



PEACE COUNTRY  
GARDENS

## Corporate Summary

Dedicated to Becoming  
the Lowest Cost Cannabis  
Producer in the Industry



low cost, medical grade,  
dried flower, oil and extracts  
sold at large scale to the  
bulk wholesale market

# Introduction to Peace Country Gardens

Dedicated to Becoming the Lowest Cost Cannabis Producer in the Industry

Within 10 years, the annual global cannabis market is projected to exceed \$300 billion. If Asian countries ultimately legalize recreational cannabis use, the annual market size is forecast to be greater than \$500 billion.

## First-Mover Advantage

Canadian federal regulation has provided Canadian agriculture, pharmaceutical and energy industries a first-mover advantage in capturing market share.

Peace Country Gardens is positioned to be a dominant supplier of cannabis-based ingredients. We combine a purpose-built hybrid greenhouse, cGMP manufacturing facility, location, energy strategy and operational efficiencies to produce medical quality product at scale.

Our ability to supply bulk purchasers with ingredients at the lowest possible cost will ensure we participate in the explosive growth of the global cannabis industry.

“

We are at a unique moment in time where a whole industry that has been underground is going legitimate and going global. Canada is sitting at the forefront. How often does that happen?”

**Steve Ottaway,**  
Head of the Health Care Practice  
GMP Capital Inc.





# Competitive Advantages

## Strategy & Focus

Peace Country has been structured from its inception to become the leading low-cost producer in the industry. We have identified the largest operating costs incurred by cannabis growers and significantly reduced all of them.

## Competitive Advantages

- A purpose-built hybrid greenhouse, attached to a cGMP quality extraction and pharmaceutical production facility
- A natural gas-fired combined cycle power plant generating electricity at under \$0.02 cents a kWh with by-product heat and CO<sub>2</sub> at no additional cost
- Located at the well head, on inexpensive land eliminating substantial energy transportation fees and add on costs, and providing room to grow
- A business-to-business sales model where we focus on cultivation and processing, not patient acquisition and retention, building brands and distribution, or risk runaway marketing and sales costs



We estimate Cost of Sales at less than \$0.45 per gram.

# Economies of Scale

## Reducing Expense and Risk

Commoditization and price compression is already underway. Cannabis oils and extracts will soon become only an ingredient in an expanding number of medical and recreational products. It's going to be critical to be hyper-competitive on growing costs, but also to develop a manufacturing expertise.

To become the dominant low-cost producer we have developed an energy strategy which cannot be duplicated, designed a more efficient hybrid greenhouse and located it on inexpensive land immediately adjacent to a natural gas plant, basically at the well-head.

By growing at large scale we will have the raw material to supply highly efficient extraction machines. Value added manufacturing will allow us to deliver precise dosage, high quality pharmaceutical-grade products.

We will sell our product wholesale to bulk purchasers. We thereby vastly reduce the expense and risk of building distribution networks or retail outlets. We significantly lower our G&A, marketing and sales costs.

“

It's going to be critical to be hyper-competitive on growing costs but also to develop a manufacturing expertise.”

Sebastian St. Louis  
Founder & CEO of Hydropothecary Corp.  
March 11, 2018



# Our Location

## Peace River Country, Northern Alberta

The Peace Country Complex will be located on 160 acres of Crown land immediately adjacent to a large natural gas production facility. Our agreement provides long-term natural gas supply at low cost. Winters are sunny and cold, providing the benefit of full spectrum sunlight, while controlling the heat generated by the supplemental grow lights, CO2 Injection, and power plant.



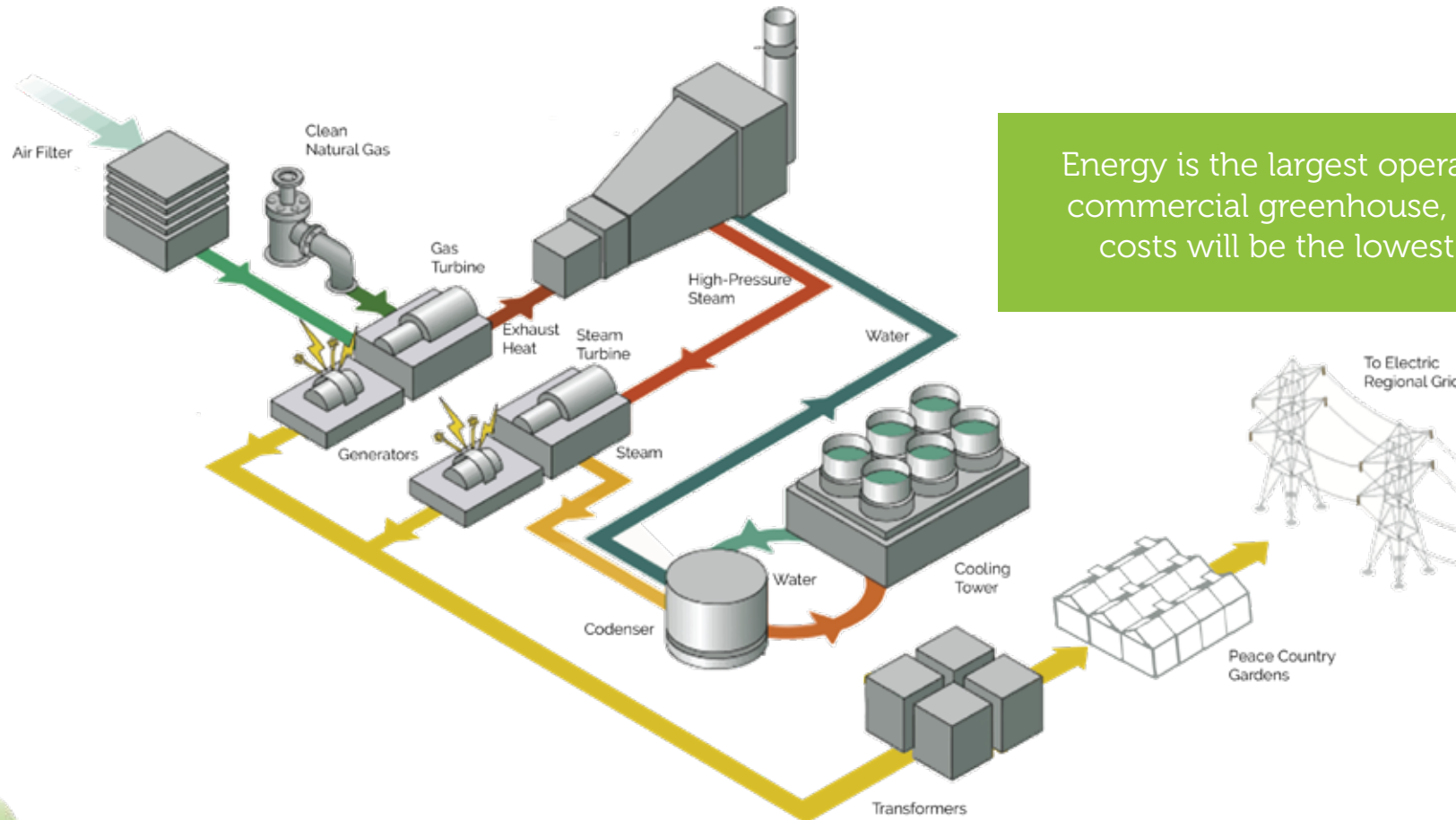
Locating in Alberta allows us to benefit from a competitive business tax regime. Alberta has no provincial sales tax, no capital tax, and no payroll taxes.

# Combined Cycle Generation Process

Electricity at less than \$0.02 per kWh and an additional revenue opportunity

A natural gas fuelled combined cycle power plant is widely recognized as the lowest cost energy source for the production of electricity. Heat, electricity and CO<sub>2</sub> generated by the power plant will provide all of our greenhouse needs. Excess capacity will be available to

power the gas plant, sell to cryptocurrency miners, or sell into the Alberta electricity grid. Through power sales and potential carbon credits (our greenhouses act as a carbon sink) we intend on adding energy to the revenue line, not just the expense line.



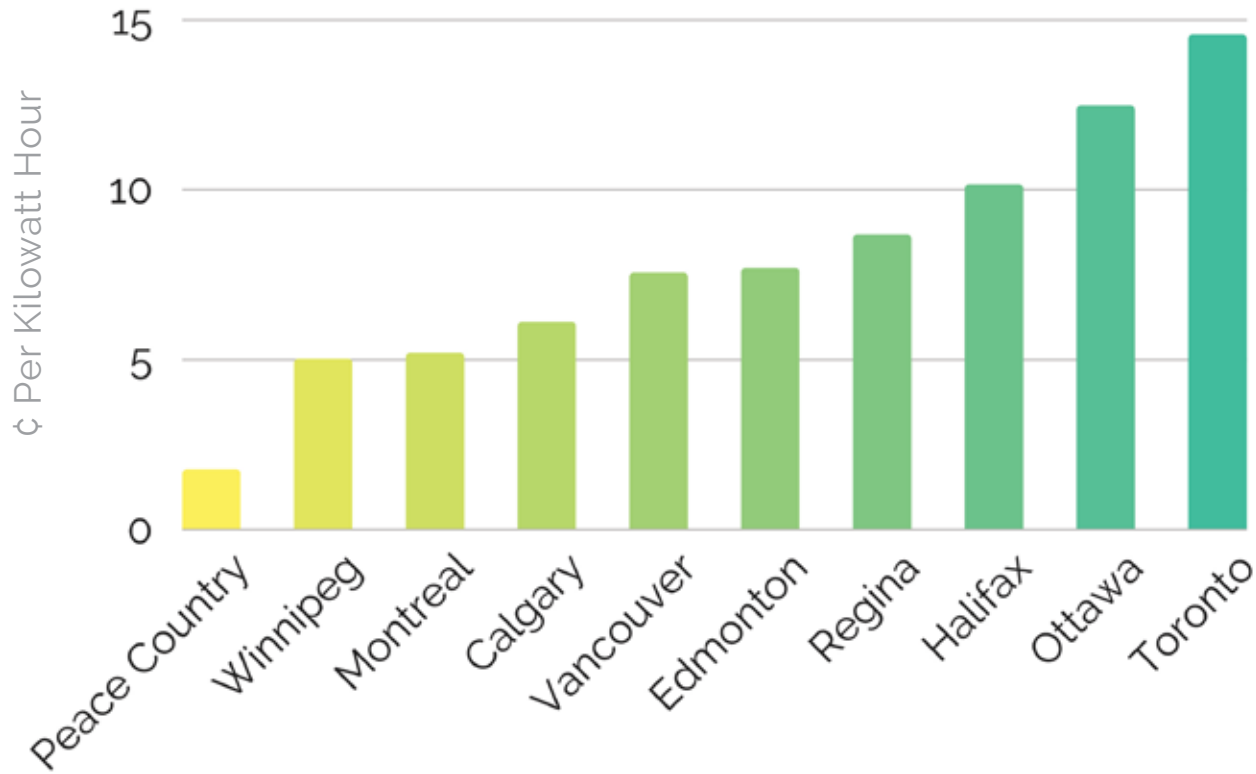
Energy is the largest operational cost of a commercial greenhouse, and our energy costs will be the lowest in the industry.

# Energy Costs

## Our Long-Term Advantage

### Major Canadian Cities Average Electricity Costs 2017

Source: Hydro Quebec



The Peace Country energy strategy is a significant long-term advantage. Natural gas will be purchased at well-head prices. Heat and CO<sub>2</sub>, normally problematic by-products of a power plant, are of great value to cultivators. What others pay for, we generate independently.

Our energy strategy provides an annual advantage in the tens of millions of dollars over our competitors.



# Hybrid Greenhouse

## Cultivation, Extraction, Packaging in a cGMP Compliant Facility

Built to a higher standard, our closed-system growing environment will be completely controlled. Full spectrum sunlight will be supplemented with grow lights. CO2 infusion will increase quality and production. Temperature, humidity, nutrients and light will be computer monitored and adjusted. Our cGMP facility will provide bulk purchasers with custom-produced ingredients at scale, suitable for a global market.



We project 55,000 kilos produced in our first full year of operation, and 277,000 kilos by our third year of operation.

# Advanced Manufacturing

## Cannabis Oil and Derivative Products

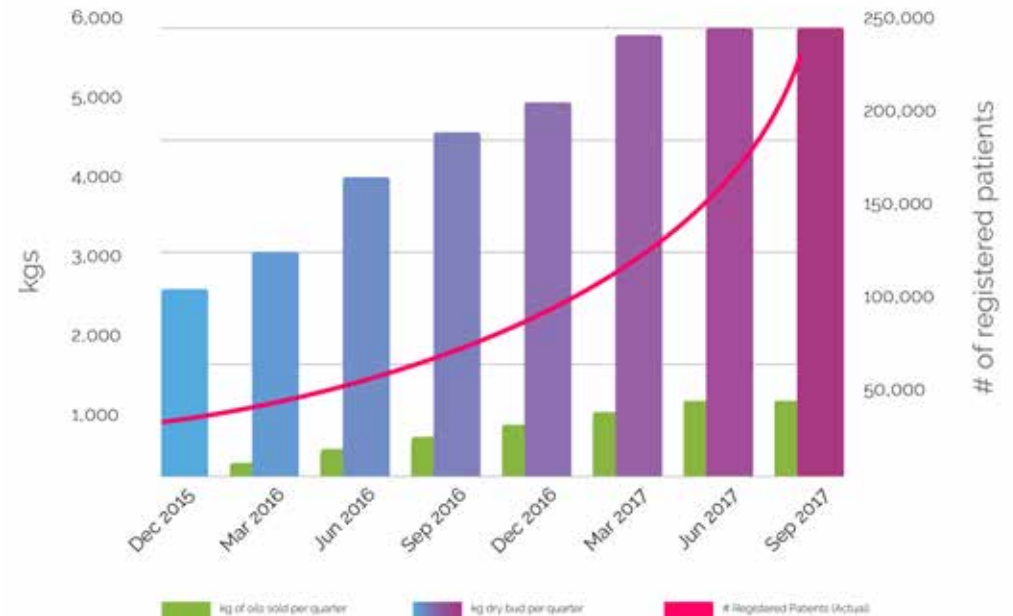
Cannabis oils and derivative products are an increasing segment of the wholesale market as medical and recreational users demand precise, non-smokeable delivery methods. Production at scale requires large amounts of raw materials, specialized equipment and training. Our facility will contain the latest in CO2 extraction technology, able to process at high-volume. We will exceed the system criteria for ISO 9001 and current cGMP Certification. Peace Country will be a global supplier of medical grade product in novel and custom formats.



Shown: Vitalis R-Series Botanical Oil Extractor

### Cannabis Oil Sales are Accelerating

Source: Health Canada; Canaccord Genuity

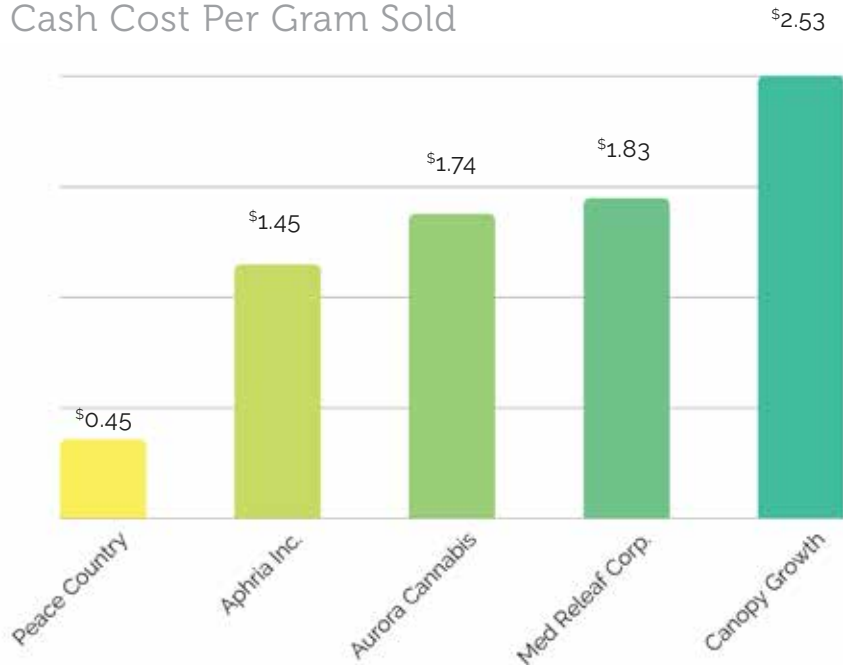




# The Competition

## Capacity Expansion with no Energy Strategy

Cash Cost Per Gram Sold



For the three months ended Dec 31, 2017

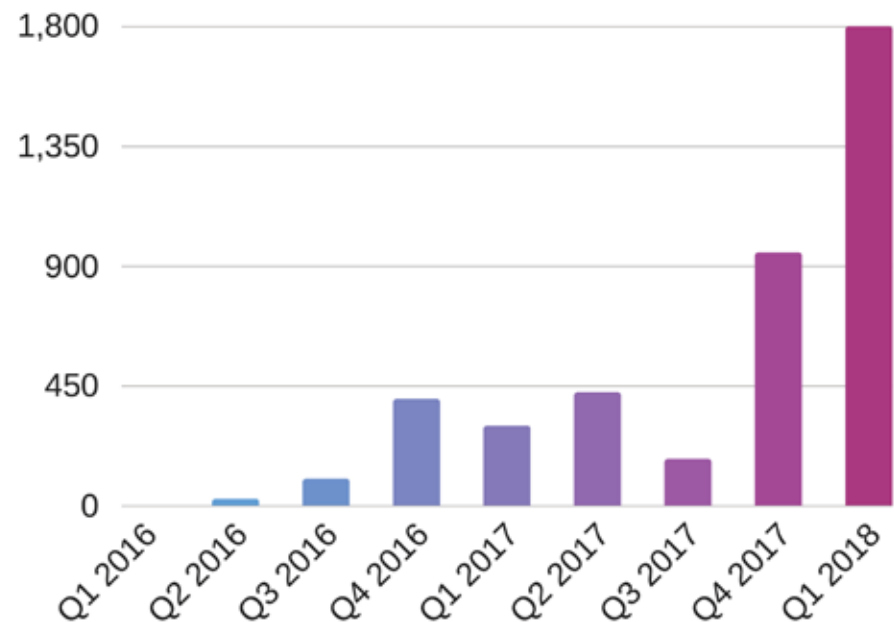
A warehouse or converted greenhouse cannot compete with a purpose-built highly automated hybrid greenhouse. An energy strategy is key to low-cost production.

Cannabis companies are funding capacity expansion in high cost jurisdictions most without an energy strategy. Many are converting existing greenhouses to cannabis production. In B.C., a provincial review of greenhouse use in the Agricultural Land Reserve is putting existing and proposed cannabis operations located in the ALR at risk.

### Financing Activity Accelerating

Source : FP Infomart, Cannacord Genuity

Capital Raised (in \$ Millions)



# Financial and Production Projections

Revenue and Expenses in Thousands of Canadian Dollars

	Year 1	Year 2	Year 3	Year 4	Year 5
Revenue	210,560	548,352	775,040	830,592	950,208
Cost of Sales	23,942	72,727	122,725	149,114	176,136
Gross Profit	186,618	475,625	652,315	681,478	774,072
Operating Expenses	9,219	9,626	10,062	10,449	10,860
Income Before Income Taxes	177,399	465,999	642,253	671,029	763,212
Income Tax	47,898	125,820	173,408	181,177	206,067
Net Income	129,501	340,179	468,845	489,852	557,145
Kilos Produced	55,552	166,656	277,760	333,312	388,864
Average Wholesale Price Per Gram	3.79	3.29	2.79	2.49	2.44
Sq. Ft. Under Cultivation and Production	300,000	900,000	1,500,000	1,770,000	2,040,000
Sq. Ft. Under Construction	600,000	600,000	270,000	270,000	270,000
January 1, Dividend	20,000	220,000	368,000	417,000	475,000
Cumulative Dividend	20,000	240,000	608,000	1,025,000	1,500,000

Net income is applied first to building additional cultivation and production capacity then to the payment of dividends. Construction costs are estimated at \$155 sq. ft. Oils and extracts are estimated at 20% of sales.



# Founding Members of Peace County Gardens Ltd.

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## David Tonken

Chief Executive Officer and Director

David Tonken has 30 years' experience as a businessman and lawyer, and has been the president of four public biotech companies. He has over 25 years' experience in the formation, reorganization, reactivation and financing of Canadian public companies. Mr. Tonken received a Bachelor of Arts degree from the University of Western Ontario and an Honours Law degree from the University of Wales. He has been a member of the Law Society of Alberta since 1983. Mr. Tonken is currently a managing director of Cavalon Capital Corp., a corporation engaged in the business of reorganizing distressed companies. He is the President of Snow Eagle Resources Ltd., a TSXV public company currently completing an acquisition of CannaTest Photonics Ltd., a cannabis testing company. He has been an officer and director of numerous public companies.

**Contact:** [tonken@icrossroads.com](mailto:tonken@icrossroads.com)

## Greg Matthews

Chief Financial Officer and Director

Greg Matthews has over 35 years' experience as a businessman and lawyer. Mr. Matthews is currently a managing director of Cavalon Capital Corp., a corporation engaged in the business of reorganizing distressed companies. Mr. Matthews received a Bachelor of Arts degree and a Bachelor of Laws degree from the University of Western Ontario. Mr. Matthews is a (non-practicing) member of the Law Society of Alberta and the Law Society of Upper Canada. He has been an officer and director of numerous public companies. Mr. Matthews has participated in public company formations, financings, acquisitions and reorganizations both as a lawyer and a businessman, with over \$4 billion worth of transactions. He has particular expertise in structuring and implementing complex corporate transactions. Mr. Matthews has considerable experience in all aspects of corporate disclosure, securities law compliance and corporate governance. During his career, Mr. Matthews has acted as both in-house and external legal counsel to securities regulatory authorities. Prior to his legal career, Mr. Matthews owned and operated a building contracting company active in Northern Canada.

**Contact:** [gregmatthews@shaw.ca](mailto:gregmatthews@shaw.ca)



# Forward Looking Statements

This Corporate Summary is presented by Peace Country Gardens Ltd. (hereinafter called "Peace Country Gardens", "Peace Country", or the "Corporation"). Certain statements contained in this Corporate Summary constitute forward-looking statements. Forward looking statements are statements relating to future events. Forward looking statements frequently include words such as "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "estimate", "expect", "project", "potential" and similar expressions as they relate to the future performance of the Corporation or the future success of the Corporation. Forward looking statements reflect the current views and intentions with respect to future events and are subject to certain risks, uncertainties and assumptions. Forward-looking statements should not be read as a guarantee of future performance or results, and will not necessarily be accurate indications of the times at, or by, which that performance or those results will be achieved. Forward-looking statements are based on information available at the time they are made and/or management's good faith belief as of that time with respect to future events, and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested in or suggested by the forward-looking statements. Many factors could cause the actual future results, performance or achievements to vary materially from those described herein should

one or more of these risks or uncertainties materialize. Such factors include, but are not limited to, economic, business, technological, competitive and regulatory factors. Important factors that could cause these differences include, but are not limited to: the ability of the Corporation to secure appropriate funding to implement its Corporate Summary, the demand for the Corporation's products, the Corporation's ability to maintain customer and strategic business relationships, the regulation of cannabis by governments, the consummation of relationships with business partners and the impact of competition, products, pricing and growth in targeted markets. More simply, certain estimates and projections prepared by the company are presented in this Corporate Summary. Such estimates and projections are subject to significant economic and business uncertainties, many of which are beyond the control of the company. Any such forward-looking statements contained in the Corporate Summary are expressly qualified in their entirety by this cautionary statement. Moreover, the Corporation does not assume responsibility for the accuracy or completeness of such forward-looking statements. The forward-looking statements included in this Corporate Summary are made as of the date of this Corporate Summary and the Directors undertake no obligation to publicly update or revise forward-looking statements, other than as required by applicable law.