

## RISK FACTORS

The SEC requires the company to identify risks that are specific to its business and its financial condition. The company is still subject to all the same risks that all companies in its business, and all companies in the economy, are exposed to. These include risks relating to economic downturns, political and economic events and technological developments (such as hacking and the ability to prevent hacking). Additionally, early-stage companies are inherently riskier than more developed companies. You should consider general risks as well as specific risks when deciding whether to invest.

### **General Business Risks**

*The existence of material uncertainties may cast significant doubt on our ability to continue as a going concern.* Our auditor has issued an opinion on our consolidated financial statements which states that the consolidated financial statements were prepared assuming we will continue as a going concern and further states that our recurring losses from operations, shareholders' deficit and inability to generate sufficient cash flow to meet our obligations and sustain our operations raise may cast significant doubt on our ability to continue as a going concern.

*Our success depends in part on our ability to attract and retain additional key skilled professionals which we may or may not be able to do. Our failure to do so could prevent us from achieving our goals or becoming profitable.* Our success will depend on the ability of our directors and officers to develop our business and manage our operations. It will also depend on our ability to attract and retain key quality assurance, scientific, sales, public relations, and marketing staff or consultants once operations begin. The loss of any key person or the inability to find and retain new key persons could have a material adverse effect on our business. Competition for sales and marketing staff as well as officers and directors - can be intense; therefore, no assurance can be provided that we will be able to attract or retain key personnel in the future. This may adversely impact our operations.

*We will need a significant amount of capital to carry out our proposed business plan. Unless we are able to raise sufficient funds, we may be forced to discontinue our operations.* We are in the development stage and will likely operate at a loss until our business becomes established. We will require additional financing in order to fund future operations. Our ability to secure any required financing in order to commence and sustain our operations will depend, in part, upon prevailing capital market conditions, as well as our business success. There can be no assurance that we will be successful in our efforts to secure any additional financing or additional financing on terms satisfactory to our management. If additional financing is raised by issuing common shares, control may change and shareholders may suffer additional dilution. If adequate funds are not available or they are unavailable on acceptable terms, we may be required to scale back our business plan or cease operating.

*We are a start-up company with limited revenues. There is no assurance that our future operations will result in revenues or profits. If we cannot generate sufficient revenues to operate profitably, we may suspend or cease our operations.* We are a start-up company and we have limited revenues. Our proposed marijuana production business cannot move forward until we receive approval from Health Canada. Our success in the interim depends, in part, upon our ability to persuade customers to purchase our branded pet products which may be more expensive than other products available in the pet industry. If we are unable to attract and retain customers, or if we are not able to do so in a manner that results in profitability, we may have to suspend or cease operations.

### **Risks Relating to Our Pet Support Supplement and Chews Business**

*We are subject to significant risks associated with introducing new products including the risk that our new product developments will not produce sufficient sales to recoup our investment.* Our pet support supplements and chews include ingredients not traditionally found in such products. Our success will depend on our ability to build a following for our products. We cannot assure you that we will be successful in achieving market acceptance of our products. Our failure to successfully market and build a customer base for our products could harm our ability to grow our business and could have a material adverse effect on our business, results of operations and financial condition.

*We may not be able to successfully implement our growth strategy on a timely basis or at all.* Our future success depends, in large part, on our ability to implement our growth strategy, including expanding distribution in Canada, United States and Europe, attracting new consumers to our brand, introducing new products and product line extensions, and expanding into new markets.

Our ability to implement this growth strategy depends, among other things, on our ability to:

- enter into distribution and other strategic arrangements with retailers and other potential distributors of our products;
- expand and maintain brand loyalty;
- effectively compete with specialty pet products;
- secure shelf space in stores;
- increase our brand recognition by effectively implementing our marketing strategy and advertising initiatives;
- develop new products and product line extensions that appeal to consumers;
- maintain sources for the required supply of quality raw ingredients to meet our growing demand; and
- identify and successfully enter and market our products in new geographic markets and market segments.

We may not be able to successfully implement our growth strategy and may need to change our strategy. If we fail to implement our growth strategy or if we invest resources in a growth strategy that ultimately proves unsuccessful, our business, financial condition and results of operations may be materially adversely affected.

***We rely on co-packers to provide our supply of pet supplement and treat products. Any failure by co-packers to fulfill their obligations or any termination or renegotiation of our co-packing agreements could adversely affect our results of operations.*** We have supply agreements with co-packers that require them to provide us with specific finished products. We rely on co-packers as our sole-source for our products. The failure for any reason of a co-packer to fulfill its obligations under the applicable agreements with us or the termination or renegotiation of any such co-packing agreement could result in disruptions to our supply of finished goods and have an adverse effect on our results of operations. Additionally, from time to time, a co-packer may experience financial difficulties, bankruptcy, or other business disruptions which could disrupt our supply of finished goods. It may also require that we incur additional expenses from the need to provide financial accommodations to the co-packer or taking other steps to minimize or avoid supply disruption, such as establishing a new co-packing arrangement with another provider. During an economic downturn, our co-packers may be more susceptible to experiencing such financial difficulties, bankruptcies or other business disruptions. A new co-packing arrangement may not be available on terms as favorable to us as the existing co-packing arrangement, if at all.

***If we do not manage our supply chain effectively, including inventory levels, our business, financial condition and results of operation may be adversely affected.*** The inability of any supplier, co-packer, third-party distributor or transportation provider to deliver or perform for us in a timely or cost-effective manner could cause our operating costs to increase and our profit margins to decrease. We must continuously monitor our inventory and product mix against forecasted demand or risk having inadequate supplies to meet consumer demand as well as having too much inventory on hand that may reach its expiration date and become unsalable. If we are unable to manage our supply chain effectively and ensure that our products are available to meet consumer demand, our operating costs could increase and our profit margins could decrease.

***Failure by our transportation providers to deliver our products on time or at all could result in lost sales.*** We use third-party transportation providers for our product shipments. We rely on a number of different providers for our shipments based on cost efficiency and availability at the time of shipping. Transportation services include scheduling and coordinating transportation of finished products to our customers, shipment tracking and freight dispatch services. Our use of transportation services for shipments is subject to various risks. One risk is that increases in fuel prices would raise our shipping costs. Another risk is that employee strikes or inclement weather may impact the ability of providers to provide delivery services that adequately meet our shipping needs including adequate refrigeration while in-transit. Any such change could cause us to incur costs and expend resources. Moreover, in the future we may not be able to obtain terms as favorable as those we receive from the third-party transportation providers that we currently use which, in turn, would increase our costs and thereby adversely affect our business, financial condition, and results of operations.

***We may face difficulties as we expand in and into countries in which we have no prior operating experience.*** We have recently launched sales of our products in the United States and Europe. We intend to continue to expand in and into countries in which we have no prior operating experience. From time to time, we expect to encounter foreign economic, political, regulatory, personnel, technological, and language barriers and other risks that may increase our expenses or delay our ability to become profitable in such countries. These risks include:

- the risk that we must spend significant amounts of time and money to build brand recognition without certainty that we will be successful;

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- currency fluctuations, including, without limitation, fluctuations in the foreign exchange rate of the Euro, British Pound, Canadian dollar, and the U.S. dollar;
- the difficulty of enforcing agreements and collecting receivables through some foreign legal systems;
- potentially longer payment cycles and greater difficulty in collecting accounts;
- changes in local tax laws, tax rates in some countries that may exceed those of the United States or Canada lower earnings due to withholding requirements or the imposition of tariffs, exchange controls or other restrictions;
- changes in economic conditions, consumer preferences, or demand for our products in these markets
- the credit risk of local customers and distributors;
- unexpected changes in legal, regulatory or tax requirements;
- differences in culture and trends in foreign countries with respect to pets and pet care;
- the risk that certain governments may adopt regulations or take other actions that would have a direct or indirect adverse impact on our business and market opportunities, including nationalization of private enterprise; and
- potential non-compliance with applicable currency exchange control regulations, transfer pricing regulations or other similar regulations;

In addition, our expansion into new countries may require significant resources and the efforts and attention of our management and other personnel, which will divert resources from our existing business operations. As we expand our business globally, our success will depend, in large part, on our ability to anticipate and effectively manage these and other risks associated with our operations outside of Canada.

***Competition in the markets in which we operate, including internet-based competition, is strong. If we are unable to compete effectively, our ability to generate sales may suffer and our operating income and net income could decline.*** We are one of many companies in the consumable pet products market with no measurable percentage of that market. Our competition in the healthy feeding systems and healthy consumable products markets are both domestic and foreign companies, many of whom manufacture their products in low cost areas such as India, East Asia, Southeast Asia, and Mexico. Many of these companies also have more brand awareness. We are still building our market presence. Any reputation that we may successfully gain with retailers for quality products does not necessarily translate into name recognition or increased market share with the end consumer.

We compete with a significant number of companies of varying sizes, including divisions or subsidiaries of larger companies who may have greater financial resources and larger customer bases than we have. As a result, these competitors may be able to identify and adapt to changes in consumer preferences more rapidly than we can due to their larger resource base and scale. They may also be more successful in marketing and selling their products, better able to increase prices to reflect cost pressures, and more capable in increasing their promotional activity, which may impact us and the entire pet food industry.

We also compete with other smaller niche market companies focused on the same area of the consumable pet food markets we have entered. These companies may be more innovative and/or able to bring products to market faster and move more quickly to exploit and serve niche markets than we are. If these competitive pressures cause our products to lose or unable to gain market share, our business, financial conditions and results of operations may be materially adversely affected.

***The loss of any of our key suppliers, or distribution arrangements with key vendors, would negatively impact our business.*** We purchase significant amounts of products from vendors with differing supply capabilities. There can be no assurance that the vendors who currently supply us with the ingredients necessary to create our pet chews will be able to accommodate the anticipated growth and expansion of our locations and e-commerce. An inability of our existing vendors to provide products in a timely or cost-effective manner may impair our business, financial condition and results of operations.

We maintain no long-term supply contracts with any of our distributors. As a consequence, any distributor may discontinue selling our pet chews at any time which would result in the inability to sell our products in certain retail locations. The loss of any of our vendors would, therefore, have a negative impact on our business and financial condition.

If we are unable to identify or enter into supply or distribution relationships with new vendors or to replace the loss of any of our existing vendors, we may experience a competitive disadvantage, our business may be disrupted, and our results of operations may be adversely affected.

***We may be exposed to significant product liability claims which our insurance may not cover and which could harm our reputation.*** In the ordinary course of our business, we may be named as a defendant in lawsuits involving product liability claims. In any such proceeding, plaintiffs may seek to recover large and sometimes unspecified amounts of damages and the matters may remain unresolved for several years. Any such matters could have a material adverse effect on our business, results of operations and financial condition if we are unable to successfully defend against or settle these matters or if our insurance coverage is insufficient to satisfy any judgments against us or settlements relating to these matters. Although we have product liability insurance coverage and an excess umbrella policy, our insurance policies may not provide coverage for certain or any claims against us or may not be sufficient to cover all possible liabilities. Additionally, we do not maintain product recall insurance.

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We may not be able to maintain such insurance on acceptable terms, if at all, in the future. Moreover, any adverse publicity arising from claims made against us, even if the claims are not successful, could adversely affect the reputation and sales of our products. In particular, product recalls or product liability claims challenging the safety of our products may result in a decline in sales for a particular product and could damage the reputation or the value of the related brand. This could be true even if the claims themselves are ultimately settled for immaterial amounts. This type of adverse publicity could occur and product liability claims could be made in the future.

*We face various risks as an ecommerce retailer, if we do not manage these risks effectively, our ability to generate sales may suffer and our operating income and net income may decline.* Although ecommerce represents a growing segment of the pet industry, ecommerce operations are still in the early stages of development. We may require additional capital in the future to sustain or grow our ecommerce business. Business risks related to our ecommerce business include our ability to keep pace with rapid technological change, failure in our security procedures and operational controls, failure or inadequacy in our systems or ability to process customer orders, government regulation and legal uncertainties with respect to ecommerce, and collection of sales or other taxes by one or more states or foreign jurisdictions. If any of these risks materialize, it could have an adverse effect on our business.

Increased transactions through our website may result in a reduction in sales at store locations that sell our products. There is a risk that vendors who sell our products may decide to discontinue the sale of our products due to a reduction in sales. If vendors decide to discontinue the sale of our products, this could reduce our exposure to new or potential customers, therefore having an adverse effect on our business.

In addition, we face competition from established companies who sell their products online and have a large customer base. In the future, we may also face competition from internet retailers who enter the market. A failure to positively differentiate our product and services offerings from other internet retailers could have a materially- adverse effect on our business, results of operations, or financial condition.

*If we are unable to protect the confidentiality of our proprietary information and know-how, the value of our technology, products and services could be harmed significantly.* We rely on trade secrets, know-how and other proprietary information in operating our business. If this information is not adequately protected, then it may be disclosed or used in an unauthorized manner. To the extent that consultants, key employees or other third parties apply technological information independently developed by them or by others to our proposed products, disputes may arise as to the proprietary rights to such information, which may not be resolved in our favor. The risk that other parties may breach confidentiality agreements or that our trade secrets may become known or independently discovered by competitors could harm us by enabling our competitors, who may have greater experience and financial resources, to copy or use our trade secrets and other proprietary information in the advancement of their products, methods or technologies. The disclosure of our trade secrets would impair our competitive position, thereby weakening demand for our products or services and harming our ability to maintain or increase our customer base.

### ***Risks Relating to Our Proposed Medical Marijuana Business***

*We have not commenced operations and are currently seeking to lay the foundation to commence our business.* We have not received a marijuana production license from Health Canada and there can be no assurance that we will receive a production license. Until we receive a production license, we cannot begin the production, sale and distribution of medical marijuana. It is currently not known when or if we will be granted a production license. The key milestones to obtaining a production license include filing an application, receiving a pre-licensing approval notice, completion of the upgrades as per the application, approval to produce upon inspection of the facility, and approval to distribute the product to patients.

We are subject to all of the business risks and uncertainties associated with any new business enterprise, including the risks that we will be unable to acquire the necessary production license, successfully produce the product, or establish a market for our product. If we receive a production license, we anticipate at least 12 months from the date of grant of this production license to achieve positive cash flow from operations. There can be no assurance that consumer demand for our product will be as anticipated, or that we will become profitable. As a result, an investment in our common shares involves a high degree of risk and should only be acquired if you can afford to lose your entire investment.

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*Our proposed marijuana business is subject to significant regulation by the Canadian Federal Government. There is no assurance that we will be granted licensed producer status by Health Canada. Any continued failure or delay in obtaining such status would materially and adversely affect our operations.* We depend heavily on the success of acquiring a production license from Health Canada to be able to grow, store and distribute medical marijuana in Canada. There is no assurance that we will be approved by Health Canada or will be granted licensed producer status. Should we be unable to obtain all required licenses, or if the regulations in Canada continue to change, our proposed marijuana production business would not be able to operate or there could be a significant cost to change our operations to remain compliant with the laws and regulations.

Once a production license is obtained, any failure to comply with the terms of the production license, or any failure to renew the production license after its expiry date would have a materially-adverse impact on the financial condition and operations of our business.

Our operations are subject to regulations promulgated by government regulatory agencies from time to time. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations. However, there can be no guarantee that we will be able to obtain and maintain, at all times, all necessary licenses and permits required to carry out our business.

*There are many regulations and governmental agencies that regulate the medical marijuana industry, and there will likely be increased and/or changing regulations as the industry becomes more mainstream with more participants.* Our proposed marijuana production operations are subject to a variety of laws, regulations and guidelines relating to the manufacture, management, transportation, storage and disposal of medical marijuana but also including laws and regulations relating to health and safety, the conduct of operations and the protection of the environment. While, to the knowledge of management, we are currently in compliance with all such laws, changes to such laws, regulations and guidelines due to matters beyond our control may cause adverse effects to our operations.

*There are sales risks associated with the cannabis and medical marijuana industry because cannabis is a controlled substance.* As cannabis is a controlled substance in Canada, direct consumer marketing is not allowed. All products can only be prescribed by a physician and, to be successful, companies will have to develop programs targeted to this group. Traditionally in this sector, growers have targeted users as opposed to the doctors. The new regulations will change this traditional approach and will require growers to target doctors. If we are unable to properly conduct sales in a regulated environment or target the appropriate audiences for our medical marijuana products, our results of operations and business prospects could be substantially impaired.

*We may not be able to use the facilities as planned and will, therefore, not be able to commence operations on the timetable or the scale that we have planned.* To date, our proposed marijuana production activities and resources have been primarily focused on our proposed facility in Lumby, BC and we will continue to be focused on this facility for the foreseeable future. Adverse changes or developments affecting the facility, including but not limited to a breach of security, could have a material and adverse effect on our business, financial condition and prospects. Any breach of the security measures and other facility requirements, including any failure to comply with recommendations or requirements arising from inspections by Health Canada, could also have an impact on our ability to continue to operate under any license we may receive.

*We may not acquire market share or achieve profits due to competition in the medical marijuana industry.* We will face intense competition from other companies, some of which can be expected to have longer operating histories, more financial resources, and greater manufacturing and marketing experience than us. Increased competition by larger and better financed competitors could materially and adversely affect our business, financial condition, and results of operations.

Because of the early stage of the industry in which we plan to operate, we expect to face additional competition from new entrants. If the number of users of medical marijuana in Canada increases, the demand for products will increase, and we expect that competition will become more intense as current and future competitors begin to offer an increasing number of diversified products. To remain competitive, we will require a continued high level of investment in research and development, marketing, sales, and client support. We may not have sufficient resources to maintain research and development, marketing, sales, and client support efforts on a competitive basis which could materially and adversely affect our proposed marijuana production business, financial condition and results of operations.

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### ***Risks Related to Our Common Shares***

*Investors in this offering will experience immediate and substantial dilution.* Investors in this offering will suffer immediate and substantial dilution of \$0.5689 per share or approximately 81.27% of the offering price of the common shares if the maximum offering is sold, or \$0.6438 per share or approximately 91.97% of the offering price if only 25% of the offering is sold. See "Dilution."

*If we issue additional common shares, shareholders may experience further dilution in their ownership of us.* We are authorized to issue an unlimited number of common shares without par value and an unlimited number of preferred shares without par value. We have the right to raise additional capital or incur borrowings from third parties to finance our business. Our board of directors has the authority, without the consent of any of our shareholders, to cause us to issue more common shares. Consequently, shareholders may experience more dilution in

their ownership of us in the future. Our board of directors and majority shareholders have the power to amend our constating documents in order to affect forward and reverse stock splits, and recapitalizations of the company. The issuance of additional common shares by us would dilute all existing shareholders' ownership in us.

**We cannot assure that we will ever pay dividends.** We do not currently anticipate declaring and paying dividends to our shareholders in the near future. It is our current intention to apply net earnings, if any, in the foreseeable future to increase our capital base and marketing. Prospective investors seeking or needing dividend income or liquidity should therefore not purchase our common shares. We cannot assure that we will ever have sufficient earnings to declare and pay dividends to the holders of our common shares, and in any event, a decision to declare and pay dividends is at the sole discretion of our board of directors.

**We are controlled by our principal shareholder, Darcy Bomford, whose interests may differ from those of the other shareholders.** Mr. Darcy Bomford is our C.E.O., director, founder, and principal shareholder. He currently owns directly and indirectly a total of 24,184,260 common shares or 34.30% of the total issued and outstanding common shares of our company. Mr. Bomford will own approximately 28.61% of the outstanding votes assuming the maximum 14,285,715 common shares are issued pursuant to this offering.

Mr. Bomford, as our majority shareholder, is able to exercise significant control over all matters requiring shareholder approval including the election of directors and approval of significant corporate transactions. This concentration of ownership may have the effect of delaying or preventing a change in control and might adversely affect the market price of our common shares. This concentration of ownership may not be in the best interests of all of our shareholders.

**Claims for indemnification by our directors and officers may reduce our available funds to satisfy successful third-party claims against us and may reduce the amount of money available to us.** Our articles provide that we will indemnify our directors and officers in each case to the fullest extent permitted by the *Business Corporations Act* (British Columbia) (the "BCA"). We must indemnify our officers and directors against all reasonable fees, expenses, charges and other costs of any type or nature whatsoever. This includes any and all expenses and obligations paid or incurred in connection with investigating, defending, being a witness in, participating in (including on appeal), or preparing to defend against any completed, actual, pending or threatened action, suit, claim or proceeding, whether civil, criminal, administrative or investigative, or establishing or enforcing a right to indemnification under the indemnification agreement. Any claims for indemnification by our directors and officers may reduce our available funds to satisfy successful third-party claims against us and may reduce the amount of money available to us.

### **Risks Related to the Trading of Our Common Shares**

**Future sales of our common shares, or the perception that such sales may occur could depress our common share price.** As of November 13, 2017, we had 70,517,287 common shares outstanding, and our notice of articles authorizes us to issue up to an unlimited number of common shares and an unlimited number of preferred shares. In the future, we may issue additional common shares or other securities if we need to raise additional capital. The number of new common shares issued in connection with raising additional capital could constitute a material portion of those current outstanding common shares. Any future sales of our common shares, or the perception that such sales may occur, could negatively impact the price of our common shares.

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**Our common shares are thinly traded and you may be unable to sell at or near asking price, or at all.** We do not have a liquid market for our common shares, and we cannot predict the extent to which an active public market for trading our common shares will be achieved or sustained.

This situation is attributable to a number of factors including the fact that we are a small company that is relatively unknown to stock analysts, stockbrokers, institutional investors and others in the investment community who generate or influence sales volume. Even if we came to the attention of such persons, those persons tend to be risk-averse and may be reluctant to follow, purchase, or recommend the purchase of shares of an unproven company such as ours until such time as we become more seasoned and viable. As a consequence, there may be periods of several days or more when trading activity in our shares is minimal or non-existent, as compared to a seasoned issuer which has a large and steady volume of trading activity that will generally support continuous sales without an adverse effect on share price. We cannot give you any assurance that a broader or more active public trading market for our common shares will develop or be sustained, or that current trading levels will be sustained.

**The market price for our common shares may be volatile, which may result in a decline in value of your investment.** The trading price of our common shares has been and may continue to be volatile. Securities markets worldwide experience significant price and volume fluctuations. This market volatility, as well as general economic, market or political conditions could reduce the market price of our common shares in spite of our operating performance. In addition, our results of operations could fail to meet the expectations of investors due to a number of potential factors, including variations in our quarterly results of operations, additions or departures of key management personnel, failure to meet our projected operational milestones, litigation and government investigations. Other factors which may affect the value of our common shares include: changes or proposed changes in laws, new regulations, or differing interpretations or enforcement of the law, adverse market reaction to any indebtedness we may incur or securities we may issue in the future, changes in market valuations of similar companies or speculation in the press or investment community, announcements by our competitors of significant contracts, acquisitions, dispositions, strategic partnerships, joint ventures or capital commitments, adverse publicity about our industry or individual scandals. All of these events could result in a decrease of the market price of our common shares. As a result, you may be unable to resell your common shares at or above the price you acquired our securities.

**Because the SEC imposes additional sales practice requirements on brokers who deal in shares of penny stocks, some brokers may be unwilling to trade our securities. This means that you may have difficulty reselling your shares, which may cause the value of your investment to decline.** Our shares are classified as penny stocks. The SEC has adopted regulations which generally define a "penny stock" to be any equity security that has a price of less than \$5.00 per share or an exercise price of less than \$5.00 per share, subject to certain exceptions including the issuer of the securities having net tangible assets (*i.e.*, total assets less intangible assets and liabilities) in excess of \$2,000,000 or an average revenue of at least \$6,000,000 for the last three years. As a result, our common shares could be subject to these rules that impose additional sales practice requirements on broker-dealers who sell our securities to persons other than established customers and accredited investors (generally persons with a net worth in excess of \$1,000,000 or annual income exceeding \$200,000, or \$300,000 together with their spouse). For transactions covered by these rules, the broker-dealer must make a special suitability determination for the purchase of such securities and have received the purchaser's written consent to the transaction prior to the purchase. Additionally, for any transaction involving a "penny stock," unless exempt, the rules require the delivery, prior to the transaction, of a risk disclosure document mandated by the SEC relating to the "penny stock" market. The broker-dealer must also disclose the commissions payable to both the broker-dealer and the registered representative, current quotations for the securities and, if the broker-dealer is the sole market maker, the broker-dealer must disclose this fact and the broker-dealer's presumed control over the market. Finally, monthly statements must be sent disclosing recent price information for the "penny stock" held in the account and information on the limited market in "penny stocks." Consequently, these rules may restrict the ability of broker-dealers to sell our securities.

### **Risks Related to Being a Canadian Issuer**

**As a Canadian incorporated and resident company, our financial statements are prepared using International Financial Reporting Standards ("IFRS"), accounting principles, which are different than the accounting principles under U.S. Generally Accepted Accounting Principles ("U.S. GAAP").** Our financial statements have been prepared in accordance with IFRS. IFRS is an internationally recognized body of accounting principles that are used by many companies outside of the United States to prepare their financial statements. Regulation A permits Canadian issuers such as True Leaf to prepare and file their financial statements in accordance with IFRS rather than U.S. GAAP. IFRS accounting principles are different from those of U.S. GAAP and SEC rules do not require us to provide a reconciliation of IFRS accounting principles to those of U.S. GAAP. Investors who are not familiar with IFRS may misunderstand certain information presented in our financial statements. Accordingly, we suggest that readers of our financial statements familiarize themselves with the provisions of IFRS accounting principles in order to better understand the differences between these two sets of principles.

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**Certain legislation in Canada contain provisions that may have the effect of delaying or preventing a change in control.** Certain provisions of our constating documents and governing legislation, together or separately, could discourage potential acquisition proposals, delay or prevent a change in control and limit the price that certain investors may be willing to pay for our common shares.

For example, under the BCA:

- certain matters require the approval of holders of two-thirds of the votes cast at a meeting of the company's shareholders, including amendments to its articles. This may make it more difficult for us to complete certain types of corporate transactions deemed advisable by the board of directors; and

- a bidder seeking to acquire us would need, on a compulsory acquisition (tender offer), to receive shareholder acceptance in respect to 90% of our outstanding shares. If this 90% threshold is not achieved in the offer, under the BCA, the bidder would not be able to complete a "second step merger" to obtain 100% control of us. Accordingly, an offer (tender) of 90% of our outstanding shares will likely be a condition in a tender offer to acquire our shares rather than 50% as is more common in tender offers for corporations organized under U.S. law.

Additionally, *The Investment Canada Act* requires that a "non-Canadian," as defined therein, file an application for review with the Minister responsible for the Investment Canada Act and obtain approval of the Minister prior to acquiring control of a Canadian business, where prescribed financial thresholds are exceeded. Otherwise, there are no limitations either under the laws of Canada or in our articles on the rights of non-Canadians to vote or hold our common shares. (Given our current size and industry we do not believe these rules would apply to us.)

Any of these provisions may discourage a potential acquirer from proposing or completing a transaction that may have otherwise presented a premium to our shareholders.

***Because we are a British Columbia incorporated company and the majority of our directors and officers are resident in Canada, it may be difficult for investors in the United States to enforce civil liabilities against us based solely upon the federal securities laws of the United States.*** We are incorporated in British Columbia and our principal place of business is in Canada. Our auditor and a majority of our directors and officers are residents of Canada. All or a substantial portion of our assets and those of such persons are located outside the United States. Consequently, it may be difficult for U.S. investors to affect service of process within the United States upon us or our directors, officers and auditors who are not residents of the United States or to realize in the United States upon judgments of U.S. courts predicated upon civil liabilities under the *Securities Act of 1933*, as amended. Investors should not assume that Canadian courts: (1) would enforce judgments of U.S. courts obtained in actions against us or such persons predicated upon the civil liability provisions of the U.S. federal securities laws or the securities or "blue sky" laws of any state within the United States or (2) would enforce, in original actions, liabilities against us or such persons predicated upon the U.S. federal securities laws or any such state securities or blue sky laws.

***There could be adverse tax consequence for our shareholders in the United States if we are deemed a passive foreign investment company.*** Under United States federal income tax laws, if a company is, or for any past period was, a passive foreign investment company or PFIC, it could have adverse United States federal income tax consequences to U.S. shareholders even if the company is no longer a PFIC. The determination of whether we are a PFIC is a factual determination made annually based on all the facts and circumstances and thus is subject to change. Furthermore, the principles and methodology used in determining whether a company is a PFIC are subject to interpretation. While the company does not believe that it currently is or has been a PFIC, it cannot make any assurances that it will not be a PFIC in the future. United States purchasers of the company's common shares are urged to consult their tax advisors concerning United States federal income tax consequences of holding our common shares if we are considered to be a PFIC. See the discussion in "**Material United States Federal Income Tax Considerations for U.S. Holders.**"

If we are a PFIC, U.S. holders would be subject to adverse U.S. federal income tax consequences such as the ineligibility for any preferred tax rates on capital gains, the ineligibility for actual or deemed dividends, interest charges on certain taxes treated as deferred, and additional reporting requirements under U.S. federal income tax laws or regulations. Whether or not U.S. holders make a timely qualified electing fund (or QEF) election or mark-to-market election may affect the U.S. federal income tax consequences to U.S. holders with respect to the acquisition, ownership, and disposition of our common shares and any distributions such U.S. holders may receive. Investors should consult their own tax advisors regarding all aspects of the application of the PFIC rules to our common shares.