memorandum (A) did not fairly represent the report, statement or opinion of the expert, or (B) was not a fair copy of, or an extract from, the report, statement or opinion of the expert.

Not all defences upon which the issuer or others may rely are described herein. Please refer to the full text of the PEI Act for a complete listing.

In an action for damages, the defendant is not liable for any damages that he or she proves do not represent the depreciation in value of the security resulting from the misrepresentation. In addition, the amount recoverable must not exceed the price at which the securities purchased by the purchaser were offered.

Section 121 of the PEI Act provides that no action may be commenced to enforce any of the foregoing rights more than:

- (a) in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or
- (b) in the case of any action other than an action for rescission: (i) 180 days after the plaintiff first had knowledge of the facts giving rise to the cause of action, or (ii) three years after the date of the transaction giving rise to the cause of action,

whichever period expires first.

The rights of action for rescission or damages conferred are in addition to and do not derogate from any other right that the purchaser may have at law.

### **British Columbia and Alberta**

Notwithstanding that the Securities Act (British Columbia) and the Securities Act (Alberta) do not provide, or require the issuer to provide to purchasers resident in the Province of Alberta purchasing under the exemption contained in section 2.3 (the "accredited investor exemption") of NI 45-106 and to purchasers resident in British Columbia any rights of action in circumstances where this offering memorandum or an amendment hereto contains a misrepresentation, the issuer hereby grants to such purchasers contractual rights of action that are equivalent to the statutory rights of action set forth above with respect to purchasers resident in Ontario.

The rights summarized above are in addition to and without derogation from any other rights or remedy which investors may have at law.

## **ITEM 12 – FINANCIAL STATEMENTS**

The audited financial statements of the Corporation for the period from incorporation on January 26, 2017 and ending as at August 31, 2017 are attached hereto as Exhibit "A".

EXHIBIT "A"

**AUDITED FINANCIAL STATEMENTS**



**ITEM 13 – DATE AND CERTIFICATE**

**DATED** this 31<sup>th</sup> day of October, 2017.

**This Offering Memorandum does not contain a misrepresentation.**

*(signed) "Danny Dalla-Longa"*

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**Danny Dalla-Longa**  
Director, President, Chief Executive Officer  
and Secretary

**ON BEHALF OF THE DIRECTORS**

*(signed) "Danny Dalla-Longa"*

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**Danny Dalla-Longa**

*(signed) "Elmar J. Prenner"*

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**Elmar J. Prenner**

*(signed) "Rick Hanson"*

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**Rick Hanson**

*(signed) Sid Dutchak*

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**Sid Dutchak**