

**Form 62-103F1**  
***Required Disclosure under the Early Warning Requirements***

**Item 1 – Security and Reporting Issuer**

**1.1 State the designation of securities to which this report relates and the name and address of the head office of the issuer of the securities.**

This report pertains to common shares (“**Shares**”), common share purchase warrants (“**Warrants**”) and options (“**Options**”) of Auxly Cannabis Group Inc. (the “**Issuer**”) of 1055 West Hastings Street, Suite 2200, Vancouver, BC V6E 2E9.

**1.2 State the name of the market in which the transaction or other occurrence that triggered the requirement to file this report took place.**

The requirement to file this report was triggered by a change in the Acquiror’s securityholding percentage of the Issuer pursuant to transactions completed through the facilities of the TSX Venture Exchange (the “**Exchange**”) and pursuant to loan transactions not completed on the Exchange.

**Item 2 – Identity of the Acquiror**

**2.1 State the name and address of the acquiror.**

Name: Nesta Holding Co. Ltd. (the “**Acquiror**”)  
Address: 950 Gladstone Ave - Suite 200, Ottawa ON K1Y 3E6

Chuck Rifici (“**Rifici**”) is the chief executive officer and controlling shareholder of the Acquiror.

**2.2 State the date of the transaction or other occurrence that triggered the requirement to file this report and briefly describe the transaction or other occurrence.**

Since March 21, 2017, the Acquiror has completed the following transactions involving securities of the Issuer:

- (i) on November 1, 2017, the Acquiror transferred 18,000,000 Shares to a lender pursuant to the terms of a securities loan agreement dated November 1, 2017 (the “**SLA**”), which resulted in a decrease in its securityholding percentage from 12.24% to 0.056% based on 205,713,900 Shares issued and outstanding;
- (ii) on January 11, 2018, the Acquiror exercised 18,115,638 Warrants for 18,115,638 Shares of the Issuer, thereby reducing its holdings of Warrants to zero and increasing its securityholding percentage of Shares from 0.056% to 6.92%, based on 263,559,324 Shares issued and outstanding;
- (iii) on January 16, 2018, the Acquiror transferred 18,000,000 Shares to a lender pursuant to the terms of the SLA, which resulted in a decrease in its securityholding percentage from 6.92% to 0.0686%, based on 339,215,480 Shares issued and outstanding;
- (iv) on March 8, 2018, 18,000,000 Shares were returned to the Acquiror pursuant to the terms of the SLA, resulting in an increase in its securityholding percentage from 0.0686% to 4.31%, based on 422,634,403 Shares issued and outstanding;
- (v) on March 16, 2018, an additional 3,488,427 Shares were returned to the Acquiror pursuant to the terms of the SLA, resulting in an increase in its securityholding percentage from 4.31% to 5.12%, based on 424,209,403 Shares issued and outstanding;

- (vi) on June 21, 2018, 7,000,000 Shares of the Issuer were returned to the Acquiror pursuant to the terms of the SLA and the securityholding percentage of the Acquiror decreased from 5.12% to 5.07%, based on 566,391,178 Shares issued and outstanding; and
- (vii) on September 7, 2018, the Acquiror entered into a loan transaction (the “**Loan**”) with the lender (the “**Lender**”) pursuant to which 28,719,703 Shares of the Issuer are to be pledged as collateral for a limited recourse loan of funds equal to 66% of the fair market value of the Shares of the Issuer as of the date of the Loan. The 28,719,703 Shares are to be held by the Lender to be available for stock loan transactions through the Lender. The 28,719,703 Shares will be pledged to the Lender in two tranches: 12,000,000 Shares comprise the first tranche and were pledged as of September 13, 2018 and 16,719,703 Shares comprise the second tranche. The Acquiror shall pay interest on the Loan calculated at fixed interest rate per annum of 2.75% and the Loan has a three year term. If the Loan and all other obligations to the Lender are not paid when due, the pledged Shares may be forfeited.

As a result of the above transactions, the Acquiror’s securityholding percentage fell below 10% as of November 1, 2017 and at no point since such date has the Acquiror acquired or had control or direction over 10% or more of the issued and outstanding Shares of the Issuer.

Since March 21, 2017, Rifici has acquired and disposed of Shares held by him directly or indirectly and, as such, the number of Shares and his securityholding percentage has fluctuated. At no point since January 15, 2018 has Rifici acquired, or had control or direction over, 10% or more of the outstanding Shares of the Issuer.

As of the date hereof, the Acquiror holds 16,719,703 Shares (“**Acquiror’s Shares**”) representing approximately 2.88% of the total issued and outstanding Shares based on 579,596,580 Shares issued and outstanding and has delivered 12,000,000 Shares to be pledged pursuant to the Loan. The Acquiror holds zero Warrants representing 0% of the Warrants outstanding based on 108,836,335 Warrants outstanding.

As of the date hereof, Rifici, other than through the Acquiror, directly or indirectly holds or controls 14,312,908 Shares (“**Rifici Shares**”) representing approximately 2.47% of the total issued and outstanding Shares based on 579,596,580 Shares issued and outstanding. Rifici holds zero Warrants representing 0% of the Warrants outstanding based on 108,836,335 Warrants outstanding and 3,167,149 Options. Rifici holds approximately 3.0% of the outstanding Shares of the Issuer, on a partially diluted basis.

As of the date hereof, the Acquiror and Rifici together hold and have control and direction over, in the aggregate, approximately 5.868% of the outstanding Shares on a partially diluted basis.

### **2.3 State the names of any joint actors.**

There are no joint actors or persons acting jointly with the Acquiror or Rifici.

## **Item 3 – Interest in Securities of the Reporting Issuer**

### **3.1 State the designation and number or principal amount of securities acquired or disposed of that triggered the requirement to file this report and the change in the acquiror’s securityholding percentage in the class of securities.**

See paragraph 2.2 above.

**3.2 State whether the acquiror acquired or disposed ownership of, or acquired or ceased to have control over, the securities that triggered the requirement to file this report.**

See paragraph 2.2 above.

**3.3 If the transaction involved a securities lending arrangement, state that fact.**

Not applicable.

**3.4 State the designation and number or principal amount of securities and the acquiror's securityholding percentage in the class of securities, immediately before and after the transaction or other occurrence that triggered the requirement to file this report.**

See paragraph 2.2 above.

**3.5 State the designation and number or principal amount of securities and the acquiror's securityholding percentage in the class of securities referred to in Item 3.4 over which**

- (a) the acquiror, either alone or together with any joint actors, has ownership and control,**
- (b) the acquiror, either alone or together with any joint actors, has ownership but control is held by persons or companies other than the acquiror or any joint actor, and**
- (c) the acquiror, either alone or together with any joint actors, has exclusive or shared control but does not have ownership.**

The Acquiror has ownership over the Acquiror's Shares, and Rifici has indirect control and direction over the Acquiror's Shares. Rifici has direct and indirect ownership, and control and direction over Rifici Shares and Options.

**3.6 If the acquiror or any of its joint actors has an interest in, or right or obligation associated with, a related financial instrument involving a security of the class of securities in respect of which disclosure is required under this item, describe the material terms of the related financial instrument and its impact on the acquiror's securityholdings.**

On September 7, 2018, the Acquiror entered into the Loan with the Lender pursuant to which 28,719,703 Shares of the Issuer are to be pledged as collateral for a limited recourse loan of funds equal to 66% of the fair market value of the Shares of the Issuer as of the date of the Loan. The 28,719,703 Shares are to be held by the Lender to be available for stock loan transactions through the Lender. The 28,719,703 Shares will be pledged to the Lender in two tranches: 12,000,000 Shares comprise the first tranche and were pledged as of September 13, 2018 and 16,719,703 Shares comprise the second tranche. The Acquiror shall pay interest on the Loan calculated at fixed interest rate per annum of 2.75% and the Loan has a three year term. If the Loan and all other obligations to the Lender are not paid when due, the pledged Shares may be forfeited.

**3.7 If the acquiror or any of its joint actors is a party to a securities lending arrangement involving a security of the class of securities in respect of which disclosure is required under this item, describe the material terms of the arrangement including the duration of the arrangement, the number or principal amount of securities involved and any right to recall the securities or identical securities that have been transferred or lent under the arrangement.**

Not applicable.

**State if the securities lending arrangement is subject to the exception provided in section 5.7 of NI 62-104.**

Not applicable.

**3.8 If the acquiror or any of its joint actors is a party to an agreement, arrangement or understanding that has the effect of altering, directly or indirectly, the acquiror's economic exposure to the security of the class of securities to which this report relates, describe the material terms of the agreement, arrangement or understanding.**

See paragraph 3.6 above.

#### **Item 4 – Consideration Paid**

**4.1 State the value, in Canadian dollars, of any consideration paid or received per security and in total.**

All purchases and sales of Shares by the Acquiror and Rifici were completed through the facilities of the TSX Venture and have been purchased or sold at the prices ranging from \$0.94688 to \$1.00. The Warrants were exercised at their exercise prices of \$0.0230 and \$1.50.

The principal amount of the Loan is \$10,454,400.

**4.2 In the case of a transaction or other occurrence that did not take place on a stock exchange or other market that represents a published market for the securities, including an issuance from treasury, disclose the nature and value, in Canadian dollars, of the consideration paid or received by the acquiror.**

See paragraph 4.1 above.

**4.3 If the securities were acquired or disposed of other than by purchase or sale, describe the method of acquisition or disposition.**

See paragraphs 2.2 and 3.6 above.

#### **Item 5 – Purpose of the Transaction**

**State the purpose or purposes of the acquiror and any joint actors for the acquisition or disposition of securities of the reporting issuer. Describe any plans or future intentions which the acquiror and any joint actors may have which relate to or would result in any of the following:**

- (a) the acquisition of additional securities of the reporting issuer, or the disposition of securities of the reporting issuer;**
- (b) a corporate transaction, such as a merger, reorganization or liquidation, involving the reporting issuer or any of its subsidiaries;**
- (c) a sale or transfer of a material amount of the assets of the reporting issuer or any of its subsidiaries;**
- (d) a change in the board of directors or management of the reporting issuer, including any plans or intentions to change the number or term of directors or to fill any existing vacancy on the board;**

- (e) a material change in the present capitalization or dividend policy of the reporting issuer;
- (f) a material change in the reporting issuer's business or corporate structure;
- (g) a change in the reporting issuer's charter, bylaws or similar instruments or another action which might impede the acquisition of control of the reporting issuer by any person or company;
- (h) a class of securities of the reporting issuer being delisted from, or ceasing to be authorized to be quoted on, a marketplace;
- (i) the issuer ceasing to be a reporting issuer in any jurisdiction of Canada;
- (j) a solicitation of proxies from securityholders;
- (k) an action similar to any of those enumerated above.

Each of the Acquiror and Rifici currently hold securities of the Issuer for investment purposes only.

#### **Item 6 – Agreements, Arrangements, Commitments or Understandings With Respect to Securities of the Reporting Issuer**

**Describe the material terms of any agreements, arrangements, commitments or understandings between the acquiror and a joint actor and among those persons and any person with respect to securities of the class of securities to which this report relates, including but not limited to the transfer or the voting of any of the securities, finder's fees, joint ventures, loan or option arrangements, guarantees of profits, division of profits or loss, or the giving or withholding of proxies. Include such information for any of the securities that are pledged or otherwise subject to a contingency, the occurrence of which would give another person voting power or investment power over such securities, except that disclosure of standard default and similar provisions contained in loan agreements need not be included.**

See paragraph 3.6 above.

#### **Item 7 – Change in Material Fact**

**If applicable, describe any change in a material fact set out in a previous report filed by the acquiror under the early warning requirements or Part 4 in respect of the reporting issuer's securities.**

See paragraphs 2.2 and 3.6 above.

#### **Item 8 – Exemption**

**If the acquiror relies on an exemption from requirements in securities legislation applicable to formal bids for the transaction, state the exemption being relied on and describe the facts supporting that reliance.**

Not applicable

**Item 9 – Certification**

I, as the acquiror, certify to the best of my knowledge, information and belief, that the statements made in this report are true and complete in every respect.

Dated as of the 20<sup>th</sup> day of September, 2018

**NESTA HOLDING CO. LTD.**

*(s) Chuck Rifici*

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Name: Chuck Rifici

Title: CEO