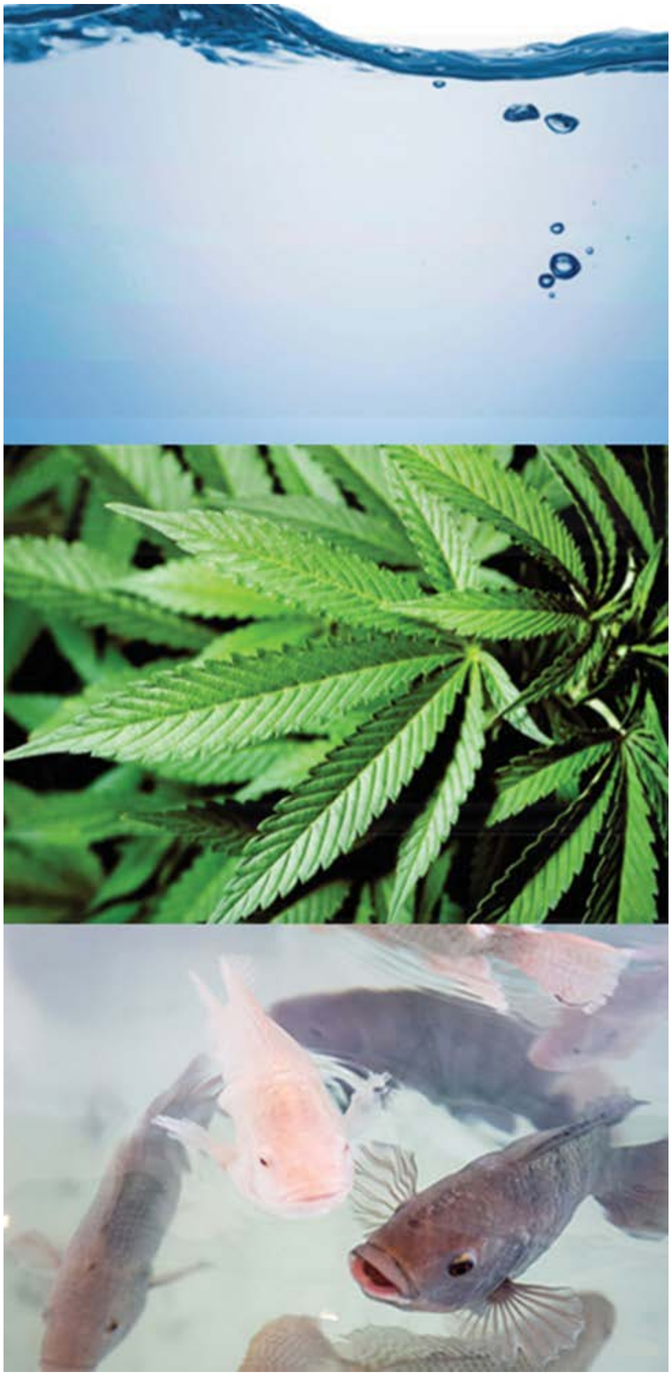

Private Confidential
Offering Memorandum

Aqualitas Inc.

September 8, 2017

The securities offered hereunder will be issued under exemptions from the prospectus requirements of the applicable securities laws of each of the provinces and territories of Canada, and the rules, regulations and policies thereunder and will be subject to certain resale restrictions. This offering memorandum is not, and under no circumstances is to be construed as, a prospectus, advertisement or public offering of such securities. ***This is a risky investment. No securities commission or similar regulatory authority in Canada has in any way passed upon the merits of the securities offered hereunder nor has it reviewed this offering memorandum and any representation to the contrary is an offence****. No person is authorized to give any information or make any representation not contained in this offering memorandum in connection with the offering of the securities described herein and, if given or made, any such information or representation may not be relied upon. Marketing materials distributed with this Offering Memorandum are incorporated into this document by reference and are deemed to be incorporated by reference including the Investors' Deck dated May, 2017.*

Offering Memorandum

Contents

This package contains:

Standard Term Sheet

How to Read This Offering Memorandum Offering Memorandum

Offering Memorandum Standard Term Sheet
Aqualitas Inc. September 8, 2017

This document does not provide disclosure of all information required for an investor to make an informed investment decision. Investors should read the Offering Memorandum, especially the risk factors relating to the securities offered, before making an investment decision.

Issuer information: Aqualitas Inc., incorporated under the *Companies Act*, R.S.N.S. 1989, c. 81.

Jurisdiction: Nova Scotia, Canada
Exchange: **These securities do not trade on any exchange or market**.
Business: The issuer has made an application to Health Canada to be a Licensed Producer of cannabis for medical purposes. The wholly owned subsidiary Finleaf Technologies Inc. is the research and development branch of the parent company, and is tasked with product and process development.

Securities: common shares with voting and dividend rights

Price: $1.50 CDN per share, minimum subscription of $10,000

Offering: **There is a minimum offering of $10,000. You may be the only purchaser**. There is no maximum offering but the issuer reserves the right to limit the purchase of shares in excess of 1,250,000 shares at a value of $1,875,000 CDN. Those eligible for the Nova Scotia Equity Tax Credit may be subject to limits up to $1,000,000 CDN subject to certificate issuance. Individual investors may contribute up to $50,000 per calendar year under the Equity Tax Credit program. **Funds available under the offering may not be sufficient to accomplish our proposed objectives.**

Proposed or expected closing dates: on or before September 15, 2017

Use of proceeds: pre-licensing buildout and operations

Restricted Securities: You will be restricted from selling your shares for an indefinite period. Those participating in the Nova Scotia Equity Tax Credit program must hold the investment for 5 years or be subject to repayment terms. See also Clause 10 of the offering memorandum for terms. These shares are not redeemable or retractable.

Securities are eligible for investment in a registered retirement savings plan or tax-free savings accounts, subject to individual qualifications. Nova Scotia Equity Tax Credit is available for eligible investors. Speak to your own advisor regarding your eligibility.

There is no agent, finder, commission or fee payable on this offer other than outlined herein.
You may contact Myrna L. Gillis, CEO if you have questions regarding the offering.

Contact Head Office: Aqualitas Inc. 310A – 1550 Bedford Highway Bedford, NS B4A 1E6
902-835-2784

HOW TO READ THIS OFFERING MEMORANDUM

This offering of units (the "Offering") is being made by Aqualitas Inc. pursuant to an exemption (the "Offering Memorandum Exemption") from the prospectus requirements of applicable securities laws. The Offering Memorandum Exemption requires that Aqualitas Inc. ("the Company") provide investors with a prescribed form of offering memorandum. Aqualitas Inc. is not a "reporting issuer" within the meaning of applicable securities laws and therefore it is not required to publish, disseminate or file ongoing continuous disclosure regarding its operations and affairs, except as relates to a material change in operations and as relates to required financial information.

GENERAL ADVISORY

A prospective purchaser of Offered Shares should read this entire Offering Memorandum and consult its own professional advisors to assess the income tax, legal, risks and other aspects of its investment in the Offered Shares. A prospective purchaser of Offered Shares should rely only on the information contained in this Offering Memorandum or documents specifically incorporated into this document by reference. The Company, has not authorized anyone to provide prospective purchasers of Offered Shares with additional or different information.

The information contained in this Offering Memorandum is accurate only as of the date of this Offering Memorandum, regardless of the time of delivery of this Offering Memorandum or any sale of the Offered Shares.

MARKET AND INDUSTRY DATA

Unless otherwise indicated, information contained in this Offering Memorandum concerning the industry and the markets in which we seek to operate, including our general expectations, market opportunities and market share, is based on information from third party sources, industry reports and publications (including industry surveys and forecasts, websites and other publicly available information). We have footnoted those sources where relevant. Each contain subjective research opinions and viewpoints of their respective authors and, except where otherwise indicated, speak as of their respective original publication dates (and not as of the date of this Offering Memorandum) and the opinions and market data expressed therein are subject to change without notice. Unless otherwise indicated, our estimates are derived from publicly available information released by independent industry analysts and third party sources as well as data and include assumptions made by us which we believe to be reasonable based on our knowledge of the industry and markets. While we believe the market information and other estimates included in this Offering Memorandum to be generally reliable, such information and estimates are inherently imprecise. In addition, projections, assumptions and estimates of our future performance or the future performance of the industry and markets in which we operate are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described under “Cautionary Statement Regarding Forward-Looking Information” and “Risk Factors”.

FINANCIAL INFORMATION

Financial Statements are presented in Canadian dollars. In this Offering Memorandum, all references to “$” are references to Canadian dollars and amounts are stated in Canadian dollars unless otherwise indicated. The Annual Financial Statements have been prepared in accordance with IFRS and audited in accordance with Canadian generally accepted auditing standards. The Quarterly Financial Statements are unaudited and have been prepared in accordance with IFRS.

CAUTIONARY STATEMENTS AND FORWARD LOOKING STATEMENTS

This memorandum contains forward-looking information within the meaning of applicable Canadian securities legislation relating, but not limited to, the Company’s expectations, intentions, plans and beliefs. Forward-looking information can often be identified by words such as “may”, “would”, “could”, “will”, “intend”, “plan”, “anticipate”, “believe”, “seek”, “propose”, “estimate”, “expect”, “goal,” “potential,” or similar words suggesting future outcomes or other expectations, plans, beliefs, objectives, assumptions, intentions or statements about future events or performance. Forward looking statements include but are not limited to those relating to the size of the offering, available funds, use of proceeds, future funding needs and availability, the Company’s ability to obtain a licence, reaching production, and industry expectations.

This Offering Memorandum contains “forward-looking information” within the meaning of applicable Canadian securities legislation which are based upon the Company’s current internal expectations, estimates, projections, assumptions and beliefs and views of future events. Forward-looking information include estimates, plans, expectations, opinions, forecasts, projections, targets, guidance or other statements that are not statements of fact. Statements containing forward-looking information are made as of the date of this Offering Memorandum and include, but are not limited to, statements with respect to:

• the performance of the Company’s business and operations;
• the Company’s expectations regarding revenues, expenses and anticipated cash needs;
• the intention to grow the Company’s business and operations;
• the build-out of the south shore facility and the respective costs and timing associated • the growth in the Company’s cultivation capacity and the maintenance of minimum levels of inventory;
• future production costs;
• industry growth trends, including with respect to projected sales and number of patients;
• the number of grams of cannabis used by each patient;
• the competitive conditions of the industry in which the Company operates;
• the legalization of cannabis for adult use in Canada, including federal and provincial regulations pertaining thereto and the timing related thereof and our intentions to participate in such market, if and when legalized;

• the expected timing and completion of the Company's near-term objectives;
• laws and any amendments thereto applicable to the Company;
• the competitive advantages and business strategies of the Company;
• the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis;
• the Company's future product offerings;
• the legalization of the use of cannabis for medical and/or adult use in jurisdictions outside of Canada;
• corporate governance matters.

Forward-looking information in this Offering Memorandum is based on our opinions, estimates and assumptions and perception of historical trends, current conditions and expected future developments, as well as other factors that we currently believe are appropriate and reasonable in the circumstances. Despite a careful process to prepare and review the forward-looking information, there can be no assurance that the underlying opinions, estimates and assumptions will prove to be correct. In particular, we have made assumptions in respect of the buildout of the south shore facility; our competitive advantages; the expected legalization of cannabis use in Canada; the growth of our business; the development of new products and product; our ability to retain key personnel; our ability to continue investing in our infrastructure to support our growth; our ability to obtain and maintain financing on acceptable terms; the impact of competition; the changes and trends in the medical cannabis industry; and changes in laws, rules and regulations. Forward-looking information is necessarily based on a number of opinions, estimates and assumptions that we considered appropriate and reasonable as of the date such statements are made, are subject to known and unknown risks, uncertainties, assumptions and other factors that may cause the actual actions, events, results, performance or achievements to differ materially from what is projected in forward-looking information, including but not limited to the following risks described in greater detail under "Risk Factors":
• the Company is dependent upon being granted a licence for its ability to grow, store and sell medical cannabis and other products derived therefrom, and such licences are subject to ongoing compliance, reporting requirements and renewal;
• the Company may not always succeed in complying with the regulatory requirements for Licensed Producers as set out by the ACMPR and Health Canada;
• the laws, regulations and guidelines generally applicable to the medical cannabis industry may change in ways currently unforeseen by the Company, including changes with respect to the reimbursement program established for Veterans or the cancellation thereof and the expected implementation of the Cannabis Act;
• future clinical research studies on the effects of medical cannabis may lead to conclusions that dispute or conflict with the Company's understanding and belief regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis;
• the medical cannabis industry and market are relatively new in Canada, and this industry and market may not continue to exist or grow as anticipated or the Company may ultimately be unable to succeed in this new industry and market;
• the Company may compete for market share with other companies, including Licensed Producers, which may have longer operating histories and more financial resources,

manufacturing and marketing experience than the Company;
• the Company may be unable to attract or retain key personnel with sufficient experience in the medical cannabis industry, and may prove unable to attract, develop, and retain additional employees required for the Company's development and future success;
• significant interruption in the Company's access to certain key inputs such as raw materials, electricity, water and other utilities may impair its cannabis growing operation;
• the Company may seek to expand its business and operations into jurisdictions outside of Canada, and there are risks associated with doing so;
• the Company may enter into strategic alliances, or expand the scope of currently existing relationships with third parties with whom it believes will have a beneficial impact on its business, financial condition and results of operation and there are risks associated with such activities;
• the Company is subject to risks inherent in an agricultural aquaponics business and the failure to scale up its aquaponics prototype;
• the Company may not be able to transport its medical cannabis products to patients in a safe and efficient manner;
• the Company will seek to maintain adequate insurance coverage in respect of the risks faced by it, however insurance premiums for such insurance may not continue to be commercially justifiable and there may be coverage limitations and other exclusions which may not be sufficient to cover potential liabilities faced by the Company;
• if the Company is not able to comply with all safety, health and environmental regulations applicable to its operations and industry, it may be held liable for any breaches thereof;
• the Company may be subject to product liability claims;
• the Company's cannabis-based medical products may be subject to recalls for a variety of reasons;
• the Company may not be able to successfully develop new products or find a market for their sale;
• the Company may experience breaches of security at its facilities or in respect of electronic documents and data storage and may face risks related to breaches of applicable privacy laws;
• the Company may become subject to liability arising from any fraudulent or illegal activity by its employees, contractors and consultants;
• the Company, or the medical cannabis industry more generally, may receive unfavourable publicity or become subject to negative consumer perception;
• the Company may not be able to develop and maintain lasting consumer relationships with patients;
• the Company may be unable to expand its operations in accordance with patient demand or to manage its operations at its anticipated scale;
• the Company may not be able to secure adequate or reliable sources of funding required to operate its business and meet consumer demand for its products;
• management may not be able to successfully implement adequate internal controls over financial reporting;
• the Company may not be able to successfully identify and execute future acquisitions or dispositions, or to successfully manage the impacts of such transactions on its operations;
• conflicts of interest may arise between the Company and its directors and officers as a result

of other business activities undertaken by such individuals;
• the Company may become involved in regulatory or agency proceedings, investigations and audits;
• the Company may be subject to litigation in the ordinary course of its business;
• certain events or developments in the medical cannabis industry more generally may impact the Company's reputation;
• third parties with whom the Company does business may perceive themselves as being exposed to reputational risk as a result of their relationship with the Company;
• the Company may be subject to risks related to the protection and enforcement of its intellectual property rights, and may become subject to allegations that the Company is in violation of intellectual property rights of third parties;
• the Company may be subject to risks related to its information technology systems, including cyber-attacks;
• the Company may face disruption in connection with labour organization efforts;
• Licensed Producers are constrained by law in their ability to market their products;
• there is currently no market for the Common Shares and none may develop following the Offering;
• management has indicated its plan for the use of proceeds of the Offering hereunder but will ultimately exercise its discretion in how such funds are put to use;
• holders of Common Shares may be subject to dilution resulting from future offerings of Common Shares by the Company;
• it is not anticipated that any dividends will be paid to holders of Common Shares for the foreseeable future;
• tax and accounting requirements may change in ways that are unforeseen to the Company and the Company may face difficulty or be unable to implement and/or comply with any such changes.

Although we have attempted to identify important factors that could cause actual actions, events, results, performance or achievements to differ materially from those described in forward-looking information, there may be other factors not presently known to us or that we presently believe are not material that may cause actions, events, results, performance or achievements to differ from those anticipated, estimated or intended. Should one or more of these risks or uncertainties materialize or should assumptions underlying the forward-looking information prove incorrect, actual actions, events, results, performance or achievements may vary materially from those expressed and implied by such statements contained in this Offering Memorandum. The purpose of forward-looking information is to provide the reader with a description of management's expectations, and such statements may not be appropriate for any other purpose. Accordingly, prospective purchasers of Offered Shares should not place undue reliance on forward looking information contained in this Offering Memorandum. Although the Company believes that the expectations reflected in statements containing forward-looking information are reasonable, it can give no assurance that such expectations will prove to be correct. The Company disclaims any obligation to update any forward-looking information, whether as a result of new information or future events or results, except to the extent required by applicable securities laws.

The forward-looking statements contained herein reflect the Company's current views with respect to future events and are subject to known and unknown risks, including, without limitation, risks associated with general economic conditions; not being awarded a licence by the regulator; adverse industry events; marketing costs; loss of markets; future legislative and regulatory developments involving medical cannabis or adult-use cannabis; inability to access sufficient capital from internal and external sources, and/or inability to access sufficient capital on favourable terms; the medical cannabis industry in Canada generally, income tax and regulatory matters; the ability of the Company to implement its business strategies; competition; crop failure; system failure; scalability issues; currency and interest rate fluctuations and other risks, uncertainties and assumptions. Many factors could cause the Company's actual results, performance or achievements to vary from those expressed or implied by such forward-looking information. Should one or more of these risks or uncertainties materialize, or should assumptions underlying forward-looking statements prove incorrect, actual results may vary materially from those described herein as intended, planned, anticipated, sought, proposed, believed, estimated or expected. Readers and prospective investors are cautioned not to place undue reliance on forward-looking information as it is inherently uncertain and no assurance can be given that the expectations reflected in such information will prove to be correct. The forward- looking information in this memorandum is made as of the date hereof and, except as required under applicable securities legislation, the Company assumes no obligation to update or revise such information to reflect new events or circumstances.

This Offering Memorandum is confidential. By their acceptance hereof, prospective investors agree that they will not transmit, reproduce or make available to anyone this Offering Memorandum or any information contained herein.

FORM 45-106F2

OFFERING MEMORANDUM FOR NON-QUALIFYING ISSUERS

Date: September 8, 2017

The Issuer:

Name: Aqualitas Inc. ("Aqualitas" or "the Company")
Head office: Suite 310A, 1550 Bedford Highway, Bedford, NS, B4A 1E6
Phone: (902) 835-2784
Email: admin@aqualitas.ca or mgillis@aqualitas.ca
Fax: (902) 835-1486

These securities do not trade on any exchange or market.
Reporting issuer: Not a reporting issuer
SEDAR filer: Yes

The Offering:

- Securities Offered: 1,250,000 Common Shares
- Price per security: $1.50 CDN
- Minimum/Maximum offering: **There is no minimum offering. You may be the only purchaser**. We reserve the right to extend the offering beyond 1,250,000 million shares.
- **Funds available under the offering may not be sufficient to accomplish our proposed objectives**.
- **Minimum subscription amount for each investor**: $10,000.00 CDN
- Payment terms: Payment may be made by bank draft, certified cheque, money order, or electronic transfer
- **Proposed closing date**: on or before September 15, 2017
- Income tax consequences: There are important tax consequences to these securities. See item 6.
- Selling agent: No

Resale restrictions:
You are restricted from selling your securities for an indefinite period. See other restrictions that may affect you under item 10. The shares are not redeemable or retractable.

Subscriber's rights
You have 2 business days to cancel your agreement to purchase these securities. If there is a misrepresentation in this Offering Memorandum, you have the right to sue either for damages or to cancel the agreement. See item 11.

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.

Item 1: Use of Available Funds

1.1 Funds

		Assuming min. offering	Assuming max. offering
A.	Amount to be raised by this offering	$10,000.00	$1,875,000
B.	Selling commissions and fees	$ 0	$0
C.	Estimated offering costs (e.g., legal, accounting, audit.)	$10,000.00	$10,000.00
D.	Available funds: D = A - (B+C)	$0,000.00	$1,865,000.00
E.	Additional sources of funding available Aug 16, 2017[1]	$2,121,759.24	$2,121,759.24
F.	Working capital deficiency	$0	$0
G.	Total: G = (D+E) - F	$2,121,759.24	$3,986,759.24

1.2 Use of Available Funds

Description of intended use of available funds listed in order of priority	Assuming min. offering	Assuming max. offering
Building Remediation (building envelope, security, HVAC)	$1,000,000.00	$1,000,000.00
Operating costs and reserve	$1,121,759.24	$2,986,759.24
Total: Equal to G in the Funds table above	$2,121,759.24	$3,986,759.24

1.3 Reallocation

We intend to spend the available funds as stated. We will reallocate funds only for sound business reasons.

1.4 Additional Funds

[1] Cash on hand at August 16, 2017.

The additional funds are cash on account. Future raises will be required to meet the 12-24 month goals of the Company which will include production buildout and financing for operating equipment and working capital. We anticipate $6 million in additional future funds. This estimate may change in the event of overages, or delays in the timeline to obtain a licence.

Item 2: Business of Aqualitas Inc.

2.1 Structure

Aqualitas Inc. and Finleaf Technologies Inc. are corporations incorporated under the *Companies Act,* R.S.N.S. 1989, c. 81. The Company was incorporated on October 30, 2014. Its wholly owned subsidiary, Finleaf Technologies Inc., was incorporated on January 12, 2016.

The head office is located at 310A – 1550 Bedford Highway, Bedford, Nova Scotia, B4A 1E6. The

Company yearend is December 31.

2.2 Our Business

The Company was formed for the purpose of making an application to Health Canada to produce and sell high-quality strains of medical grade cannabis to authorized clients. The authorizing legislation at the time of application was the *Marihuana for Medical Purposes Regulations*, SOR/2013-119 (*MMPR*), enacted by the Federal government under the *Controlled Drugs and Substances Act*, S.C. 1996, c.19.

The *MMPR* were repealed on August 24, 2016 and replaced by the *Access to Cannabis for Medical Purposes Regulations* (*ACMPR*), SOR/2016-230). The *ACMPR* permits expanded offerings for Licensed Producers in a new system that includes the sale of seeds and starting materials to home growers and other licensed producers, and an expansion to sale of oils to dosing capsules, in addition to direct sales of the dried and raw plant. We have been advised by Health Canada that our application under the *MMPR* will continue under the *ACMPR*.[2] We filed the forms required by Health Canada under the *ACMPR* to produce 6,000 kilograms of cannabis (dry or oil) annually to increase to 9,000 kilograms annually with the completion of our phase 2 expansion. On August 29, 2017, Health Canada advised us that licences will no longer specify a production amount, but production is limited by vault size. Our vault has the capacity to store between 3,125 kilograms and 15,000 kilograms of product at any given time in accordance with the Directive on Physical Security Requirements for Controlled Substances.

Finleaf Technologies Inc., our wholly owned subsidiary, was formed to provide The Company

[2] For information on the regulatory change, see https://www.canada.ca/en/health-canada/services/publications/drugs-health-products/understanding-new-access-to-cannabis-for-medical-purposes-regulations.html

with a related company for its research and development, which may have commercial viability beyond the cannabis industry. Finleaf is actively pursuing research and development projects related to product offerings, production and aquaponics processes. Finleaf Technologies Inc. has been awarded two research grants: one from Innovacorp, an investor in early stage entrepreneurs in Nova Scotia, and a Science and Technology Assistance grant from the Industrial Research Assistance Program of the National Research Council of Canada. Both focus on research related to aquaponics production. Our research lab is currently housed at the K.C. Irving Environmental Science Building at Acadia University, Wolfville, Nova Scotia. We are also working at Dalhousie University in the Aquatron Laboratory.

Aquaponics is the symbiotic production of plants and fish in a closed-loop system where fish waste is converted to nitrates and other beneficial nutrients for the plant. This process enables cannabis to be grown in a water medium rather than soil, a manner that permits all- natural certification, and has lower environmental outputs and higher yields than conventional methods of growing. It is self-sustaining. This process also results in products that are better tasting and superior in quality compared to those grown using petroleum- extracted fertilizers, which are harsh and often adverse to consumers, particularly those who have environmental or chemical sensitivities. No pesticides are used in the production process, as they are harmful to the fish species.

The proposed site for our operation is a commercial property in the Municipality of Queens County, Nova Scotia. The existing building is ~40,000 square feet, located on a ~4 acre parcel of land with an option to purchase additional acres of land in the event of future expansion. It is located within a controlled access commercial park, with existing fencing, a staffed security gate and MARSEC security clearance. The property is secured by a lease to purchase agreement. The site is managed by a crown corporation. Our application has been endorsed and supported by the crown corporation and the municipality. We do not have operations outside Canada and have no current plan to operate outside of Canada.

The Company filed its application with Health Canada on March 7, 2015 and on March 21, 2017 we moved into the Review stage of the application process.[3] The stages in the process are to submit the application, pass preliminary and enhanced screening, and then pass through initial security clearance. The Company has advanced to the Review stage (step 5 of 7). Less than 9% of applicants are in the final stages of licence steps 5 and 6 (pre-licence inspection). Step 7 is the grant of the licence.[4] Our placement in review was 154 or better of 1665 applicants. Health Canada recently modified the licensing process to speed up the processing for the issuing of licenses. Under the *ACMPR*, once an applicant has met with regulatory

[3] http://www.hc-sc.gc.ca/dhp-mps/marihuana/info/application_steps-etapes_lp-pa-eng.php

[4] Health Canada data (https://www.canada.ca/en/health-canada/services/drugs-health-products/medical-use-marijuana/licensed-producers/application-process-becoming-licensed-producer.html); information received directly from Health Canada March 21, 2017; see also information reported by David Brown, June 16, 2017: "As of May 18, 2017: HC was processing 428 applications to become a licensed producer. 99 at screening, 143 at security 187 at review" (https://twitter.com/drowbb/status/875843875897724928).

requirements, the Minister of Health is mandated to issue a license including any conditions deemed necessary:

> **35** Subject to section 36, the Minister must, after examining the information and documents required under section 33 and, if applicable, section 11, and after all of the security clearances required by section 34 have been granted under section 112, issue to the applicant a producer's licence.

The new steps are as follows:

1. Intake and Initial Screening
2. Detailed Review and Initiation of Security Clearance Process
3. Issuance of Licence to Produce
4. Introductory Inspection (as cultivation begins)
5. Pre-Sales Inspection
6. Issuance of Licence to Sell

No licences have yet been granted in Nova Scotia. Nova Scotia has the 2nd highest per capita enrollment for medical cannabis, and the highest percentage of any province for non-medical cannabis consumption.[5]

The Company through its subsidiary Finleaf Technologies Inc. has also had its application approved for its licence from the Department of Fisheries and Aquaculture, Nova Scotia, as this fish licence is required for importation and production in the aquaponics facility.

We will be using GMO-free tilapia or koi grown in a secure facility.

Competition: There are 52 producers as of the date of authoring this Offering Memorandum in Canada licensed to sell and/or cultivate medical cannabis. The majority of producers are in Ontario (29) and British Columbia (12), with only two in Atlantic Canada (New Brunswick and Prince Edward Island).[6] One of these producers uses an aquaponics platform.

Market: The current market is for domestic production and sales of medical cannabis within Canada, delivered from a Licensed Producer, by courier, to authorized patients with a prescription filled by a physician or nurse practitioner. Some Canadian Licensed Producers are also exporting to markets where medical cannabis is legal, such as the European Union (Croatia, Germany), Brazil, Australia, New Zealand and the Cayman Islands.

According to Health Canada, as of December 31, 2016 there were 130,000 patients enrolled under the current or former regulations, with an average prescription of 2.6 grams per day, and an average shipment of .89 grams per day per client.[7] New patients have been registered

[5] "https://news.lift.co/mmpr-market-statistics-to-aug-2016/Up in Smoke: Canadian Marijuana Use by Province," cantech letter, Nick Waddell, March 24, 2014: http://www.cantechletter.com/2014/03/smoke-canadian-marijuana-use-province/.
[6] http://www.hc-sc.gc.ca/dhp-mps/marihuana/info/list-eng.php
[7] http://www.hc-sc.gc.ca/dhp-mps/marihuana/info/market-marche-eng.php

in the *MMPR* system since April 1, 2014, and they are now registering under the *ACMPR.* Enrollment has been increasing by approximately 30% per quarter. See note 5. The actual number of registrations at the end of 2016 was ~130,000, which is ahead of Health Canada's projection for growth by 4 years.

Health Canada anticipates the market will increase to 450,000 registered patients by 2024, with annual revenue of $1.3 billion. Based on the Colorado and Oregon medical adoption rate of 2% of the population, and projections by industry analysts, it is anticipated that medical registrations will exceed Health Canada's estimates, with the number of registered medical patients increasing to approximately 715,000 by 2020.[8]

On April 13, 2017, the Government of Canada introduced legislation to take initial steps towards fully legalizing adult use of cannabis. The legislation will make Canada the first G7 country fully to legalize cannabis, and the second country in the world, after Uruguay. The legislation is "*An Act respecting cannabis and to amend the Controlled Drugs and Substances Act, the Criminal Code and other Acts*" or the "*Cannabis Act*."[9] The main focus of the government's legislation is to balance adult-use access with public safety. From a public safety standpoint, the key issues that the *Cannabis Act* deals with include protecting youth health, restricting inducements for the use of cannabis, increasing consumer awareness about the risks cannabis poses to health, reducing the illicit market, reducing the burden on the criminal justice system that the illegality of cannabis has produced, and ensuring a monitored and safe supply of the product. Where youth are concerned, the act has age limits: no one under 18 can possess cannabis; packaging, promotion and sale of cannabis and accessories cannot be done in a way that might appeal to youth or be seen by youth (think cigarette marketing and sales); and there are new proposed criminal code offences for giving or selling cannabis to youth, or involving a youth in a cannabis transaction. For young offenders, the *Youth Criminal Justice Act* will apply.

Public safety has various aspects, but a pressing concern most particularly operating a vehicle while impaired. Roadside saliva tests are being proposed. What will be permitted for adults is a "carry" and "share" limit of 30g (equivalency based on dried cannabis), the ability to purchase cannabis from a Licensed Producer, the ability to grow no more than 4 plants, no taller than 1 metre (indoors or out), and production at home of cannabis products that does not involve the use of solvents. Penalties for breaches of these rules range from tickets (fines) to 14 years incarceration, depending on the severity (eg. quantity or circumstances). Cannabis cannot be taken outside of Canada legally.

The products that will be available under the *Act* include dried cannabis, cannabis oil, and fresh cannabis. Edibles have not been legislated at this point (other than the personal capacity to make products using cannabis, without using solvents), although the government indicates that this is anticipated as a future legal product. Packaging of products is now strictly regulated for the medical market; packaging for the adult-use market will be further regulated,

[8] http://www.theglobeandmail.com/globe-investor/investment-ideas/research-reports/article29573050.ece/BINARY/Medical%20Marijuana_4-8-2016.pdf
[9] http://www.parl.gc.ca/HousePublications/Publication.aspx?Language=E&Mode=1&DocId=8894959

as will pricing, and taxation.

Licensed Producers will continue to be regulated as the only legal source of cannabis in Canada, other than the home-growing permitted. The *Cannabis Act* leaves to provincial jurisdictions to make laws about how cannabis can be sold (eg. Dispensaries, government operated retail, pharmacies), where it can be consumed, where it can be grown by individuals, and they have the option to increase the age of legal consumption. It is anticipated the courier delivery will remain in place for medical cannabis in the interim while retail regulations are addressed for full legal access for adult use.

It is projected that there are currently 5.6 million Canadians who partake in the consumption of adult-use cannabis in a variety of forms, including edibles, oils, topical, raw, and dried. This number is projected to rise to over 7 million with legalization, with a potential revenue as high as $10 billion per year.[10] The Deloitte report projects 40% of adult Canadians will consume cannabis,[11] 22% being the existing adult-use market, with the remainder being new customers partaking once adult-use cannabis is fully legalized.

2.3 Development of Business

The Company is a start-up company and has not entered into production, as we do not have a licence. We are actively pursuing research and development. We are also actively developing our marketing and patient/client acquisition strategies considering both the medical and adult-use markets. Through our subsidiary, Finleaf, we are also pursuing research and development opportunities that have potential applications independent of the cannabis industry.

We have reached several milestones. We have filed our application to produce and sell cannabis and have advanced to the top 9% of the applicant pool. Our aquaculture licence has been approved. Our site has been selected with a lease to purchased option, and we have secured the required endorsements from our landlord and municipality for our application. We have secured funding through federal and provincial agencies to hire cooperative education students for the summers of 2016 and 2017 and we have received grants to conduct research. We are currently running research trials regarding our aquaponics process in our research laboratory and will pursue intellectual property protection. We have raised more than $1,650,000 in capital to date, and have been very conservative in our expenditures. Our website and social media profiles have been launched[12]and we have prepared communications for healthcare providers and investors. We have recruited the majority of our key personnel and advisors, costed our project, and secured quotes for building remediation and infrastructure. We are actively engaging with key agencies and institutions in the industry and in commercial production more broadly regarding research, development, financing and in-kind support. We received our 10-year aquaculture licence in March 2017.

[10] http://research.cibcwm.com/economic_public/download/eijan16.pdf

[11] https://www2.deloitte.com/ca/en/pages/deloitte-analytics/articles/recreational-marijuana-market.html

[12] www.aqualitas.ca; @AqualitasInc; https://www.facebook.com/pg/aqualitasinc/about/

Health Canada regulates advertising. There are strict advertising restrictions particularly with respect to youth in the *Cannabis Act*. All sales are currently completed through e-commerce online sales. This will change with full legalization in 2018, although provincial responses to how cannabis will be sold are yet to be finalized. We anticipate in the interim medical cannabis will continue under the e-commerce procedures currently established.

We currently have a Medical and Patient Advisory Board that includes healthcare providers, researchers, patients and patient advocates. This outreach provides us with the ability to access and support those individuals who require medical cannabis. We anticipate client acquisition through physician and clinic referrals and by word-of-mouth or recommendations from existing clients. We anticipate our primary client base initially to be women, seniors, and veterans residing in Atlantic Canada, but believe our unique aquaponics process will have broad appeal to all clients who prefer an organic or all-natural product, and those seeking products with enhanced taste profiles. We are also mindful of the potential to expand product offerings beyond Canada and are developing strategies for expanded distribution in anticipation of the changing regulatory landscape in Canada and internationally.

2.4 Long Term Objectives

The Company seeks a licence to produce medical cannabis from Health Canada, and to produce cannabis for the adult-use market, and in the long term, the corporate goal is to be a recognized and preferred producer of natural, certified, aquaponically produced cannabis for medical use and in a broader adult-use market. Once licensed, the Company will enter into production. Applicants under the *ACMPR* automatically will be considered as applicants in the adult-use regulatory regime. The timeframe for licensing is unknown; the costs to enter into production are outlined in section 1.

2.5 Short Term Objectives and How We Intend to Achieve Them

The short-term objective is to receive a licence from Health Canada. Note, **all timelines are subject to regulatory approval** and while the Company will comply with all timelines imposed by the regulator, it has **no control over the speed at which Health Canada completes its inspections and licensing procedures**. We will require additional capital, after the installation of the security infrastructure facility. We will also require future production capital and initial operating funds.

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
Site remediation (walls, floors)	July 30, 2017	$ 465,700
Site remediation (security and electrical)	October 31, 2017	$ 1,191,827

Site remediation (production rooms & HVAC)	November 30, 2017	$1,444,624
Overages, operational costs and reserve to inspection and licence	February 2018 (anticipated)	$1,201,856
		$4,304,007

2.6 Insufficient Funds

The funds available as a result of this offering will not be sufficient to accomplish all of the Company's proposed objectives and there is no assurance that alternative financing will be available. The Company is seeking additional financing in the form of grants, loans, subsidies and credits from government departments, agencies and not-for-profit organizations that support research, innovation and community economic development. We have received some grant funds to date. We will also pursue low-interest agricultural loans and financing options available from our primary suppliers. We anticipate further round(s) of financing for operational and capital costs including production equipment once our licence is imminent or has been granted. We seek to minimize shareholder dilution, and have sight lines on accredited investors who wish to invest in early stage Licensed Producers not currently trading on an open stock exchange.

If we are not fully capitalized, we can phase in some high-cost items such as secure data storage servers and laboratory equipment. Product testing can initially be contracted out, and servers can be purchased once existing servers are at capacity (Health Canada requires 2 years of onsite storage for security camera recordings). We can also phase in grow rooms for production.

2.7 Material Agreements

The Company's production will be in a facility in Brooklyn, Nova Scotia that is owned and operated by Nova Scotia Lands Inc. and Harbourside Commercial Park Inc., both provincial crown corporations. The Company has a lease-to-purchase agreement with the landlord that includes an option of purchasing additional land in the secure commercial park. The Company has finalized baseline assessments including environmental testing of the property for purchase and occupancy. The landlord has endorsed our application to Health Canada and has warranted that our operation is compliant with zoning and conforming use of the building and land, should our licence be granted. The landlord has also endorsed our application for an aquaculture licence, which was filed under our subsidiary company, Finleaf Technologies Inc.

The Company has retained the services of Olympia Trust Company, Calgary, Alberta, to assist investors to place purchased shares in a registered retirement savings plan (RRSP) or tax free savings account (TFSA). The Company paid Olympia a review and administration fee of $1,000 and Olympia will charge a fee to individual investors if its services are retained for the transfer of shares into an RRSP or TFSA. The Company provides investors with contact with Olympia, but investors are required to finalize all paperwork directly with Olympia.

The Company currently pays Universal Properties rent in the amount $1,087/month plus HST, subletting office space from a numbered company, 3066302 Nova Scotia Limited, which is directed by insider Myrna L. Gillis QC. The monthly rent includes a furnished office and access to common areas including washrooms, kitchen, storage and meeting areas. The following overhead is also included: some administrative support, use of office equipment (photocopier, fax, computer equipment, phone, cell) as well as coverage of internet, phone, long distance, and toll free phone line expenses.

The Company contracts the legal services of Myrna L. Gillis Legal Services Inc. for general corporate, contract and employment matters. This company is owned by Myrna L. Gillis and Barbara Darby. The Company contracts the legal services of Stewart McKelvey in Halifax, Nova Scotia, for corporate, tax, securities and trademark matters. The Company contracts the legal services of Troutman Sanders, Washington, DC for US securities matters.

The Company reappointed KPMG LLP, 1959 Upper Water St, Halifax, NS B3J 3N2 as its auditor at its 2017 annual general meeting. The Company has retained the firm of MNP LLP for accounting advice respecting the eligibility to place shares in a TFSA or RRSP.

The Company is negotiating or has negotiated employment agreements with its management team, Quality Assurance Person (a position required by the *MMPR* and *ACMPR*), and Head of Product Quality Assurance. No salaries have been paid for 2014 or 2015. Accrual of salary has commenced as of January 1, 2016 for key personnel. The Company has 5 employees currently on its payroll. By shareholder resolution, effective August 2016, the Company has started compensating the Chief Executive Officer Myrna L. Gillis for services, in the amount of $6,000 monthly which was increased to $12,000 monthly effective January 1, 2017 with total executive compensation increased to $19,500 monthly. The Company anticipates striking an executive compensation review committee to align salaries to competitive industry standards post licence. The Company obtained partial funding for wages for two cooperative education students for the summer of 2016 from the Department of Labour and Advanced Education, Nova Scotia, and for three cooperative education students for the summer of 2017. The disciplines of the COOP students include marketing and public relations, botany, environmental science, and engineering. The Company has hired cultivation and aquaponic personnel.

A shareholders' agreement was entered into by the shareholders who participated in the first share offering in December, 2014 who were issued shares as founders or key stakeholders, in exchange for their contribution of services to the Company as the application to Health Canada was prepared. In the original, nominal-value grant of shares to 13 individuals, we recognized in-kind efforts in preparing the 1,500 page application to Health Canada (which was completed prior to start-up funding), which included expert reports in engineering and security design briefs, preparation of all the Good Manufacturing Practices policies and procedures, preparation of testing Standard Operating Proceedings, Human Resource, Security, Data Retention, Record Keeping, and Information Technology policies, together with professional accounting and legal regulatory analyses associated with costing of the project, and with drafting the application in a manner that demonstrated how we would comply with a complete regulatory scheme.

In January 2015, common shares were issued to additional shareholders under a Shareholders' Agreement through a "Friends and Family" offering.

The Shareholders' Agreement stipulates, *inter alia* that:

> 10. Any Shares to be issued by the Company, or other securities convertible into Shares ("**Additional Securities**") and other than Shares offered to employees, officers, directors, agents or contractors providing services to the Company in the form of, but not limited to, shares or share options, shall first be offered by the Company to all Shareholders pro rata to the ratio of the number of Shares held by each such Shareholder at the time of the issue to the total number issued and outstanding Shares at that time (a "**Proportionate Share**").

There are 38 shareholders entitled to this notice and there were 6,812,001 shares issued to those shareholders at the close of the initial offering.

Item 3: Interests of Directors, Management, Promoters and Principal Holders

3.1 Compensation and SecuritiesHeld

Name and municipality of principal residence	Positions held (e.g., director, officer, promoter and/or principal holder) and the date of obtaining that position	Compensation paid by issuer or related party in the most recently completed financial year and the compensation anticipated to be paid in the current financial year	Number, type and % of securities of the issuer held after completion of min. offering	Number, type and % of securities of the issuer held after completion of max. offering
Myrna L. Gillis, QC Glen Haven, NS	CEO October 30, 2014 Director	No compensation paid 2014 -15; Accruing $6,000/month 01-01-16 as approved at AGM. Effective August 5, 2016, compensation of $6,000 per month being paid; increased to $12,000 per month 2017-01.	128,001 Common Shares 1.4%	128,001 Common Shares 1.4 %
Mike O'Keefe Halifax, NS	CFO October 30, 2014 Director	No compensation paid 2014 -15; Accruing $2,500/month 01-01-16 as approved at AGM, no compensation paid 2015-16; accrual $3,500/month 2017-01; 100,000 options, none exercised.	380,000 Common Shares 4.3%	380,000 Common Shares 4.3%

Barbara Darby Dartmouth, NS	VP October 30, 2014 Director	No compensation paid 2014 -15; Accruing $3,500/month 01-01-16 as approved at AGM, no compensation paid 2015-16; accrual $4,000/month 2017-01; 100,000 options, none exercised.	420,000 Common Shares 4.7%	420,000 Common Shares 4.7%
3290461 Nova Scotia Limited	Sole shareholder Myrna L. Gillis, QC	No compensation	5,000,000 Common Shares 56.7%	5,000,000 Common Shares 56.7%

Stock Options for key employees and consultants are authorized by our shareholders. We will not permit options to exceed 10% of the issued and outstanding shares at any given time without approval. 620,000 stock options have been allocated as of October 2015 (the grants vested immediately with the option agreement for distribution being subject to shareholder approval); a further 180,817 were allocated in February 2017. No options have been exercised. These stock options comprise ~10% of the issued and outstanding shares.

On June 24, 2017, the company's shareholders re-elected the directors of the Company and approved the audited financial statements. At the June 2016 AGM, the shareholders also approved the Incentive Stock Option Plan outlined in this Offering Memorandum.

3.2 Management Experience

Myrna L. Gillis, QC, LL.B. CEO & Founding Director. Lawyer, mediator and entrepreneur. Myrna has practiced primarily labour and employment law in Nova Scotia for 25 years with a special focus on providing regulatory and business advice to employers in the vulnerable persons service sector, including supports for individuals with disabilities.

Mike O'Keefe, MBA, CPA, CMA CFO & Director. 20 years' experience in financial management and direction for public and private companies, including one of the 50 Best Managed Canadian private companies, multinationals, and a TSX Venture exploration company.

Barbara Darby, LL.B., PhD VP & Director. Barbara transitioned to law after an academic career. Since 2003 she has expanded a varied legal practice that includes corporate governance, work with a First Nations community and voluntary work in regulatory oversight, including work for the College of Registered Nurses of Nova Scotia and a health authority Research Ethics Board.

3.3 Penalties, Sanctions and Bankruptcy

None.

3.4 Loans

None.

Item 4: Capital Structure

4.1 Share Capital

Description of security	Number authorized to be issued	Price per security	Number outstanding as at August 16 2017	Number outstanding after min. offering	Number outstanding after max. offering
Common shares	Unlimited 1,250,000 with this offering	$1.50	8,878,227		10,128,227[13]

4.2 Long Term Debt Securities

No long-term debt securities.

4.3 Prior Sales

Date of issuance	Type of security issued	Number of securities issued	Price per security	Total funds received
October 30, 2014	Common shares	1	Nil	Nil
December 16, 2014	Common shares	5,890,000	$.001	$5,700.00
January 28, 2015	Common shares	922,000	$.50	$461,000
February 29, 2016	Common shares	23,000	$1.00	$23,000
June 27, 2016	Common shares	400,000	$1.00	$400,000
July 26, 2016	Common shares	150,000	$1.00	$150,000
February 24, 2017	Common shares	623,172	$1.00	$623,172
June 30, 2017	Common shares	831,720	$1.50	$1,247,580
July 31, 2017	Common shares	64,334	$1.50	$96,501

[13] This offering may exceed 1,250,000 shares at the price of $1.50 per share, but the ETC eligibility is $1,000,000 unless otherwise extended.

Item 5: Securities Offered

5.1 Terms of Securities

All shares being offered have full voting rights and eligibility for dividends. No dividends have been declared to date nor have rates been set. The shares are not redeemable or retractable.

5.2 Subscription Procedure

There are 3 variations of the offering memorandum process, depending on where you reside.

Group A: Individual Purchasers residing in Alberta, New Brunswick, Nova Scotia, Ontario, Québec and Saskatchewan may be subject to purchase limits, and are required to complete a subscription agreement, and the risk acknowledgement form 45-106F4 with Schedule 1 and 2. Investors in Quebec must be accredited investors to participate in this raise.

Group B: Individual Purchasers residing in British Columbia and Newfoundland have no restrictions and no purchase limits, and are required to complete a subscription agreement and the risk acknowledgement form 45-106F4.

Group C: Individual Purchasers residing in Manitoba, Prince Edward Island, Northwest Territories, Yukon and Nunavut may be subject to purchase limits and are required to complete a subscription agreement and risk and acknowledgement form 45-106F4.

Generally there are no purchase limits on entities or corporations, except for entities in Prince Edward Island and Manitoba that have eligibility requirements.

Jurisdiction	**Restrictions on issuers that can rely on the OM exemption**	**Restrictions on securities that can be distributed under the OM exemption**	**Investment limits under the OM exemption**	**Disclosure obligations following a distribution under the OM exemption**
British Columbia and Newfoundland and Labrador	No restrictions	No restrictions	No limits	None

Alberta, New Brunswick, Nova Scotia, Ontario, Québec and Saskatchewan	Restrictions on use of OM exemption by investment funds[14]	Specified derivatives and structured finance products may not be distributed	Investment limits imposed on certain individual investors (described below)	Certain continuous disclosure obligations imposed on issuers following a distribution (described below)
Manitoba, Prince Edward Island, Northwest Territories, Yukon and Nunavut	Restrictions on use of OM exemption by investment funds[15]	No restrictions	Investment limit of $10,000 imposed on non- eligible investors	None

Please deliver your funds and completed documents to us 1-7 days in advance of the closing date (and no later than 2:00 AST on the day of closing). We will not accept funds transferred from existing registered accounts unless they are received by the closing date. Financial institutions or brokers may facilitate the deposit of shares into other forms of investment; it is your obligation to meet the requirements of your own financial advisors.

Payment is by cheque, bank draft, money order, or electronic transfer. Funds will be held by the Company in trust and secured for no less than 2 days after you sign the subscription agreement and we receive it, and will then be deposited into the corporate operating account when the Purchaser has been provided his/her share certificate.

A summary of the process is outlined below.

Step 1: If you want to purchase shares, contact us by email or phone (902) 835-2784 or email mgillis@aqualitas.ca and advise what province you reside in, if you want to purchase as an individual or an entity, indicate your manner of payment, and your anticipated level of investment.

Step 2: We will forward the required documents for the closing. You must complete the

[14] In New Brunswick, Ontario and Québec, the OM exemption is not available to investment funds and in Alberta, Nova Scotia and Saskatchewan, the OM exemption is only available to investment funds that are non-redeemable investment funds or mutual funds that are reporting issuers. Quebec investors must be accredited to participate in this raise.

[15] In Manitoba, Prince Edward Island, Northwest Territories, Yukon and Nunavut, the OM exemption is only available to investment funds that are non-redeemable investment funds or mutual funds that are reporting issuers.

subscription agreement and identify the category(ies) you are participating under, and if any investment limits apply to you. You must also complete the risk acknowledgment form. Return both of these documents and your funds to our offices at Suite 310A, 1550 Bedford Highway, Bedford, NS B4A 1E6 on or before 2:00 AST on the closing date.

Step 3: All funds will be held for a minimum 2 days after the subscription agreement is received, before the raise is then closed, and the funds are released to the Company. A copy of the subscription agreement signed by the Company will be delivered to you and along with your share certificate.

If you have already invested with us, and are subject to investment limits, you will have to hold off investing for 12 months from your last investment, if you have reached your investment limit.

Item 6*: *Income Tax Consequences and RRSP Eligibility

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

6.2 For Subscribers in Nova Scotia, the shares are eligible for the Nova Scotia Equity Tax Credit.[16] The tax credit may be lost if the investor does not own his/her shares for the legislated time period of 5 years. The Province of Nova Scotia will mail eligible investors the necessary form to claim the equity tax credit. Please retain this document for tax purposes.

This income tax disclosure has been made by Mike O'Keefe, CFO and reviewed by KPMG LLP, 1959 Upper Water Street, Halifax, Nova Scotia, B3J 3N2.

6.3 Eligibility of this investment as a qualified investment for RRSP or TFSA purposes has been determined in a written opinion received by the Company for Olympia Trust from MNP LLP, Dartmouth, Nova Scotia, on February 21, 2017. This opinion was provided for the limited purpose of determining eligibility in response to specific inquires by Olympia Trust. Eligibility for the investment as an RRSP may be lost if the Company ceases to operate. If you wish to transfer funds into a RRSP or from an RRSP you must complete paperwork as required by a financial institutions. Not all securities are eligible for investment in a registered retirement plan (RRSP). You should consult your own professional advisors to obtain advice on the RRSP eligibility of these securities.

Item 7: Compensation Paid to Sellers and Finders

Olympia Trust Company has been paid an administrative fee and review fee for providing the

[16] http://www.novascotia.ca/finance/en/home/taxation/tax101/personalincometax/equitytaxcredit/equitytaxeligibilityforinvestors.aspx

service of transferring shares into an RRSP or TFSA, but individuals must determine for themselves if they are RRSP or TFSA eligible. The current fee for this service to individual shareholders must be paid by the shareholder and not the Company and is $150.00 plus tax (new accounts) annually and $75.00 plus tax (contribution in kind). Olympia fees may be subject to change. Please refer to Olympia's website: https://rsp.olympiatrust.com.

There has been no fee or commission paid to sellers or finders and there are no sellers or finders.

Item 8: Risk Factors

8.1 Investment Risk

The shares offered by this Offering Memorandum are speculative and there is no market for the shares, which are subject to resale restrictions imposed under applicable Canadian securities legislation. Refer to item 10 – Resale Restrictions. There is no market through which the shares may be resold and none is expected to develop in the near future. Subscribers may not be able to resell shares purchased under this Offering Memorandum. If additional funds are raised through further issuances of equity or convertible debt securities, including the Offering, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to those of holders of Common Shares.

Although the Company may pay dividends on the shares, it may only do so if it receives a licence and has sufficient income and profits. The Company will reinvest money back into the Company for at least 5 years. There are no assurances that the Company will earn sufficient profits or that it will have sufficient funds to pay dividends to shareholders. There is no assurance that an investment in the Company will earn a specified rate of return.

Canadian federal and provincial tax aspects and local tax aspects should be considered prior to investing in the shares. The return on a shareholder's investment, and the tax consequences of holding or disposing of the shares, may be affected by changes in the Canadian federal, provincial and local tax laws.

Prospective Subscribers should seek independent professional advice regarding the tax consequences of acquiring the shares in an RRSP or TFSA. Investors are responsible for preparing and filing their own tax returns in respect of this investment and are urged to consult their own tax advisors prior to investing in the Company with respect to the specific tax consequences to them from the acquisition of shares.

Issuer Risk - The size of the offering will directly affect the degree of risk. A shortage of capital increases the risk that projects will not be completed. The licence to produce medical cannabis has not been acquired. The Company is dependent on a licence from Health Canada, which licensing is beyond its control. Such licences are subject to ongoing compliance, reporting requirements and renewal. There are 52 producers as of medical cannabis as of the date of this Offering Memorandum in Canada licensed to sell and/or cultivate medical cannabis. The majority of producers are in Ontario (29) and British Columbia (12), with only two in Atlantic Canada (New Brunswick and Prince Edward Island).

The Company does not currently have sufficient funds to accomplish its full business objective of full site remediation for the manufacture and sale of medical cannabis. It has no history of revenue or profits. The Company has no significant operating history. Management will have discretion concerning the use of proceeds of the Offering as well as the timing of their expenditures. As a result, investors will be relying on the judgment of management as to the application of the proceeds of the Offering. Management may use the net proceeds of the Offering in ways that an investor may not consider desirable. The results and effectiveness of the application of the proceeds are uncertain. If the proceeds of the Offering are not applied effectively, the Company's results of operations may suffer.

There are limited persons available with expertise in large scale commercial aquaponics. The Company did retain consultants to provide initial reviews and in relation to our ongoing research. The Company has also provided training in aquaponics to key personnel and, through Finleaf Technologies, has conducted research and development experiments related to aquaponics production.

The Company's subsidiary has been approved for its aquaculture licence for its aquaponics production platform pending receipt by the Department of our signed lease.

Dependence on key personnel is a risk. Although the Company is confirming the contractual terms of employment for its key personnel, the loss of any management or key personnel would likely have a material adverse effect on the management and business of the Company. Risks also include the management team's capacity to ensure building remediation, implementation of its business plan, protection of intellectual property and patient acquisition. The Company may be unable to attract or retain key personnel with sufficient experience in the medical cannabis industry, and may prove unable to attract, develop, and retain additional employees required for the Company's development and future success.

Health Canada's licences must be renewed each year and there is no guarantee that Health Canada will extend or renew a licence for the Company once licensing is received. In addition, should the Company fail to comply with any requirements, the licence could be cancelled, which would impact the financial results of the Company. Health Canada under the *Cannabis Act* can limit the number of licences issued and can terminate applications for a class of licence, although no limit in the number of licences is currently in place. The Company may not always succeed in complying with the regulatory requirements for Licensed Producers as set out by the *ACMPR* and Health Canada.

If a significant number of limited producers are approved by Health Canada, the potential for the market share of the Company is affected as well as the revenues anticipated, particularly if product prices are lowered because of increased supply. The Company may compete for market share with other companies, including Licensed Producers, which may have longer operating histories and more financial resources, manufacturing and marketing experience than the Company.

The Company may not be able to transport its medical cannabis products to patients in a safe and efficient manner. If the Company is not able to comply with all safety, health and environmental regulations applicable to its operations and industry, it may be held liable for any breaches thereof. The Company may be subject to product liability claims. The Company's cannabis-based medical products may be subject to recalls for a variety of reasons. The Company may not be able to successfully develop new products or find a market for their sale. The Company may experience breaches of security at its facilities or in respect of electronic documents and data storage and may face risks related to breaches of applicable privacy laws. The Company may become subject to liability arising from any fraudulent or illegal activity by its employees, contractors and consultants. The Company, or the medical cannabis industry more generally, may receive unfavourable publicity or become subject to negative consumer perception. The Company may not be able to develop and maintain lasting consumer relationships with patients.

The Company may be unable to expand its operations in accordance with patient demand or to manage its operations at its anticipated scale. The Company may not be able to secure adequate or reliable sources of funding required to operate its business and meet consumer demand for its products. The Company's management may not be able to successfully implement adequate internal controls over financial reporting. The Company may not be able to successfully identify and execute future acquisitions or dispositions, or to successfully manage the impacts of such transactions on its operations. There may be conflicts of interest that arise between the Company and its directors and officers as a result of other business activities undertaken by such individuals. The Company may become involved in regulatory or agency proceedings, investigations and audits. The Company may be subject to litigation in the ordinary course of its business.

Third parties with whom the Company does business may perceive themselves as being exposed to reputational risk as a result of their relationship with the Company. The Company may be subject to risks related to the protection and enforcement of its intellectual property rights, and may become subject to allegations that the Company is in violation of intellectual property rights of third parties. The Company may be subject to risks related to its information technology systems, including cyber-attacks. The Company may face disruption in connection with labour organization efforts.

Tax and accounting requirements may change in ways that are unforeseen to the Company and the Company may face difficulty or be unable to implement and/or comply with any such changes.

Risks could include crop failures, the inability to scale production to full capacity, or reduced access to financial resources, among other risks typical of early-stage companies. The Company is subject to risks inherent in an agricultural aquaponics business and the failure to scale up its aquaponics prototype.

Significant interruption in the Company's access to certain key inputs such as raw materials, electricity, water and other utilities may impair its cannabis growing operation. The Company may seek to expand its business and operations into jurisdictions outside of Canada, and there are risks associated with doing so. The Company may enter into strategic alliances, or expand the scope of currently existing relationships with third parties with whom it believes will have a beneficial impact on its business, financial condition and results of operation and there are risks associated with such activities.

Even if its financial resources upon completion of the Offering are sufficient to fund its current operations, there is no guarantee that the Company will be able to achieve its business objectives. The continued development of the business will require additional financing. The failure to raise such capital could result in the delay or indefinite postponement of current business objectives or the Company going out of business. There can be no assurance that additional capital or other types of financing will be available if needed, or that, if available, the terms of such financing will be favourable to the Company.

The Company will seek to maintain adequate insurance coverage in respect of the risks faced by it, however insurance premiums for such insurance may not continue to be commercially justifiable and there may be coverage limitations and other exclusions which may not be sufficient to cover potential liabilities faced by the Company.

8.2 Industry Risk

While the Federal government has introduced legislation as noted herein to take effect in the summer of 2018, legalization could be prevented by three international treaties that criminalize the possession and production of non-medical cannabis. A change of government entirely or a change in government policy could significantly affect the manner in which Licensed Producers are profitable or affect how any producer participates in this industry. For instance, should the legislation to legalize cannabis be subject to international legal challenge, legalization could be jeopardized and production limited to medical cannabis; the projected revenue from an adult-use cannabis market will not occur. Our current financial projections **do not** include sales of adult-use cannabis.

Health Canada has now repealed the regulations under which the Company made its application to Health Canada, the *MMPR*, by enacting the *ACMPR*. If Health Canada were to make further modifications to the *ACMPR* or introduce any other changes that could affect the medical cannabis industry, it would have an impact on all producers, either positively or negatively, depending on the nature of the change. All operations in this industry are subject to a variety of laws, regulations and guidelines relating to the manufacture, management, transportation, storage, sale, health and safety and disposal of medical cannabis, including the *ACMPR*. Any amendment to the *ACMPR* or other legislative changes may have adverse effects on a producer's operations.

A key risk factor for the industry is the willingness of physicians or nurse practitioners to prescribe medical cannabis to patients. Certain events or developments in the medical cannabis industry more generally may impact the Company's reputation and the reputation of the industry more broadly.

Cannabis dispensaries have been operating illegally in Canada. Market share gains for Licensed Producers could continue to be impacted by dispensaries. The nature of the regulation of commercial sales of legalized adult-use cannabis by provincial governments has not been established and is entirely unknown. There are likely to be differences in how provinces regulate the sale of adult-use cannabis.

Patient demand or growth may be higher or lower than industry estimates which may affect the overall market. If demand were to be significantly lower than forecast, the market may experience an over-supply situation, creating pricing pressure for producers. Conversely, if demand were to exceed expectations, the market may be constrained which could have a positive impact on prices. Over-production by all Licensed Producers could result in lower prices; under-production could result in higher prices. Competition from other producers is also a risk.

Medical cannabis is largely perceived as a commodity product; currently, there is initially little to differentiate the products of various producers in terms of unique features or benefits. Companies are competing aggressively in terms of product quality, variety and price. In addition, companies are also maintaining a focus on client services to retain a solid and sustainable patient base as well as a position in the market.

Although the Company has committed to organic production of its product without the use of pesticides, in the United States, the cannabis industry has had major contamination issues due to pesticides (chemicals) used to control bugs and mold. Canada has strictly regulated pesticide use but as of March 13, 2017, 2 Licensed Producers have voluntarily recalled product due to prohibited pest control methods and litigation is pending. As of March 13, 2017, there are 14 pest control products approved by the Pest Management Regulatory Agency for use on cannabis (cannabis) that is produced commercially indoors: Actinovate SP Agrotek Ascend Vaporized Sulphur, Bioprotec Caf, Bioprotec Plus, Botanigard 22 WP, Botanigard ES, Kopa Insecticidal Soap, MilStop Foliar Fungicide, Neudosan Commercial, Opal Insecticidal Soap, Sirocco, Rootshield(R) WP Biological Fungicide, Rootshield HC Biological Fungicide Wettable Powder, Vegol Crop Oil.[17]

Also see forward-looking statements, page 3 and Mackie Research Capital Corp's focus report, *Globe and Mail,* April 8, 2016.[18]

Item 9: Reporting Obligations

[17] http://www.hc-sc.gc.ca/dhp-mps/marihuana/info/licencedproducer-producteurautorise/pesticides-eng.php

[18] http://www.theglobeandmail.com/globe-investor/investment-ideas/research-reports/article29573050.ece/BINARY/Medical%20Marijuana_4-8-2016.pdf

9.1 As of the date of this Offering Memorandum, shareholders purchasing pursuant to this Offering Memorandum will be provided with audited financial statements on an annual basis, and notice of the use of proceeds. Shareholders will be provided with notice within 10 days of a discontinuance of the Company's business, a change in its business, or a change in control of the business. Shareholders will be provided with notice of the date the Company becomes a reporting issuer in any jurisdiction in Canada and the date the Company ceases to carry on business.

If the Company changes its financial year end by more than 14 days, it will make reasonably available to each Shareholder a notice containing the information as soon as practicable and no later than the earlier of the deadline, based on the Company's old financial year end for the next annual financial statements or the deadline, based on the Company's new financial year end, for the next annual financial statements. This notice will indicate the decision to change, the reason for the change, the old financial year end, the new financial year end, the length and date of the periods including the comparative periods of the annual financial statements for the Company's transition year and the new financial year and the filing deadline for the annual financial statement for the Company's issuer's transition year including all information required where the transition year is less than 9 months in length.

9.2 If we receive a licence to produce medical cannabis, there is information about Licensed Producers available at Health Canada's website: http://www.hc-sc.gc.ca/dhp-mps/marihuana/info/list-eng.php.

We are currently a SEDAR filer:
http://sedar.com/DisplayProfile.do?lang=EN&issuerType=03&issuerNo=00039520

Item 10: Resale Restrictions

10.1 *General Statement* - For trades in Alberta, British Columbia, New Brunswick, Newfoundland and Labrador, Northwest Territories, Nova Scotia, Nunavut, Ontario, Prince Edward Island, Québec and Saskatchewan, and Yukon: 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 securities legislation.

10.2 *Restricted Period* - For trades in Alberta, British Columbia, New Brunswick, Newfoundland and Labrador, Northwest Territories, Nova Scotia, Nunavut, Ontario, Prince Edward Island, Québec and Saskatchewan, and Yukon: unless permitted under securities legislation, you cannot trade the securities before the date that is 4 months and a day after the date the Company becomes a reporting issuer in any province or territory of Canada.

10.3 *Manitoba Resale Restrictions* - For trades in Manitoba, if the issuer will not be a reporting issuer in a jurisdiction at the time the security is acquired by the purchaser: unless permitted under securities legislation, you must not trade the securities without the prior written consent of the regulator in Manitoba unless (a) the Company 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: Subscribers' 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.

(1) Two Day Cancellation Right. You can cancel your agreement to purchase these securities. To do so, you must send a notice to us by midnight on the 2nd business day after you sign the agreement to buy the securities.

(2) Statutory Rights of Action in the Event of a Misrepresentation. If there is a misrepresentation in this Offering Memorandum, you have a statutory right to sue

(a) Aqualitas Inc. to cancel your agreement to buy these securities, or

(b) for damages against Aqualitas Inc. and its directors and officers signing the certificate on this Offering Memorandum.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defences available to the persons or companies that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the securities.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 120 days in Nova Scotia; and within 180 days in Ontario, New Brunswick, Prince Edward Island, Newfoundland and Labrador, Manitoba or Saskatchewan. You must commence your action for damages in Nova Scotia within 120 days; in Ontario, Prince Edward Island or Newfoundland and Labrador by the earlier of (i) 180 days after the date you first had knowledge of the facts giving rise to the cause of action, or (ii) three years; in New Brunswick, or Saskatchewan by the earlier of (i) one year after the date you first had knowledge of the facts giving rise to the cause of action, or (ii) six years; in Manitoba by the earlier of (i) 180 days after the date you first had knowledge of the facts giving rise to the cause of action, or (ii) two years.

(3) Contractual Rights of Action in the Event of a Misrepresentation. If the securities legislation where you are resident does not provide a statutory right for misrepresentation, you have a contractual right. If there is a misrepresentation in this Offering Memorandum, you have a contractual right to sue Aqualitas Inc. to

(a) cancel your agreement to buy these securities, or

(b) for damages.

This contractual right to sue is available to you whether or not you relied on the misrepresentation. However, in an action for damages, the amount you may recover will not exceed the price that you paid for your securities and will not include any part of the damages that the Company proves does not represent the depreciation in the value of the securities resulting from the misrepresentation. Aqualitas Inc. has a defence if it proves that you knew of the misrepresentation when you purchased the securities.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after you signed the agreement to purchase the securities. You must commence your action for damages within the earlier of 180 days after learning of the misrepresentation or 3 years after you sign the agreement to purchase the securities.

Item 12: Financial Statements

Included below.

AQUALITAS INC.

Consolidated Financial Statements

For the years ended December 31, 2016 and 2015

(Canadian dollars)

KPMG LLP
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Halifax NS B3J 3N2
Canada

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Aqualitas Inc.

We have audited the accompanying consolidated financial statements of Aqualitas Incorporated, which comprise the consolidated statements of financial position as at December 31, 2016 and December 31, 2015, the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Aqualitas Inc. as at December 31, 2016 and December 31, 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards**.**

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants
April 27, 2017
Halifax, Canada

AQUALITAS INC.

Consolidated Statements of Financial Position
(Canadian dollars)

	Notes		December 31, 2016		December 31, 2015
ASSETS					
Current assets:					
Cash		$	**802,346**	$	402,864
Receivables	**9**		**19,385**		1,457
Prepaid expenses			**2,704**		-
			824,435		404,321
TOTAL ASSETS		**$**	**824,435**	$	404,321
LIABILITIES					
Current liabilities:					
Trade and other payables	**8**	$	**139,234**	$	10,639
TOTAL LIABILITIES		$	**139,234**	$	10,639
EQUITY					
Share capital	**6**	$	**1,026,002**	$	466,890
Contributed surplus	**7**		**276,875**		276,875
Deficit			**(617,676)**		(350,083)
TOTAL EQUITY		$	**685,201**	$	393,682
TOTAL LIABILITIES AND EQUITY		$	**824,435**	$	404,321

Subsequent events (Note 14)

The accompanying notes are an integral part of these consolidated financial statements.

Approved on behalf of the Board:

Signed "Myrna Gillis"
__________________________________ Director

Signed "Michael O'Keefe"
__________________________________ Director

AQUALITAS INC.

Consolidated Statements of Comprehensive Loss
(Canadian dollars)

	Notes	For the years ended December 31 2016	2015
Expenses			
General and administrative	11	**$ 198,225**	$ 301,634
Research and development		**56,342**	28,657
Other		**33,026**	-
		287,593	330,291
Miscellaneous income	10	**20,000**	-
Net loss and comprehensive loss		**$ 267,593**	$ 330,291
Basic and diluted loss per share		**$ 0.04**	$ 0.05
Basic and diluted weighted average number of shares outstanding		**7,112,241**	6,828,357

The accompanying notes are an integral part of these consolidated financial statements.

AQUALITAS INC.

Consolidated Statements of Changes in Equity for the years ended December 31, 2016 and 2015
(Canadian dollars)

	Number of shares	Share capital	Contributed surplus	Deficit	Total equity
Balance at January 1, 2015	5,965,001	$ 5,965	$ -	$ (19,792)	$ (13,827)
Total comprehensive loss for the period:					
Net loss	-	-	-	(330,291)	(330,291)
Private placement, net of share issue costs (note 6)	922,000	461,000		-	461,000
Shares returned to treasury	(75,000)	(75)	-	-	(75)
Share-based compensation (note 7)	-	-	276,875	-	276,875
Total transactions with owners	847,000	460,925	276,875	-	737,800
Balance at December 31, 2015	6,812,001	$ 466,890	$ 276,875	$ (350,083)	$ 393,682
Balance at January 1, 2016	**6,812,001**	**$ 466,890**	**$ 276,875**	**$ (350,083)**	**$ 393,682**
Total comprehensive loss for the period:					
Net loss	**-**	**-**	**-**	**(267,593)**	**(267,593)**
Private placement, net of share issue costs (note 6)	**573,000**	**559,112**	**-**	**-**	**559,112**
Total transactions with owners	**573,000**	**559,112**	**-**	**-**	**559,112**
Balance at December 31, 2016	**7,385,001**	**$ 1,026,002**	**$ 276,875**	**$ (617,676)**	**$ 685,201**

The accompanying notes are an integral part of these consolidated financial statements.

AQUALITAS INC.

Consolidated Statements of Cash Flows
(Canadian dollars)

	Notes	For the years ended December 31 2016	2015
Cash flows from operating activities:			
Net loss		**$ (267,593)**	$ (330,291)
Items not involving cash:			
Share-based compensation	**7**	**-**	276,875
Change in non-cash working capital	**12**	**107,963**	(4,645)
Cash flows from operating activities		**(159,630)**	(58,061)
Cash flows from financing activities:			
Issue of common shares for cash, net of issue costs	**6**	**559,112**	460,925
Cash flows from financing activities		**559,112**	460,925
Increase in cash		**399,482**	402,864
Cash, beginning of year		**402,864**	-
Cash, end of year		**$ 802,346**	$ 402,864

The accompanying notes are an integral part of these consolidated financial statements.

1. Nature of operations

Aqualitas Inc. (the "Corporation") was incorporated under the laws of Nova Scotia, Canada on October 30, 2014. The address of the Corporation's registered office is 310A-1550 Bedford Highway, Bedford, Nova Scotia, B4A 1E6. The principal focus of the Corporation is to become a licensed producer and seller of medical grade cannabis under *Access to Cannabis for Medical Purposes Regulations* ("ACMPR").

The Corporation is a start-up operation seeking a license to grow and sell medical cannabis in the regulated Canadian marketplace. There is no guarantee the Corporation will be successful in its goal of securing a license from Health Canada (note 14 (b)). Even if the Corporation is successful in obtaining a license, there is no guarantee the Corporation can raise the capital required to complete construction and operate a production facility, or secure the clients required to generate sufficient revenues to produce positive cash flows.

2. Basis of presentation

a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and were authorized for issue by the Board of Directors on April 27, 2017.

b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis.

The consolidated financial statements are presented in Canadian dollars, consistent with the functional currency of the Corporation and its subsidiary.

c) Basis of consolidation

The consolidated financial statements include those of Aqualitas Inc. and its wholly owned subsidiary FinLeaf Technologies Inc., incorporated under the laws of Nova Scotia, Canada.

Subsidiaries are entities controlled by the Corporation. Control exists when a Corporation has the power, directly and indirectly, to govern the financial and operating policies of an entity and be exposed to the variable returns from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date control commences until the date control ceases. Inter-company balances and transactions, and any unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the consolidated financial statements.

d) Use of estimates and judgments

The preparation of the financial statements requires the Corporation's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The determination of estimates requires the exercise of judgment based on various assumptions and other factors such as historical experience and current and expected economic conditions. Actual results may differ from these estimates. The most significant areas requiring the use of management's estimates and assumptions are discussed below.

2. Basis of presentation (continued)

d) Use of estimates and judgments (continued)

Share-based payments

Equity-settled share-based payments are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of grant. Fair value is measured using the Black-Scholes pricing model and requires the exercise of judgment in relation to variables such as expected volatilities and expected lives based on information available at the time the fair value is measured.

The Corporation makes assumptions in applying valuation techniques including estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee behaviors and corporate performance. Such assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

Taxation

The Corporation's accounting policy for taxation requires management's judgment in assessing whether deferred tax assets and certain deferred tax liabilities are recognized on the statement of financial position. Deferred tax assets, including those arising from tax loss carry-forwards, capital losses and temporary differences, are recognized only where it is considered probable that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future production and sales volumes, mineral prices, reserves, operating costs, restoration and rehabilitation costs, capital expenditure, dividends and other capital management transactions.

Judgments are also required about the application of income tax legislation. These judgments and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognized on the statement of financial position and the amount of other tax losses and temporary differences not yet recognized. In such circumstances, some or the entire carrying amount of recognized deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the income statement.

2. Significant accounting policies

Financial instruments

i) Financial assets

The Corporation initially recognizes loans and receivables and deposits on the date that they originate. All other financial assets are recognized initially on trade date at which the Corporation becomes party to the contractual provision of the instrument.

The Corporation derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or the rights to receive the contractual cash flows on the financial asset are transferred.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables comprise receivables and cash.

Cash comprises cash on hand and demand deposits.

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy establishes levels to classify the inputs to valuation techniques used to measure fair value.

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability (for example, interest rate and yield curves observable at commonly quoted intervals, forward pricing curves used to value currency and commodity contracts, volatility measurements used to value option contracts and observable credit default swap spreads to adjust for credit risk where appropriate), or inputs that are derived principally from or corroborated by observable market data or other means.

Level 3: Inputs are unobservable (supported by little or no market activity).

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

2. Significant accounting policies (continued)

Financial instruments (continued)

ii) Financial liabilities

The Corporation initially recognizes other financial liabilities on the trade date at which the Corporation becomes party to the contractual provisions of the instrument. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

The Corporation derecognizes financial liabilities when its contractual obligations are discharged or cancelled or expire.

The Corporation has the following non-derivative other financial liabilities: trade and other payables.

iii) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

AQUALITAS INC.

Notes to Consolidated Financial Statements
(Canadian dollars)

For the years ended December 31, 2016 and 2015

2. Significant accounting policies (continued)

Share-based compensation

Equity-settled share-based awards to employees and others providing similar services are measured at fair value of the equity instruments at the date of grant. Fair value is measured using the Black-Scholes pricing model. The fair value determined at the grant date of the equity-settled share-based payments is expensed as services are rendered over the vesting period, based on the Corporation's estimate of the shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no-true-up for differences between expected and actual outcomes.

Equity-settled share-based payment transactions with parties other than employees and those providing similar services are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

Earnings per share

The Corporation presents basic and diluted earnings per share data for its common shares. Basic earnings per share is calculated by dividing the profit or loss attributable to common shareholders of the Corporation by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of shares outstanding adjusted for the effects of all dilutive potential common shares. All share options are currently anti-dilutive. As a result basic and diluted earnings per share are the same.

Share issuance costs

Costs directly attributable to the raising of capital are charged against the related share capital. Costs related to shares not yet issued are recorded as deferred share issuance costs. These costs are deferred until the issuance of the shares to which the costs relate, at which time the costs will be charged against the related share capital or charged to operations if the shares are not issued.

Government grants

Government grants are recognized when there is reasonable assurance it will be received, and the corporation will comply with all attached conditions. When the government grant relates to an expense item, it is recognized in profit or loss as miscellaneous income over the period necessary to match the government grant on a systematic basis in the period in which the expenses are recognized.

3. Future changes in accounting policies

The following new standards, and amendments to standards and interpretations under IFRS, are not yet effective for the year ended December 31, 2016, and have not been applied in preparing these consolidated statements:

IFRS 9 - Financial Instruments

The IASB has issued IFRS 9, Financial Instruments, which replaces IAS 39, Financial Instruments: Recognition and Measurement. The objective of IFRS 9 is to establish principles for the financial reporting of financial assets and financial liabilities that will present relevant information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.

The Corporation intends to adopt IFRS 9 for the annual period beginning January 1, 2018, but does not expect IFRS 9 to have a material impact on the financial statements.

IAS 12 - Income Taxes

The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset.

The Corporation intends to adopt the amendments to IAS 12 in its financial statements for the annual period beginning on January 1, 2017. The Corporation doesn't expect the amendments to have a material impact on the financial statements.

IFRS 2 – Share-based Payments

The IASB issued amendments to IFRS 2, Share-based Payments, to clarify the classification and measurement of share-based payment transactions. These amendments deal with variations in the final settlement arrangements including; accounting for cash settled share-based payments, classification of share-based payments settled net of tax obligations, and accounting for modifications of share-based payment transactions from cash-settled to equity. The amendments apply for annual periods beginning on or after January 1, 2018.

The Corporation is currently assessing the impact of adopting this standard on its consolidated financial statements.

IFRS 16 - Leases

On January 13, 2016 the IASB issued IFRS 16 Leases. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

The Corporation intends to adopt IFRS 16 in its financial statements for the annual period beginning on January 1, 2019. The extent of the impact of adoption of the standard has not yet been determined.

AQUALITAS INC.

Notes to Consolidated Financial Statements
(Canadian dollars)

For the years ended December 31, 2016 and 2015

4. Income taxes

The Corporation's provision for income taxes differs from the amount computed by applying the combined Canadian federal and provincial rates to loss before income taxes as a result of the following:

		December 31, 2016		December 31, 2015
Statutory tax rates		31%		31%
Income tax recovery computed at the statutory rates	$	**82,954**	$	**102,390**
Expenses not deductible for income tax purposes		**575**		**(85,831)**
Current year loss and temporary differences for which no asset has been recognized		**(83,529)**		**(16,559)**
	$	**-**	$	**-**

As at December 31, 2016, the Corporation has non-capital losses of approximately $340,000 available for carry-forward to reduce taxable income of future years. The non-capital losses expire between 2034 and 2036. The Corporation also has deductible temporary differences of $11,110 not recognized in the financial statements.

5. Capital management

The Corporation's objective when managing its capital is to safeguard its ability to continue as a going concern so that it can secure a license to sell medical cannabis. The Corporation defines capital as its shareholders' equity.

The Corporation manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets and the Corporation's working capital requirements. In order to maintain or adjust the capital structure, the Corporation (upon approval from its Board of Directors, as required) may issue additional capital, primarily through equity financings. The Board of Directors reviews and approves any material transaction out of the ordinary course of business, including, major investments, as well as annual capital and operating budgets. The Corporation is not subject to externally imposed capital requirements.

6. Share Capital

The Corporation has an unlimited number of common shares authorized for issue without par value. The changes in share capital during the periods ended December 31, 2016 and 2015 were as follows:

	2016		2015	
	Shares	**$**	Shares	$
Issued and outstanding at January 1	**6,812,001**	**466,890**	5,965,001	5,965
Issued for cash	**573,000**	**559,112**	922,000	461,000
Shares returned to treasury	**-**	**-**	(75,000)	(75)
Issued and outstanding at December 31	**7,385,001**	**1,026,002**	6,812,001	466,890

AQUALITAS INC.

Notes to Consolidated Financial Statements
(Canadian dollars)

For the years ended December 31, 2016 and 2015

6. Share Capital (continued)

During 2016, the Corporation issued 573,000 common shares at a price of $1.00 per share generating gross proceeds of $573,000. Issue costs of $13,888 were paid in connection with these financings, resulting in net proceeds of $559,112. In January 2015, the Corporation completed a common share financing which resulted in the issuance of 922,000 common shares at a price of $0.50 per share generating gross proceeds of $461,000. In 2015, the Corporation cancelled 75,000 shares on the resignation of an employee.

7. Stock options

The Corporation has an incentive stock option plan (the "Plan") under which options to purchase common shares of the Corporation may be granted to directors, officers, employees and consultants of the Corporation. Under the Plan, the terms and conditions of each grant of options are determined by the board of directors of the Corporation. If there are no terms specified upon grant, options vest immediately on the grant date. The number of common shares subject to options granted under the Plan is limited to 10% of the issued and outstanding common shares of the Corporation and no one person may receive in excess of 5% of the outstanding common shares of the Corporation at the time of grant (on a non-diluted basis).

The changes in stock options for the years ended December 31, 2016 and 2015 were as follows:

	December 31, 2016		December 31, 2015	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at January 1	**625,000**	**$ 0.50**	-	$ -
Granted	**-**	**-**	625,000	0.50
Outstanding at December 31	**625,000**	**$ 0.50**	625,000	$ 0.50
Exercisable at December 31	**625,000**	**$ 0.50**	625,000	$ 0.50

All stock options granted in 2015 vested immediately and have a five year term.

The fair value of each option granted is estimated at the time of grant using the Black-Scholes option pricing model with weighted-average assumptions for grants as follows:

	Year Ended December 31, 2015
Share price at grant date	**$ 0.50**
Exercise price	**$ 0.50**
Risk-free interest rate	**0.86%**
Expected life	**5.0 years**
Expected volatility	**141%**
Expected dividends	**0.0%**
Weighted average grant date fair value	**$ 0.44**

Expected volatility is estimated by considering historic average share price volatility for a group of peer companies traded publically in Canada.

(Canadian dollars)

8. Trade and other payables

	December 31, 2016	2015
Trade and other payables	**$ 25,234**	$ 10,639
Due to related parties	**114,000**	-
	$ 139,234	$ 404,321

The Corporation has accrued $114,000 (2015 – Nil) for key employee compensation for the CEO, CFO and Vice President, which remains outstanding at December 31, 2016. The amounts are non-interest bearing and due on demand.

These transactions are in the normal course of operations and are measured at the exchange amount, being the amount of consideration established and agreed to by the related parties.

9. Financial instruments

Liquidity Risk:

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Corporation's approach to managing liquidity is to ensure, to the extent possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. As of December 31, 2016 the Corporation had a cash balance of $802,346 (2015 – $402,864) to settle current liabilities of $139,234 (2015 - $10,639). The Corporation has sufficient working capital to meet all general and administrative needs for 2017 but would require additional financing to meet capital needs to renovate its proposed production facility.

Credit Risk:

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying Amount December 31, 2016	2015
Cash	**$ 802,346**	$ 402,864
Receivables	**19,385**	1,457
	$ 821,731	$ 404,321

The Corporation manages credit risk by holding the majority of its cash with Canadian Tier 1 financial institutions where management believes the risk of loss to be low.

Receivables include HST from Revenue Canada in the amount of $5,402 (2015 – $1,457) and amounts from departments within the Government of Nova Scotia totaling $13,983 (2015 – Nil) where credit risk is considered to be low.

AQUALITAS INC.

Notes to Consolidated Financial Statements
(Canadian dollars)

For the years ended December 31, 2016 and 2015

10. Miscellaneous income

Miscellaneous income includes government grants and awards received by the Corporation's subsidiary FinLeaf Technologies from Innovacorp and the National Research Council Industrial Research Assistance Program (IRAP) for research into commercial scale aquaponics.

11. Corporate and administrative expenses

	For the years ended December 31, 2016	2015
Management and admin services	**$ 153,435**	$ -
Office and sundry	**20,202**	18,404
Professional fees	**10,420**	18,172
Share-based compensation	**-**	254,725
Travel and accommodations	**14,168**	10,333
	$ 198,225	$ 301,634

12. Supplemental cash flow information

Changes in non-cash working capital:

	For the years ended December 31, 2016	2015
Receivables	**$ (17,928)**	$ (1,175)
Prepaid expenses	**(2,704)**	-
Trade and other payables	**128,595**	(3,470)
	$ 107,963	$ (4,645)

13. Related parties

Compensation of key management personnel:

The total remuneration of key management personnel were as follows;

	For the years ended December 31, 2016	2015
Key management compensation and benefits	**$ 144,000**	$ -
Share-based compensation to key management	**-**	88,600
	$ 144,000	$ 88,600

The Corporation was charged $8,350 (2015 - $9,653) for legal services by an entity related to the CEO and Vice President.

14. Subsequent events

a) On February 24, 2017, the Corporation completed an equity financing resulting in the issuance of 623,172 common shares at $1.00 per share for gross proceeds of $623,172. The funds are intended to be used for capital expenditures at the Corporation's production facility and for general working capital purposes.

b) On March 21, 2017 the Corporation was advised by Health Canada it had passed security clearance and was now at the review stage in the licensing process, which is the step immediately before pre-license inspection.

AQUALITAS INC.

Condensed Interim Consolidated Financial Statements

For the six months ended June 30, 2017 and 2016

(Canadian dollars)
(Unaudited)

Prepared by Management – See Notice to Reader

NOTICE TO READER

These unaudited condensed interim financial statements have been prepared by management of the Corporation. Management have compiled the unaudited condensed interim statement of financial position of Aqualitas Inc. as at June 30, 2017 and December 31, 2016 and the unaudited condensed interim consolidated statement of loss, changes in equity and cash flows for the six months ended June 30, 2017 and 2016. The Corporation's independent auditors have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the June 30, 2017 and 2016 condensed interim financial statements. Readers are cautioned that these statements may not be appropriate for their intended purposes.

AQUALITAS INC.

Condensed Interim Consolidated Statements of Financial Position
(Canadian dollars)
(Unaudited)

	Notes		June 30, 2017		December 31, 2016
ASSETS					
Current assets:					
Cash		$	**2,342,393**	$	802,346
Receivables			**19,970**		19,385
Prepaid expenses			**1,352**		2,704
			2,363,715		824,435
TOTAL ASSETS		**$**	**2,363,715**	$	824,435
LIABILITIES					
Current liabilities:					
Payables and accruals	**3**	$	**246,046**	$	139,234
TOTAL LIABILITIES		$	**246,046**	$	139,234
EQUITY					
Share capital	**4**	$	**2,874,344**	$	1,026,002
Contributed surplus			**416,525**		276,875
Deficit			**(1,173,200)**		(617,676)
TOTAL EQUITY		$	**2,117,669**	$	685,201
TOTAL LIABILITIES AND EQUITY		$	**2,363,715**	$	824,435

The following notes are in integral part of these condensed interim consolidated financial statements

Approved on behalf of the Board:
Signed “Myrna Gillis”
__________________________________ Director
Signed “Michael O’Keefe”
__________________________________ Director

AQUALITAS INC.

Condensed Interim Consolidated Statements of Loss
(Canadian dollars)
(Unaudited)

	For the six months ended June 30, 2017	2016
Expenses		
General and administrative	**$ 387,032**	$ 89,539
Research and development	**100,867**	9,578
Operations and other	**67,625**	-
	555,524	99,117
Net loss	**$ 555,524**	$ 99,117
Basic and diluted loss per share	**$ 0.07**	$ 0.01
Basic and diluted weighted average number of shares outstanding	**7,805,040**	6,827,419

The following notes are an integral part of these condensed interim consolidated financial statements

AQUALITAS INC.

Condensed Interim Consolidated Statements of Changes in Equity
(Canadian dollars)
(Unaudited)

	Notes	Number of shares	Share capital	Contributed surplus	Deficit	Total equity
Balance at January 1, 2016		6,812,001	$ 466,890	$ 276,875	$ (350,083)	$ 393,682
Total comprehensive loss for the period:						
Net loss		-	-	-	(99,117)	(99,117)
Private placement, net of share issue costs		423,000	422,000	-	-	422,000
Total transactions with owners		423,000	422,000	-	-	422,000
Balance at June 30, 2016		7,235,001	$ 888,890	$ 276,875	$ (449,200)	$ 716,565
Balance at January 1, 2017		**7,385,001**	**$ 1,026,002**	**$ 276,875**	**$ (617,676)**	**$ 685,201**
Total comprehensive loss for the period:						
Net loss		**-**	**-**	**-**	**(555,524)**	**(555,524)**
Private placement, net of share issue costs	**4**	**1,454,892**	**1,848,342**	**-**	**-**	**1,848,342**
Share-based compensation	**5**	**-**	**-**	**139,650**	**-**	**139,650**
Total transactions with owners		**1,454,892**	**1,848,342**	**139,650**	**-**	**1,987,992**
Balance at June 30, 2017		**8,839,893**	**$ 2,874,344**	**$ 416,525**	**$ (1,173,200)**	**$ 2,117,669**

The following notes are an integral part of these condensed interim consolidated financial statements

AQUALITAS INC.

Condensed Interim Consolidated Statements of Cash Flows
(Canadian dollars)
(Unaudited)

	Notes	For the six months ended June 30, 2017	2016
Cash flows from operating activities:			
Net loss		**$ (555,524)**	$ (99,117)
Item not involving cash:			
Share-based compensation	**5**	**139,650**	-
Change in non-cash working capital		**107,579**	67,507
Cash flows from operating activities		**(308,295)**	(31,610)
Cash flows from financing activities:			
Issue of common shares for cash, net of issue costs	**4**	**1,848,342**	422,000
Cash flows from financing activities		**1,848,342**	422,000
Increase in cash		**1,540,047**	390,390
Cash, beginning of period		**802,346**	402,864
Cash, end of period		**$ 2,342,393**	$ 793,254

The following notes are an integral part of these condensed interim consolidated financial statements.

1. **Nature of operations**

Aqualitas Inc. (the “Corporation”) was incorporated under the laws of Nova Scotia, Canada on October 30, 2014. The address of the Corporation’s registered office is 310A-1550 Bedford Highway, Bedford, Nova Scotia, B4A 1E6. The condensed interim consolidated financial statements of the Corporation as at and for the periods ended June 30, 2017 and 2016 comprise the Corporation and its wholly owned subsidiary FinLeaf Technologies Inc. The principal focus of the Corporation is to become a licensed producer and seller of medical grade cannabis under *Access to Cannabis for Medical Purposes Regulations* (“ACMPR”).

The Corporation is seeking a license to grow and sell medical cannabis in the regulated Canadian marketplace. There is no guarantee the Corporation will be successful in its goal of securing a license from Health Canada. Even if the Corporation is successful in obtaining a license, there is no guarantee the Corporation can raise the capital required to complete construction and operate a production facility, or secure the clients required to generate sufficient revenues to produce positive cash flows.

2. **Basis of presentation**

Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting (“IAS 34”).

These financial statements were prepared using the same accounting policies and methods of computation, and are subject to the same use of estimates and judgments, as the Corporations consolidated financial statements for the year ended December 31, 2016. They do not include all the disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the Corporation’s 2016 annual consolidated financial statements which have been prepared in accordance with IFRS.

3. **Related party transactions**

During the six months ended June 30, 2017, the Corporation paid $36,000 to a director and officer of the Corporation. In addition, for the six months ended June 30, 2017, the Corporation has accrued $81,000 for the services of the CEO, CFO and VP (2016 - $36,000). At June 30, 2017, $195,000 remains outstanding for management services for the CEO, CFO and Vice President (December 31, 2016 - $114,000). These transactions are in the normal course of operations and are measured at the exchange amount, being the amount of consideration established and agreed to by the related parties.

4. **Share Capital**

On February 24, 2017, the Corporation closed a non-brokered private placement financing by issuing 623,172 common shares at $1.00 per share. Net proceeds to the Corporation were $620,762, after issue costs of $2,410. On June 30, 2017 the Corporation closed a non-brokered private placement financing by issuing 831,720 common shares at $1.50 per share. Net proceeds to the Corporation were $1,227,580, after issue costs of approximately $20,000.

5. Stock options

The Corporation has an incentive stock option plan (the "Plan") under which options to purchase common shares of the Corporation may be granted to directors, officers, employees and consultants of the Corporation. Under the Plan, the terms and conditions of each grant of options are determined by the board of directors of the Corporation. If there are no terms specified upon grant, options vest immediately on the grant date. The number of common shares subject to options granted under the Plan is limited to 10% of the issued and outstanding common shares of the Corporation and no one person may receive in excess of 5% of the outstanding common shares of the Corporation at the time of grant (on a non-diluted basis).

The changes in stock options for the six months ended June, 2017 and year ended December 31, 2016 were as follows:

	June 30, 2017			December 31, 2016		
	Number of options	Weighted average exercise price		Number of options	Weighted average exercise price	
Outstanding beginning	**625,000**	**$**	**0.50**	625,000	$	0.50
Granted	**175,000**		**1.00**	-		-
Outstanding ending	**800,000**	**$**	**0.61**	625,000	$	0.50

All stock options vested immediately and have a five year term. Stock-based compensation of $139,650 was recognized in the period ended June 30, 2017 (2016 – Nil) and charged $107,730 to general and administrative and $31,920 to research and development.

The following table summarizes information concerning outstanding options, all of which are exercisable at June 30, 2017:

	Outstanding		
Expiry date	Number of Options	Exercise price	
October 9, 2020	625,000		0.50
February 28, 2022	175,000		1.00
	800,000	**$**	**0.61**

The fair value of each option granted is estimated at the time of grant using the Black-Scholes option pricing model with weighted-average assumptions for grants as follows:

	Period ended March 31, 2017	
Share price at grant date	**$**	**1.00**
Exercise price	**$**	**1.00**
Risk-free interest rate		**1.15%**
Expected life		**5.0 years**
Expected volatility		**112.7%**
Expected dividends		**0.0%**
Weighted average grant date fair value	**$**	**0.798**

Expected volatility is estimated by considering historic average share price volatility for a group of peer companies traded publically in Canada.

6. Financial instruments

Liquidity Risk:

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Corporation's approach to managing liquidity is to ensure, to the extent possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. As of June 30, 2017 the Corporation had a cash balance of $2,342,393 (December 31, 2016 – $802,346) to settle current liabilities of $246,046 (December 31, 2016 - $139,234). The Corporation has sufficient working capital to meet all general and administrative needs for 2017 but would require additional financing to meet capital needs to complete renovations its production facility and purchase equipment.

Credit Risk:

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying Amount	
	June 30, 2017	**December 31, 2016**
Cash	**$ 2,342,393**	$ 802,346
Receivables	**19,970**	19,385
	$ 2,362,363	$ 821,731

The Corporation manages credit risk by holding the majority of its cash with Canadian Schedule I financial institutions where management believes the risk of loss to be low.

Receivables include HST from Revenue Canada in the amount of $19,970 (December 31, 2016 – $5,402) where credit risk is considered to be low.

Item 13: Date and Certificate

This Offering Memorandum does not contain a misrepresentation.

Dated September 8, 2017

____
Myrna L. Gillis, QC, CEO and Director

____
Mike O'Keefe, CFO and Director

____
Barbara Darby, VP and Director

aqualitas

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