

## AGENCY AGREEMENT

August 30, 2018

Friday Night Inc.  
105, 45655 Tamihi Way  
Chilliwack, British Columbia  
Canada V2R 2M3

Attention: Brayden R. Sutton, President and Chief Executive Officer

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Dear Sir:

Canaccord Genuity Corp. ("**Canaccord**") and Beacon Securities Limited ("**Beacon**" and together with Canaccord, the "**Agents**") understand that Friday Night Inc. (the "**Corporation**") proposes to issue and sell up to 15,000 units of the Corporation (the "**Units**") at an issue price of \$1,000 per Unit (the "**Offering Price**"), for aggregate minimum gross proceeds of \$7,000,000 (the "**Minimum Offering**") and up to aggregate maximum gross proceeds of \$15,000,000 (the "**Maximum Offering**"). Each Unit shall consist of: (a) one (1) \$1,000 principal amount of 10% convertible, unsecured debentures (each a "**Debenture**"); and (b) 2,222 common share purchase warrants in the capital of the Corporation (each a "**Warrant**"), with each Warrant exercisable to purchase one Common Share ("**Warrant Share**") at \$0.65 for a period of 36 months from the date of issuance.

The Debentures will be created pursuant to a debenture indenture (the "**Debenture Indenture**") between the Corporation and Odyssey Trust Company, as trustee (the "**Trustee**"), to be dated as of the Closing Date (as hereinafter defined). The Warrants will be created pursuant to, and subject to the terms of, a warrant indenture (the "**Warrant Indenture**") between the Corporation and the Trustee to be dated as of the Closing Date.

Each Debenture will be convertible into Common Shares of the Corporation ("**Debenture Shares**") at the option of the holder at any time prior to the close of business on the earlier of: (i) the last Business Day immediately preceding the Maturity Date, and (ii) the date fixed for redemption, at a conversion price of \$0.45 per Common Share (the "**Conversion Price**"), subject to adjustment in certain customary events. Holders converting their Debentures will receive accrued and unpaid interest thereon for the period from and including the date of the latest interest payment date to, and including, the date of conversion.

The Corporation may force the conversion of all of the principal amount of the then outstanding Debentures at the Conversion Price on not less than 30 days' notice should the daily Volume Weighted Average Price (as defined herein) of the Common Shares be greater than \$0.70 for any 10 consecutive trading days. The Conversion Price will be subject to adjustment in certain events, as provided in the Debenture Indenture.

Each Debenture will bear interest at a rate of 10.0% per annum from the date of issuance until the date that is 36 months from the Closing Date (the "**Maturity Date**"), paid semi-annually in arrears on the last day of June and December in each year or, if such date is not a Business Day, on the first Business day following such date. Interest will be computed on the basis of a 360-day year composed of twelve, 30-day months. Interest will be paid in cash or certified cheque. The first interest payment will be made on December 31, 2018 and will be an amount equal to the interest accrued from and including the Closing Date to December 31, 2018.

Upon a Change of Control (as defined herein) of the Corporation, holders of the Debentures will have the right to require the Corporation to repurchase their Debentures, in whole or in part, on the date that is 30 days following the giving of notice of the Change of Control, at a price equal to 104% of the principal amount of the Debentures then outstanding plus accrued and unpaid interest thereon (the "**COC Offer Price**"), all as further set out in the Debenture Indenture. If 90% or more of the principal amount of the

Debentures outstanding on the date of the notice of Change of Control have been tendered for redemption, the Corporation will have the right to redeem all of the remaining Debentures at the COC Offer Price.

In addition, the Corporation hereby grants to the Agents an option (the “**Over-Allotment Option**”) exercisable in whole or in part and at any time and from time to time on or before the Closing Date or for a period of 60 days following the Closing Date, to arrange for the purchase from the Corporation, on a 'commercially reasonable efforts' agency basis and subject to the terms and conditions set out herein, of up to that number of additional units of the Corporation with the same terms as the Units (the “**Additional Units**”) equal to 15% of the Units issued on the Closing Date (as defined herein) to cover the Agents' “over-allocation position” (as that term is defined in NI 41-101 (as defined herein)), if any, and for market stabilization purposes. Each Additional Unit shall consist of: (a) one (1) \$1,000 principal amount of Debentures (“**Additional Debenture**”), convertible into Common Shares (“**Additional Debenture Shares**”) on the same terms as the Debentures; and (b) 2,222 Warrants (“**Additional Warrants**”). Each Additional Warrant will entitle the holder thereof to purchase one Common Share (an “**Additional Warrant Share**”) on the same terms as the Warrants. If the Agents elect to exercise the Over-Allotment Option, the Agents shall notify the Corporation in writing not later than 60 days after the Closing Date, which notice shall specify the number of Additional Units to be sold under the Offering (as defined herein) pursuant to the exercise of the Over-Allotment Option and the date upon which such Additional Units are to be purchased (the “**Over-Allotment Option Closing Date**”). Such date may be the same as the Closing Date but otherwise not earlier than two Business Days (as defined herein) after the date of such notice.

The offering of the Units by the Corporation described in this Agreement is hereinafter referred to as the “**Offering**” and, unless otherwise required by the context, references to the “Offering” shall include the offering of Additional Units, references to the “Units” shall include the Additional Units, references to the “Debentures” shall include the Additional Debentures, references to the “Debenture Shares” shall include the Additional Debenture Shares, references to the “Warrants” shall include the Additional Warrants and references to the “Warrant Shares” shall include the Additional Warrant Shares.

The Corporation wishes to appoint the Agents to act as its sole and exclusive agents, and to effect the sale of the Units on a 'commercially reasonable efforts' agency basis. The Agents shall be entitled to appoint a soliciting dealer group consisting of other registered dealers acceptable to the Corporation (each, a “**Selling Firm**”) for the purpose of arranging for purchases of the Units.

In consideration of the Agents' services hereunder, the Corporation agrees to pay a cash fee (“**Agents' Fee**”) of 8% of the gross proceeds realized by the Corporation in respect of the sale of the Units (including for greater certainty, any Additional Units sold pursuant to the exercise of the Over-Allotment Option), at the Closing Time (and with respect to the Additional Units, at the Over-Allotment Option Closing Time).

As additional consideration for the Agents' services hereunder, the Corporation agrees to issue to the Agents (in such name or names as the Agents may direct in writing) at the Closing Time (and with respect to the Additional Units, at the Over-Allotment Option Closing Time), non-transferable compensation options (the “**Compensation Options**”) exercisable to purchase, in the aggregate, up to that number of units (“**Compensation Option Units**”) as is equal to 8.0% of the Common Shares to be issued assuming conversion of 100% of the Debentures issued pursuant to the Offering.

Each Compensation Option will entitle the holder thereof to acquire one Compensation Option Unit at an exercise price of \$0.45 per Compensation Option Unit, subject to adjustment, at any time until 4:00 p.m. (Calgary time) on the date that is 36 months after the Closing Date. Each Compensation Option Unit shall consist of one Common Share (“**Compensation Option Unit Share**”) and one Common Share purchase warrant (“**Compensation Option Unit Warrant**”). Each Compensation Option Unit Warrant will entitle the holder thereof to purchase one Common Share (a “**Compensation Option Warrant Share**”) on the same terms as the Warrants. The Agents shall have the right to direct the Corporation to deliver Agents' Compensation Option Units to specified Selling Firms.

As additional consideration for the Agents' services hereunder, the Corporation agrees to pay the Agents a corporate finance fee (the "**Agents' Corporate Finance Fee**") equal to \$50,000.

The obligation of the Corporation to pay the Agents' Fee and to issue the Compensation Options shall arise at the Closing Time (as defined herein) against payment for the Units (and, for greater certainty, with respect to the sale of any Additional Units on the exercise of the Over-Allotment Option, at the Over-Allotment Option Closing Time against payment for the Additional Units), and the Agents' Fee and the Compensation Options shall be fully earned by the Agents at such time.

It is understood that the Units will be offered to Purchasers (as defined herein) resident in: (i) each of the provinces of British Columbia, Alberta, Saskatchewan and Ontario (collectively, the "**Canadian Selling Jurisdictions**"); and (ii) jurisdictions other than the Canadian Selling Jurisdictions as may mutually be agreed to by the Corporation and the Agents, including to "qualified institutional buyers" (as defined in Rule 144A under the U.S. Securities Act (as defined herein) who are also institutional "accredited investors" as defined in Rule 501(a)(1), (2), (3) or (7) of Regulation D (as defined herein)) in the United States pursuant to the registration exemption provided by Rule 506(b) of Regulation D (as defined herein) and/or afforded by Section 4(a)(2) of the U.S. Securities Act, in accordance with Schedule B hereto (together with the Canadian Selling Jurisdictions, the "**Selling Jurisdictions**"), on a private placement basis, provided that the Corporation is not required to file a prospectus, registration statement or other disclosure document or become subject to continuing obligations in such other jurisdictions, in each case in accordance with the provisions of this Agreement. With respect to the offer or sale of any Units to, or for the account or benefit of, persons in the United States (as defined herein) and U.S. Persons (as defined herein), the parties to this Agreement acknowledge and agree that the Agents may appoint duly registered U.S. broker-dealers (each, a "**U.S. Selling Group Member**") to act as sub-agents to conduct offers and sales of the Offered Securities to, or for the account or benefit of, persons in the United States and U.S. Persons.

## DEFINITIONS

Unless expressly provided otherwise, where used in this Agreement, the following terms shall have the following meanings:

"**Additional Debenture**" has the meaning ascribed thereto on page two of this Agreement;

"**Additional Debenture Share**" has the meaning ascribed thereto on page two of this Agreement

"**Additional Units**" has the meaning ascribed thereto on page one of this Agreement;

"**Additional Warrant**" has the meaning ascribed thereto on page two of this Agreement;

"**Additional Warrant Share**" has the meaning ascribed thereto on page two of this Agreement;

"**affiliate**", "**associate**", "**material change**", "**material fact**" and "**misrepresentation**" shall have the respective meanings ascribed thereto under Applicable Securities Laws of the Canadian Selling Jurisdictions;

"**Agents**" has the meaning ascribed thereto in the first paragraph of this Agreement;

"**Agents' Corporate Finance Fee**" has the meaning ascribed thereto on page two of this Agreement;

"**Agents' Fee**" has the meaning ascribed thereto on page two of this Agreement;

"**Alternative Transaction**" has the meaning ascribed thereto in Section 16(d);

**“Applicable IP Laws”** means, with respect to a specific Intellectual Property, all applicable federal, provincial, state and local laws and regulations applicable to that Intellectual Property in the countries where rights in such Intellectual Property arise or in which the Corporation has registered Intellectual Property;

**“Applicable Laws”** means all applicable federal, provincial, state and local laws and regulations of authorities having jurisdiction over the Corporation or the Agents, as applicable;

**“Applicable Securities Laws”** means, collectively, the applicable securities laws of each of the Selling Jurisdictions, the regulations, rules, rulings and orders made thereunder, the applicable published policy statements issued by the applicable securities commissions thereunder, the rules and policies of the CSE and the securities legislation and published policies of each Selling Jurisdiction;

**“Agreement”** means the agreement resulting from the acceptance by the Corporation of the offer made hereby;

**“Business Day”** means a day which is not a Saturday, Sunday or statutory or civic holiday in the City of Calgary, Alberta;

**“Canadian Securities Regulators”** means, collectively, the applicable securities commission or securities regulatory authority in each of the Canadian Selling Jurisdictions;

**“Canadian Selling Jurisdictions”** has the meaning ascribed thereto on page three of this Agreement;

**“CDS”** means CDS Clearing and Depository Services Inc.;

**“Change of Control”** means (i) any event as a result of or following which any person, or group of persons “acting jointly or in concert” within the meaning of Canadian Applicable Securities Laws, beneficially owns or exercises control or direction over an aggregate of more than 50% of the then outstanding Common Shares, or (ii) the sale or other transfer of all or substantially all of the consolidated assets of the Corporation. A Change of Control will not include a sale, merger, reorganization or other similar transaction if the previous holders of the Common Shares hold at least 50% of the voting shares of such merged, reorganized or other continuing entity;

**“Claims”** has the meaning ascribed thereto in Section 12;

**“Closing”** means the completion of the issue and sale by the Corporation of the Units and Compensation Options pursuant to this Agreement;

**“Closing Date”** means September 7, 2018 or such other date as may be agreed upon between the Corporation and the Agents for the Closing that is not later than 30 days after the Final Receipt is issued;

**“Closing Time”** means 8:00 a.m. (Calgary time) on the Closing Date or such other time on the Closing Date as the Corporation and the Agents may agree;

**“Common Shares”** means the common shares in the capital of the Corporation, which the Corporation is authorized to issue, as constituted on the date hereof;

**“comparables”** has the meaning ascribed thereto in NI 41-101;

**“Compensation Option”** has the meaning ascribed thereto on page two of this Agreement;

**“Compensation Option Certificates”** means the certificates representing the Compensation Options;

**“Compensation Option Units”** has the meaning ascribed thereto on page two of this Agreement;

**"Compensation Option Unit Share"** has the meaning ascribed thereto on page two of this Agreement;

**"Compensation Option Unit Warrant"** has the meaning ascribed thereto on page two of this Agreement;

**"Compensation Option Unit Warrant Certificates"** means the certificates representing the Compensation Option Unit Warrants;

**"Compensation Option Warrant Share"** has the meaning ascribed thereto on page two of this Agreement;

**"Corporation"** has the meaning ascribed thereto in the first paragraph of this Agreement;

**"Corporation's Auditors"** means Davidson & Company LLP, Chartered Accountants;

**"Corporation IP"** means the Intellectual Property that has been developed by or for or is being developed by or for the Corporation or a Subsidiary, or that is being used by the Corporation or a Subsidiary, other than Licensed IP;

**"CSE"** means the Canadian Securities Exchange;

**"CSE Letter"** means the conditional approval letter issued by the CSE in respect of the Offering;

**"Debenture"** has the meaning ascribed thereto on page one of this Agreement;

**"Debenture Indenture"** has the meaning ascribed thereto on page one of this Agreement;

**"Disclosure Record"** means all information contained in any press releases, material change reports, financial statements, prospectuses, annual and quarterly reports or other document of the Corporation which has been publicly filed on SEDAR by, or on behalf of, the Corporation pursuant to Applicable Securities Laws of the Canadian Selling Jurisdictions;

**"Distribution"** means "distribution" or "distribution to the public" as those terms are defined under Applicable Securities Laws of the Canadian Selling Jurisdictions;

**"Documents Incorporated by Reference"** means all financial statements, management's discussion and analysis, management information circulars, annual information forms, material change reports or other documents issued by the Corporation, whether before or after the date of this Agreement, that are required by NI 44-101 to be incorporated by reference into the Prospectus or any Prospectus Amendment;

**"Due Diligence Session"** has the meaning ascribed thereto in subsection 6(c);

**"Due Diligence Session Responses"** has the meaning ascribed thereto in subsection 6(c);

**"Eligible Issuer"** means an issuer that meets the criteria and has complied with the requirements of NI 44-101 so as to allow it to offer its securities using a short form prospectus;

**"Engagement Letter"** means the engagement letter dated July 26, 2018 between the Corporation and the Agents relating to the Offering;

**"Environmental Laws"** means all applicable federal, state, provincial, municipal or local laws, regulations, orders, government decrees or ordinances with respect to environmental health or safety matters;

**"Final Prospectus"** means the (final) short form prospectus of the Corporation, including all of the Documents Incorporated by Reference, to be dated on or about the date hereof relating to the Distribution of the Units;

**"Final Receipt"** means a receipt or deemed receipt for the Final Prospectus issued by the Canadian Securities Regulators;

**"Financial Statements"** means, collectively:

- (a) the audited consolidated statements of the Corporation for the years ended July 31, 2017 and 2016, together with the notes thereto and management's discussion and analysis of the Corporation's financial condition and results of operations related thereto; and
- (b) the unaudited interim consolidated financial statements of the Corporation for the nine month period ended April 30, 2018, together with the notes thereto and management's discussion and analysis of the Corporation's financial condition and results of operations related thereto;

**"Indemnified Party"** or **"Indemnified Parties"** has the meaning ascribed thereto in Section 12;

**"Intellectual Property"** means intellectual property rights, including: (i) all patents, patent rights, inventions, industrial designs and licenses; (ii) trademarks, service marks, trade dress, trade names, corporate names, logos, slogans and Internet domain names, together with all goodwill associated with each of the foregoing; (iii) copyrights and copyrightable works in whatever form or medium; (iv) registrations, applications and renewals for any of the foregoing; (v) proprietary computer software (including but not limited to data, data bases and documentation); and (vi) trade secrets, confidential information and know-how;

**"knowledge"** means, as it pertains to the Corporation, the actual knowledge, after due inquiry, of the President and Chief Executive Officer, the Chief Financial Officer and, in the case of matters relating to Corporation IP and Licensed IP, the employee of the Corporation that is the most responsible for directing such matters;

**"Leased Premises"** has the meaning ascribed thereto in subsection 7(zz);

**"Licensed IP"** means the Intellectual Property owned by any person other than the Corporation and to which the Corporation has a license which has not expired or been terminated;

**"Marijuana Related Activities"** means activities relating to the cultivation, possession or distribution of marijuana;

**"marketing materials"** has the meaning ascribed thereto in NI 41-101;

**"Material Adverse Effect"** means any means any effect, change, event or occurrence that, alone or in conjunction with any other effect, change, event or occurrence, (i) is materially adverse to the results of operations, condition (financial or otherwise), assets, properties, capital, liabilities (contingent or otherwise), cash flow, income, business operations of the Corporation and its subsidiaries (taken as a whole), or (ii) would result in the Prospectus or the Disclosure Record containing a misrepresentation;

**"Material Agreement"** means any "material contract" required to be filed on SEDAR by the Corporation pursuant to NI 51-102;

**"Material Permits"** has the meaning ascribed thereto in subsection 7(eee);

**"Maximum Offering"** has the meaning ascribed thereto on page one of this Agreement;

**"MI 11-102"** means Multilateral Instrument 11-102 - *Passport System*;

**"NI 41-101"** means National Instrument 41-101 - *General Prospectus Requirements*;

**"NI 44-101"** means National Instrument 44-101 - *Short Form Prospectus Distributions*;

**"NI 51-102"** means National Instrument 51-102 - *Continuous Disclosure Obligations*;

**"NP 11-202"** means National Policy 11-202 - *Process for Prospectus Reviews in Multiple Jurisdictions*;

**"Notice"** has the meaning ascribed thereto in Section 18;

**"Units"** has the meaning ascribed thereto on page one of this Agreement;

**"Over-Allotment Option"** has the meaning ascribed thereto on page one of this Agreement;

**"Over-Allotment Option Closing Date"** has the meaning ascribed thereto on page two of this Agreement;

**"Over-Allotment Option Closing Time"** means 8:00 a.m. (Calgary time) on the Over-Allotment Option Closing Date or such other time on the Over-Allotment Option Closing Date as the Corporation and the Agents may agree;

**"Offering"** has the meaning ascribed thereto on page two of this Agreement;

**"Offering Documents"** has the meaning ascribed to such term in subsection 5(a)(iii);

**"Offering Price"** has the meaning ascribed thereto on page one of this Agreement;

**"Passport System"** means the system and process for prospectus reviews provided for under MI 11-102 and NP 11-202;

**"person"** shall be interpreted broadly and shall include any individual, corporation, partnership, joint venture, association, trust or other legal entity;

**"Preliminary Prospectus"** means the preliminary short form prospectus of the Corporation, including all of the Documents Incorporated by Reference, dated August 2, 2018 relating to the Distribution of the Units and for which a receipt or deemed receipt for such preliminary short form prospectus has been issued by the Canadian Securities Regulators;

**"Prospectus"** means, as the context requires, the Preliminary Prospectus and/or the Final Prospectus, including any Prospectus Amendment;

**"Prospectus Amendment"** means any amendment or supplement to the Prospectus;

**"Purchasers"** means any persons who acquire Units and/or Additional Units at the Closing Time or the Over-Allotment Option Closing Time, as applicable;

**"Registered Corporation IP"** means all Corporation IP that is the subject of registration with a national intellectual property office (including, without limitation, the Canadian Intellectual Property Office and the United States Patent and Trademark Office) for Intellectual Property, or applications for such registration with a national intellectual property office;

**"Regulation D"** means Regulation D promulgated under the U.S. Securities Act;

**“Regulation S”** means Regulation S promulgated under the U.S. Securities Act;

**“Securities Regulators”** means the applicable securities regulatory authorities in the Selling Jurisdictions, including the Canadian Securities Regulators and the CSE;

**“Securities”** means the Units, Debentures, Warrants, Debenture Shares, Warrant Shares, Compensation Options, Compensation Option Units, Compensation Option Unit Shares, Compensation Option Unit Warrants and Compensation Option Unit Warrant Shares;

**“SEDAR”** means the system for electronic document analysis and retrieval operated by the Canadian Securities Administrators;

**“Selling Firm”** has the meaning ascribed thereto on page two of this Agreement;

**“Selling Jurisdictions”** has the meaning ascribed thereto on page three of this Agreement;

**“Standard Listing Conditions”** means the standard post-Closing conditions imposed by the CSE in the CSE Letter or as otherwise provided by the CSE, which shall, for the avoidance of doubt, exclude any requirement for shareholder approval;

**“standard term sheet”** has the meaning ascribed thereto in NI 41-101;

**“Subsidiaries”** means all of the subsidiaries of the Corporation, including FN Management Services LLC, FN Pharmaceutical LLC, 1080034 B.C. Ltd., Infused Mfg LLC, the Alternative Medicine Association LLC, AMA Production LLC and Spire Secure Logistics Inc.;

**“subsidiary”** means a subsidiary of the Corporation within the meaning of the *Business Corporations Act* (Alberta);

**“Taxes”** has the meaning ascribed thereto in subsection 7(l);

**“template version”** has the meaning ascribed thereto in NI 41-101;

**“Transfer Agent”** means TMX Trust Company;

**“Underlying Shares”** means the Debenture Shares, the Warrant Shares, the Compensation Option Unit Shares, and the Compensation Option Unit Warrant Shares;

**“United States”** or **“U.S.”** means the United States of America, its territories and possessions, any state of the United States, and the District of Columbia;

**“U.S. Exchange Act”** means the *United States Securities and Exchange Act of 1934*, as amended;

**“U.S. Memorandum”** has the meaning ascribed thereto in subsection 4(a)(iii);

**“U.S. Person”** means a “U.S. person” as such term is defined in Rule 902(k) of Regulation S;

**“U.S. Securities Act”** means the *United States Securities Act of 1933*, as amended;

**“U.S. Selling Group Member”** has the meaning ascribed thereto on page three of this Agreement;

**“Volume Weighted Average Price”** means the volume weighted average price of the Common Shares, calculated by dividing the total value by the total volume of applicable securities traded on all stock exchanges and trading facilities for the days referenced;



“**Warrant**” has the meaning ascribed thereto on page one of this Agreement;

“**Warrant Indenture**” has the meaning ascribed thereto on page one of this Agreement; and

“**Warrant Share**” has the meaning ascribed thereto in the first paragraph of this Agreement.

The following are the schedules attached to this Agreement, which schedules are deemed to be a part hereof and are hereby incorporated by reference herein:

Schedule A	-	Convertible Securities
Schedule B	-	Compliance with United States Securities Laws
Schedule C	-	Marijuana Related Activities

## **TERMS AND CONDITIONS**

### **1. Nature of the Transaction**

Based upon the foregoing and subject to the terms and conditions set out below, the Corporation hereby appoints the Agents to act as its sole and exclusive agents, and the Agents hereby accept such appointment, to effect the sale of the Units for an aggregate purchase price between the Minimum Offering and of up to the Maximum Offering, on a 'commercially reasonable efforts' agency basis to persons in the Selling Jurisdictions. The Agents agree to use its 'commercially reasonable efforts' to sell the Units, but it is hereby understood and agreed that the Agents shall act as agent only and is under no obligation to purchase any of the Units, although the Agents may subscribe for the Units if they so desire.

During the Distribution of the Units, the Corporation and Agents shall approve in writing (prior to such time that marketing materials are provided to potential investors) any marketing materials reasonably requested to be provided by the Agents to any potential investor of Units, such marketing materials to comply with Applicable Securities Laws of the Canadian Selling Jurisdictions. The Agents shall provide a copy of any marketing materials used in connection with the Offering to the Corporation in accordance with this Section 1. The Corporation shall file a template version and any revised template version of such marketing materials with the Canadian Securities Regulators as soon as reasonably practicable after such marketing materials are so approved in writing by the Corporation and the Agent, and in any event on or before the day the marketing materials are first provided to any potential investor of Units, and such filing shall constitute the Agents' authority to use such marketing materials in connection with the Offering. Any comparables shall be redacted from the template version in accordance with NI 44-101 prior to filing such template version with the Canadian Securities Regulators and a complete template version containing such comparables and any disclosure relating to the comparables, if any, shall be delivered to the Canadian Securities Regulators by the Corporation.

The Corporation and the Agents, on a several basis, covenant and agree:

- (a) not to provide any potential investor of Units with any marketing materials unless a template version of such marketing materials has been filed by the Corporation with the Canadian Securities Regulators on or before the day such marketing materials are first provided to any potential investor of Units;
- (b) not to provide any potential investor with any materials or information in relation to the Distribution of the Units or the Corporation other than: (i) such marketing materials that have been approved and filed in accordance with this Section 1; (ii) the Prospectus and any Prospectus Amendments; and (iii) any standard term sheets approved in writing by the Corporation and the Agents; and
- (c) that any marketing materials approved and filed in accordance with this Section 1 and any standard term sheets approved in writing by the Corporation and the Agents shall

only be provided to potential investors in the Selling Jurisdictions where the provision of such marketing materials or standard term sheets does not contravene Applicable Securities Laws.

## **2. Final Prospectus**

The Corporation shall, as soon as possible following the execution of this Agreement, use its commercially reasonable efforts to: (i) prepare and file the Final Prospectus in each of the Canadian Selling Jurisdictions; (ii) obtain, pursuant to the Passport System, the Final Receipt; and (iii) take all other steps and proceedings that may be necessary to be taken by the Corporation in order to: (A) qualify the Units and Additional Units for Distribution in each of the Canadian Selling Jurisdictions under Applicable Securities Laws; and (B) qualify the grant of the Compensation Options for Distribution in each of the Canadian Selling Jurisdictions under Applicable Securities Laws, on or before 5:00 p.m. (Calgary time) on the date hereof or such later date as the Corporation and the Agents may agree.

Until the earlier of the date on which this Agreement is terminated or the date on which the Distribution of the Units is completed, the Corporation will promptly take, or cause to be taken, all additional steps and proceedings that may from time to time be required or desirable under Applicable Securities Laws of the Canadian Selling Jurisdictions to continue to qualify the Distribution of the Units, Additional Units, and Compensation Options, or, in the event that the Units, Additional Units or Compensation Options have, for any reason, ceased to so qualify, to so qualify again the Units, Additional Units and Compensation Options for Distribution in the Canadian Selling Jurisdictions.

## **3. Covenants and Representations of the Agents**

- (a) The Agents have complied and will comply, and shall require any other Selling Firm with which the Agents have a contractual relationship in respect of the Distribution of the Units (including, for the avoidance of doubt, the U.S. Selling Group Members) to comply, with Applicable Securities Laws in connection with the Distribution of the Units, including the U.S. selling restrictions imposed by the laws of the United States and set forth in Schedule B to this Agreement, shall ensure that each Selling Firm and each U.S. Selling Group Member agrees to comply with the covenants and obligations given by the Agents herein, to the extent applicable, and shall offer the Units for sale to the investors in the Selling Jurisdictions directly and through Selling Firms and U.S. Selling Group Members upon the terms and conditions set out in the Prospectus and this Agreement. The Agents agree to obtain such an agreement of each Selling Firm and U.S. Selling Group Member. The Agents have offered and will offer, and shall require any Selling Firm and any U.S. Selling Group Member to offer for sale to the public and sell the Units only in those jurisdictions where they may be lawfully offered for sale or sold.
- (b) The Agents shall, and shall require any Selling Firm to agree to, distribute the Units in a manner which complies with and observes all Applicable Laws in each jurisdiction into and from which they may offer to sell Units or distribute the Prospectus or any Prospectus Amendment in connection with the Distribution of the Units and will not, directly or indirectly, offer, sell or deliver any Units or deliver the Prospectus or any Prospectus Amendment to any person in any jurisdiction other than in the Canadian Selling Jurisdictions except in a manner which will not require the Corporation to comply with the registration, prospectus, filing or other similar requirements under the Applicable Laws relating to securities of such other jurisdictions.
- (c) For the purposes of this Section 3, the Agents shall be entitled to assume that the Units and Additional Units are qualified for Distribution in any Canadian Selling Jurisdiction where the Final Receipt shall have been obtained, provided that the Agents do not have actual knowledge, and has not been notified in writing by the Corporation, of any circumstances that would prohibit such distribution.

- (d) The Agents shall use all reasonable efforts to complete the Distribution of the Units pursuant to the Prospectus as early as practicable and the Agents shall advise the Corporation in writing when, in the opinion of the Agents, the Agents have completed the Distribution of the Units and within 25 days of the Closing Date provide a breakdown of the number of Units distributed and proceeds received in each of the Canadian Selling Jurisdictions where such breakdown is required for the purpose of calculating fees payable to the Canadian Securities Regulators.
- (e) The Agents shall deliver a copy of the Prospectus and any Prospectus Amendment to each Purchaser in accordance with Applicable Securities Laws.
- (f) The Agents represent and warrant to the Corporation and acknowledge that the Corporation is relying upon such representations and warranties in entering into this Agreement that:
  - (i) it is a valid and subsisting corporation, duly incorporated and in good standing under the laws of the jurisdiction in which it was incorporated;
  - (ii) it holds all licenses and permits that are required for carrying on its business in the manner in which such business has been carried on;
  - (iii) it has good and sufficient right and authority to enter into this Agreement and complete the transactions contemplated under this Agreement on the terms and conditions set forth herein;
  - (iv) all information reasonably requested by the Agents and their counsel in connection with the due diligence investigations of the Agents will be treated by the Agents and their counsel as confidential and will only be used in connection with the Offering; and
  - (v) it is an appropriately registered investment dealer under provincial securities laws, rules and regulations of the Canadian Selling Jurisdictions so as to permit it to lawfully fulfil its obligations hereunder.
- (g) The representations and warranties of the Agents contained in this Agreement shall be true at the Closing Time and at the Over-Allotment Option Closing Time and they shall survive the completion of the transactions contemplated under this Agreement until the third anniversary of the Closing Date.

The Corporation understands and agrees that the Agents may arrange for Purchasers in jurisdictions other than Canada and the United States, on a private placement basis and provided that the purchase of such Units does not contravene the Applicable Securities Laws of the jurisdiction where the Purchaser is resident and provided that such sale does not trigger: (i) any obligation to prepare and file a prospectus, registration statement or similar disclosure document; or (ii) any registration or other obligation on the part of the Corporation including, but not limited to, any continuing obligation in that jurisdiction.

#### **4. Deliveries**

- (a) The Corporation shall deliver, or cause to be delivered to the Agents, without charge:
  - (i) on the date hereof, a copy of the Preliminary Prospectus and the Final Prospectus, each signed and certified as required by Applicable Securities Laws of the Canadian Selling Jurisdictions;

- (ii) contemporaneously with the filing of the Final Prospectus, a copy of any other document required to be filed or that is otherwise delivered by the Corporation in respect of the Offering under the laws of each of the Selling Jurisdictions in compliance with Applicable Securities Laws, to the extent not publicly available on SEDAR;
  - (iii) the private placement memorandum incorporating the Prospectus prepared for use in connection with the offer and sale of the Units to, or for the account or benefit of, persons in the United States and U.S. Persons (the “**U.S. Memorandum**”), and, forthwith after preparation, any amendment to the U.S. Memorandum;
  - (iv) prior to the filing of the Final Prospectus, copies of correspondence indicating that the application for the listing and posting for trading on the CSE of the Debentures, Warrants, Underlying Shares Agents’ Unit Shares, Agents’ Unit Warrants and Agents’ Unit Warrant Shares have been approved for listing subject only to satisfaction by the Corporation of the Standard Listing Conditions;
  - (v) contemporaneously with, or prior to, the filing of the Final Prospectus, a “long form” comfort letter dated the date of the Final Prospectus, in form and substance satisfactory to the Agents, addressed to the Agents from the Corporation’s Auditors with respect to financial and accounting information relating to the Corporation contained in the Final Prospectus, which letter shall be based on a review by the Corporation’s Auditors within a cut-off date of not more than two Business Days prior to the date of the letter, which letter shall be in addition to the Corporation’s Auditors consent letter addressed to the Canadian Securities Regulators; and
  - (vi) prior to the filing of any Prospectus Amendment with the Securities Regulators, a copy of such Prospectus Amendment signed and certified as required by Applicable Securities Laws of the Canadian Selling Jurisdictions. Concurrently with the delivery of any Prospectus Amendment, the Corporation shall deliver to the Agents and the Agents’ counsel, with respect to such Prospectus Amendment, opinions, comfort letters and such other documentation substantially equivalent or similar to those referred to in this Section 4, as appropriate or reasonably requested by the Agents in the circumstances.
- (b) Delivery of the Prospectus and any Prospectus Amendment shall constitute a representation and warranty by the Corporation to the Agents that, as at the date of the Prospectus or Prospectus Amendment, as the case may be: (i) all information and statements (except information and statements relating solely to the Agents and provided by the Agents in writing) contained in the Prospectus and any Prospectus Amendments are true and correct in all material respects and contain no misrepresentation and constitute full, true and plain disclosure of all material facts relating to the Corporation and the Units; (ii) no material fact or information has been omitted from such disclosure (except facts or information relating solely to the Agents and provided by the Agents in writing) which is required to be stated in such disclosure or is necessary to make the statements or information contained in such disclosure not misleading in light of the circumstances under which they were made; (iii) such documents comply in all material respects with the requirements of the Applicable Securities Laws of the Canadian Selling Jurisdictions and have been filed (and a receipt therefor will be obtained, if required) in each of the Canadian Selling Jurisdictions; and (iv) except as set forth or contemplated in the Prospectus or any Prospectus Amendment, there has been no material change (actual, anticipated, contemplated, proposed or threatened) in the business, affairs, business prospects, operations, assets, liabilities (contingent or otherwise), capital or ownership of the Corporation since the end of the period covered by the Financial

Statements. Such deliveries shall also constitute the Corporation's consent to the use by the Agents and any Selling Firm of the Prospectus and any Prospectus Amendment in connection with the Distribution of the Units in the Canadian Selling Jurisdictions in compliance with this Agreement and Applicable Securities Laws.

- (c) The Corporation shall cause commercial copies of the Final Prospectus, any Prospectus Amendment and the U.S. Memorandum to be delivered to the Agents without charge, in such numbers and in such cities as the Agents may reasonably request. Such delivery shall be effected as soon as possible after obtaining the Final Receipt and, in any event, no later than 12:00 p.m. (Calgary time) on the fifth day following filing of same or such other date and time as may be agreed upon by the Agents and the Corporation. The Corporation shall similarly cause to be delivered commercial copies of any Prospectus Amendment.

## 5. Material Change During Distribution

- (a) During the Distribution of the Units under the Prospectus, the Corporation shall promptly notify the Agents in writing of the full particulars of:
  - (i) any material change (actual, anticipated, contemplated, proposed or threatened) in the business, affairs, business prospects, operations, assets, liabilities (contingent or otherwise), capital or ownership of the Corporation and its Subsidiaries (taken as a whole);
  - (ii) any material fact which has arisen or has been discovered and would have been required to have been stated in the Prospectus had the fact arisen or been discovered on, or prior to, the date of the Prospectus; and
  - (iii) any change in any material fact or matter covered by a statement contained in the Prospectus or any Prospectus Amendment (collectively, the "**Offering Documents**") which change is, or may be, of such a nature as to render any of the Offering Documents misleading or untrue or which would result in a misrepresentation in any of the Offering Documents or which would result in the Prospectus or any Prospectus Amendment not complying with the Applicable Securities Laws or other laws of any Canadian Selling Jurisdiction.
- (b) The Corporation will promptly comply to the reasonable satisfaction of the Agents' and the Agents' counsel with Applicable Securities Laws with respect to any material change, change, occurrence, discovery or event of the nature referred to in subsection 5(a), and the Corporation will prepare and will file any Prospectus Amendment, which, in the opinion of the Agents and their counsel, acting reasonably, may be necessary to continue to qualify the Units and the Compensation Options for Distribution in each of the Canadian Selling Jurisdictions.
- (c) In addition to the provisions of subsections 5(a) and 5(b), the Corporation shall, in good faith, discuss with the Agents any fact or change in circumstances (actual, anticipated, contemplated, proposed or threatened, financial or otherwise) which is of such a nature that there is reasonable doubt whether written notice need be given under this section and shall consult with the Agents with respect to the form and content of any amendment or other Prospectus Amendment proposed to be filed by the Corporation, it being understood and agreed that no such amendment or other Prospectus Amendment shall be filed with any Securities Regulator prior to the review thereof by the Agents and their counsel, acting reasonably.

## 6. Covenants of the Corporation

The Corporation hereby covenants to the Agents that the Corporation:

- (a) shall advise the Agents, promptly after receiving notice thereof, of the time when the Final Prospectus and any Prospectus Amendment has been filed and receipts therefor have been obtained pursuant to the Passport System and will provide evidence reasonably satisfactory to the Agents of each such filing and copies of such receipts;
- (b) shall use its commercially reasonable best efforts to resolve any comments from the securities regulators on the Preliminary Prospectus and Prospectus Amendments as soon as possible and will file the Final Prospectus and obtain the Final Receipt in respect thereto from the principal regulator for all of the Canadian jurisdictions. If the Final Receipt is not obtained by September 3, 2018, the Agents shall have the right, but not the obligation, to terminate its obligations under this Agreement;
- (c) shall prior to the Closing Time (and the Over-Allotment Option Closing Time, as applicable), allow the Agents (and their counsel and consultants) to conduct all due diligence which the Agents may reasonably require or consider necessary or appropriate in order to fulfill the Agents' obligations as registrants to complete the Offering as provided herein. The Corporation will provide to the Agents (and their counsel and consultants) reasonable access to the Corporation's properties (if any), senior management personnel and corporate, financial and other records, for the purposes of conducting such due diligence. Without limiting the scope of the due diligence inquiry the Agents (or their counsel and consultants) may conduct, the Corporation shall also make available its directors, senior management and counsel, and shall use its commercially reasonable efforts to cause the Corporation's Auditors, to answer any questions which the Agents may have and to participate in one or more due diligence sessions to be held prior to Closing (or the Over-Allotment Option Closing Time) (collectively, the "**Due Diligence Session**"). The Agents shall distribute a list of written questions in advance of each Due Diligence Session and the Corporation shall provide, and shall use its commercially reasonable efforts to have the Corporation's Auditors, legal counsel and other experts provide, responses to such questions at the Due Diligence Session (the "**Due Diligence Session Responses**");
- (d) shall forthwith advise the Agents of, and provide the Agents with copies of, any written communications relating to:
  - (i) the issuance by any securities regulatory authority, including the CSE, of any order suspending or preventing the use of the Prospectus or any Prospectus Amendment or any cease trading or stop order or any halt in trading relating to the Common Shares or Securities, or the institution or threat of any proceedings for that purpose; and
  - (ii) the receipt of any material communication from any securities regulatory authority, including the CSE, or other authority relating to the Prospectus or any Prospectus Amendment or the Offering;
- (e) shall use its commercially reasonable efforts to prevent the issuance of any order referred to in (d)(i) above and, if issued, shall forthwith take all reasonable steps which it is able to take and which may be necessary or desirable in order to obtain the withdrawal thereof as soon as is reasonably practicable;
- (f) shall use its commercially reasonable efforts to maintain its status as a "reporting issuer" (or the equivalent thereof) not in default of the requirements of the Applicable Securities

Laws of each of the Canadian Selling Jurisdictions for as long as any Debentures, Warrants or Additional Units remain outstanding, other than in a business combination or similar transaction where all the outstanding securities of the Corporation have been exchanged for cash or the securities of another issuer which is a reporting issuer under any Applicable Securities Laws;

- (g) shall use its commercially reasonable efforts to maintain the listing of the Common Shares, the Debentures (including the Additional Debentures, if any) and the Warrants (including the Additional Warrants, if any, and Agents' Unit Warrants) on the CSE or such other recognized stock exchange or quotation system as the Agents may approve, acting reasonably, for as long as any Debentures, Warrants or Additional Units remain outstanding, other than in a business combination or similar transaction where all the outstanding securities of the Corporation have been exchanged for cash or the securities of another issuer which is a reporting issuer under any Applicable Securities Laws;
- (h) shall use its best efforts to ensure that the Debentures, Warrants, Underlying Shares, Agents' Unit Shares, Agents' Unit Warrants and Agents' Unit Warrant Shares will be conditionally approved for listing on the CSE upon their issue, provided that in the case of the Debentures and the Warrants, that the Debentures and Warrants, as the case may be, are distributed in the Offering in a manner that meets the distribution requirements of the CSE;
- (i) shall use the net proceeds of the Offering in the manner and subject to the qualifications described in the Prospectus under the heading "Use of Proceeds";
- (j) during the period of the Distribution of the Units pursuant to the Prospectus, the Corporation will promptly provide to the Agents, for review by the Agents and the Agents' counsel, prior to the filing or issuance thereof:
  - (i) any financial statements of the Corporation;
  - (ii) any proposed document, including, without limitation, any annual information form, material change report, business acquisition report, interim report or information circular, which may be incorporated, or deemed to be incorporated, by reference in the Prospectus; and
  - (iii) any press release of the Corporation;
- (k) shall, as soon as practicable, use its commercially reasonable efforts to receive all necessary consents to the transactions contemplated herein;
- (l) shall use its commercially reasonable efforts to restrict its officers and directors from selling any securities of the Corporation from the date of the Engagement Letter to the first to occur of the Over-Allotment Closing Date and the expiry of the Over-Allotment Option, without the prior written consent of the Agents, such consent not to be unreasonably withheld or delayed.

## **7. Representations and Warranties of the Corporation**

The Corporation hereby represents and warrants to the Agents that as at the date hereof:

- (a) the Corporation and its Subsidiaries have been duly incorporated, continued or amalgamated and are validly existing under the laws of their governing jurisdictions, have all requisite power and authority and are duly qualified to carry on their business as now conducted and to own or lease their properties and assets and the Corporation has all

requisite corporate power and authority to carry out its obligations under this Agreement, the Debenture Indenture (upon execution and delivery thereof), the Warrant Indenture (upon execution and delivery thereof), and the Compensation Option Certificates (upon execution and delivery thereof) and any other document, filing, instrument or agreement delivered in connection with the Offering, and to carry out its obligations hereunder and thereunder;

- (b) other than the Subsidiaries, the Corporation has no subsidiaries, it is not affiliated with or a "holding corporation" of any other body corporate (within the meaning of those terms in the *Business Corporations Act* (Alberta)), nor is it a partner of any partnerships (other than participating in industry partnerships in the ordinary course of business) or limited partnerships, and the Corporation has no material shareholdings in any other corporation or business organization;
- (c) no agreement is in force or effect which in any manner affects the voting or control of any of the securities of the Corporation to which the Corporation is a party or of which the Corporation has knowledge;
- (d) except in the ordinary course of business, the Corporation nor any of the Subsidiaries is a party to or bound by or affected by any commitment, agreement or document containing any covenant which expressly limits the freedom of the Corporation or Subsidiary to compete in any line of business, transfer or move any of its assets or operations or which materially or adversely affects the business practices, operations or condition of the Corporation or Subsidiary (taken as a whole);
- (e) all consents, approvals, permits, authorizations or filings as may be required under Applicable Securities Laws necessary for the execution and delivery of this Agreement and the sale of the Units, and the consummation of the transactions contemplated hereby, have been made or obtained or will be obtained prior to the Closing Date, as applicable, subject only to the Standard Listing Conditions and any post-Closing notice filings required under applicable United States federal or state securities laws;
- (f) upon the execution and delivery thereof, each of this Agreement, the Debenture Indenture, Warrant Indenture, the Compensation Option Certificates shall constitute a valid and binding obligation of the Corporation and each shall be enforceable against the Corporation in accordance with its terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium and other laws relating to or affecting the rights of creditors generally and except as limited by the application of equitable principles when equitable remedies are sought, and by the fact that rights to indemnity, contribution and waiver, and the ability to sever unenforceable terms, may be limited by Applicable Law;
- (g) the currently issued and outstanding Common Shares are listed and posted for trading on the Frankfurt Stock Exchange, the CSE and the OTCQB and no order ceasing or suspending trading in the Common Shares or prohibiting the trading of any of the Common Shares has been issued and no proceedings for such purpose are pending or, to the knowledge of the Corporation, threatened, provided that in relation to the Frankfurt Stock Exchange, after September 28, 2018, Clearstream Banking will no longer issue settlement declarations for securities of issuers whose main business is the production and financing of cannabis and has identified the Common Shares for such restrictions;
- (h) the definitive form of certificate representing the Common Shares complies with the requirements of the *Business Corporations Act* (Alberta), complies with the requirements of the CSE and does not conflict with the constating documents of the Corporation;
- (i) the Financial Statements:



- (i) have been prepared in accordance with international financial reporting standards in Canada consistently applied throughout the period referred to therein;
- (ii) contain no misrepresentation and present fairly, in all material respects, the financial position (including the assets and liabilities, whether absolute, contingent or otherwise) of the Corporation as at such dates and results of operations of the Corporation for the periods then ended; and
- (iii) contain and reflect adequate provision or allowance for all reasonably anticipated liabilities, expenses and losses of the Corporation,

and there has been no change in accounting policies or practices of the Corporation since July 31, 2017, other than as set forth in the Disclosure Record;

- (j) to the best of the Corporation's knowledge, all material receivables recorded on the books of the Corporation are *bona fide* and are good and collectible without set off or counterclaim, subject to any provision made in the Financial Statements;
- (k) the Corporation has not declared or paid any dividends or declared or made any other payments or distributions on or in respect of any of the Common Shares and has not, directly or indirectly, redeemed, purchased or otherwise acquired any of its securities or agreed to do so or otherwise effected any return of capital with respect to such securities;
- (l) all taxes (including income tax, capital tax, payroll taxes, employer health tax, workers' compensation payments, property taxes, custom and land transfer taxes), duties, royalties, levies, imposts, assessments, deductions, charges or withholdings and all liabilities with respect thereto including any penalty and interest payable with respect thereto (collectively, "**Taxes**") due and payable by the Corporation, its Subsidiaries and its predecessor entities have been paid except where the failure to pay such taxes would not have a Material Adverse Effect. All tax returns, declarations, remittances and filings required to be filed by the Corporation and its Subsidiaries have been filed with all appropriate governmental authorities and all such returns, declarations, remittances and filings are complete and accurate and no material fact or facts have been omitted therefrom which would make any of them misleading except where such failure would not have a Material Adverse Effect. The Corporation nor any Subsidiary has received any written notice regarding examination of any tax return of the Corporation or Subsidiary currently in progress and the Corporation has no knowledge of any facts that could give rise to any such examination and there are no issues or disputes outstanding with any governmental authority respecting any Taxes that have been paid, or may be payable, by the Corporation or any Subsidiary except where such examinations would not have a Material Adverse Effect;
- (m) the Corporation's Auditors, which are the auditors who audited the Financial Statements and who provided their audit report thereon, are independent public accountants under Applicable Securities Laws of the Canadian Selling Jurisdictions and there has never been a "reportable disagreement" (within the meaning of NI 51-102) between the Corporation and the Corporation's Auditors;
- (n) except as disclosed in the Disclosure Record, the Corporation maintains a system of internal accounting controls sufficient to provide reasonable assurance that:
  - (i) transactions are executed in accordance with management's general or specific authorization;

- (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with international financial reporting standards and to maintain accountability for assets;
  - (iii) access to assets is permitted only in accordance with management's general or specific authorization; and
  - (iv) the recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences;
- (o) the Corporation is in compliance with the certification requirements contained in National Instrument 52-109 - *Certification of Disclosure in Issuers' Annual and Interim Filings* of the Canadian Securities Administrators with respect to the Corporation's annual and interim filings with Canadian Securities Regulators;
- (p) the audit committee of the Corporation is comprised and operates in accordance with the requirements of National Instrument 52-110 - *Audit Committees* of the Canadian Securities Administrators as applicable to a 'venture issuer';
- (q) except for the Debentures, the Warrants, the Compensation Options and as set forth in Schedule A to this Agreement, no holder of outstanding securities of the Corporation will be entitled to any pre-emptive or any similar rights to subscribe for any of the Common Shares or other securities of the Corporation, and no rights, warrants or options to acquire, or instruments convertible into or exchangeable for, any shares in the capital of the Corporation are outstanding;
- (r) no rights, warrants or options to acquire, or instruments convertible into or exchangeable for, any shares in the capital of the Subsidiaries are outstanding;
- (s) to the knowledge, information and belief of the Corporation, no insider of the Corporation has a present intention to sell any securities of the Corporation held by such insider;
- (t) all information which has been prepared by the Corporation relating to the Corporation and the Subsidiaries, and each of their business, properties and liabilities that is or has been publicly disclosed or otherwise provided to the Agents or their counsel, including any investor or corporate presentations posted on the Corporation's website or SEDAR, and all financial, marketing, sales and operational information, is, as of the date of such information, true and correct in all material respects, contains no misrepresentation and no fact or facts have been omitted therefrom which would make such information misleading;
- (u) except as properly disclosed in the Offering Documents, the Corporation has not approved, has not entered into any agreement in respect of, and to the knowledge of the Corporation there are no facts or circumstances in respect of:
  - (i) the purchase of any material property or assets or any interest therein or the sale, transfer or other disposition of any material property or assets or any interest therein currently owned, directly or indirectly, by the Corporation or a Subsidiary, whether by asset sale, transfer of shares or otherwise;
  - (ii) the issuance of any securities of the Corporation or a right of first refusal with respect to the issuance by the Corporation of any securities;

- (iii) any change in control of the Corporation or a Subsidiary (whether by sale, transfer or other disposition of shares or sale, transfer, lease or other disposition of all or substantially all of the property and assets of the Corporation);
  - (iv) a proposed or planned disposition of shares by any shareholder who owns, directly or indirectly, 10% or more of the outstanding shares of the Corporation; or
  - (v) an agreement in force or having the effect of which in any manner affects or will affect the voting or control of any of the securities of the Corporation;
- (v) except as disclosed in the Disclosure Record or the documents incorporated by reference therein, no legal or governmental proceedings are pending to which the Corporation or a Subsidiary is a party or to which its property is subject that would result individually or in the aggregate in a Material Adverse Effect and, to the knowledge of the Corporation, no such proceedings have been threatened against, or are contemplated with respect to, the Corporation, a Subsidiary or any of such entities' properties;
- (w) the Corporation is the legal and beneficial owner, free of all mortgages, liens, charges, pledges, security interests, encumbrances, claims or demands whatsoever, of the interests in personal property referred to as owned by it in the Prospectus, except as otherwise disclosed in the Prospectus or the documents incorporated by reference therein, and all material agreements under which the Corporation holds an interest in personal property are in good standing according to their terms;
- (x) except as disclosed in the Disclosure Record or as entered into by the Corporation in the ordinary course of business, there are no material contracts or agreements to which the Corporation is a party or by which they are bound;
- (y) each of the material contracts and agreements of the Corporation and Subsidiaries constitute a legally valid and binding agreement of the Corporation or Subsidiary, enforceable in accordance with its respective terms (subject to laws relating to creditors' rights generally and except as rights to indemnity may be limited by applicable law) and, to the knowledge of the Corporation, no party thereto is in default thereunder and no event has occurred which with notice or lapse of time or both would directly or indirectly constitute such a default provided that for the purposes of this subparagraph, any contract or agreement pursuant to which the Corporation or a Subsidiary will, or may reasonably be expected to, result in a requirement to expend more than an aggregate of \$50,000 or receive or be entitled to receive revenue of more than \$50,000 in either case in the next six (6) months, or is out of the ordinary course of business of the Corporation or a Subsidiary, shall be considered to be material;
- (z) the minute books and records of the Corporation and its Subsidiaries made available to counsel for the Agents in connection with its due diligence investigations of the Corporation are all of the minute books and records of each and contain copies of all material proceedings of the shareholders, the board of directors and all committees of the board of directors of each to the date of review of such corporate records and minute books, and there have been no other meetings, resolutions or proceedings of the shareholders, board of directors or any committees of the board of directors of each not reflected in such minute books and other records;
- (aa) the books of account and other records of the Corporation and its Subsidiaries, whether of a financial or accounting nature or otherwise, have been maintained in accordance with prudent business practices that are customary in the business in which the Corporation or Subsidiary is engaged;

- (bb) the Corporation has, to the best of its knowledge, made available to the Agents all material information and material facts relating to the Corporation, its Subsidiaries, and their assets, liabilities and undertakings and such material information and material facts are true and correct in all material respects as at the respective dates of such information or facts;
- (cc) the Corporation is, and will be at the Closing Time (and with respect to the sale of any Additional Units, the Over-Allotment Option Closing Time), an Eligible Issuer and a reporting issuer under Applicable Securities Laws in the Canadian Selling Jurisdictions, and the Corporation is not in default in any material respect of any requirement of Applicable Securities Laws and the Corporation is not included in a list of defaulting reporting issuers maintained by the applicable Securities Regulators. In particular, without limiting the foregoing, the Corporation is in compliance at the date hereof with its obligations to make timely disclosure of all material changes relating to it and, no such disclosure has been made on a confidential basis and there is no material change relating to the Corporation which has occurred and with respect to which the requisite material change statement has not been filed, except to the extent that the Offering and the transactions contemplated thereunder may constitute a material change;
- (dd) on August 2, 2018, the Corporation filed the Preliminary Prospectus in each of the Canadian Selling Jurisdictions and expects to obtain, pursuant to the Passport System, a receipt or deemed receipt dated August 3, 2018 from the British Columbia Securities Commission, as principal regulator, the Alberta Securities Commission, the Financial and Consumer Affairs Authority of Saskatchewan and the Ontario Securities Commission, for the Preliminary Prospectus;
- (ee) the execution and delivery of each of this Agreement, the Debenture Indenture, the Warrant Indenture, and the Compensation Option Certificates and the compliance with all provisions contemplated thereunder, the Offering and sale of the Units and the issuance of the Units and the Compensation Options does not and will not:
  - (i) require the consent, approval, authorization, registration or qualification of or with any governmental authority, stock exchange, securities regulatory authority or other third party (in each case in the Selling Jurisdictions), except: (A) such as have been obtained; or (B) such as may be required and will be obtained by the Closing Time;
  - (ii) result in a breach of, or default under, nor create a state of facts which, after notice or lapse of time or both, would result in a breach of or default under, nor conflict with:
    - A. any of the terms, conditions or provisions of the constating documents or resolutions of the shareholders, board of directors or any committee of the board of directors of the Corporation;
    - B. any Applicable Law applicable to the Corporation, including the Applicable Securities Laws, or any judgment, order or decree of any governmental body, agency or court having jurisdiction over the Corporation; or
    - C. any Material Agreement; or
  - (iii) give rise to any lien, charge or claim in or with respect to the properties or assets now owned or hereafter acquired by the Corporation or a Subsidiary or the acceleration of or the maturity of any debt under any indenture, mortgage, lease,

agreement or instrument binding or affecting the Corporation or a Subsidiary or any of their properties;

- (ff) the authorized capital of the Corporation consists of an unlimited number of Common Shares and an unlimited number of preferred shares, issuable in series, of which, as at the Closing Date and prior to the issuance of the Units and Agents' Commission Units (if any), 229,027,060 Common Shares and no other shares, are issued and outstanding, all of which Common Shares are validly issued as fully paid and non-assessable Common Shares;
- (gg) other than as contemplated by in this Agreement, there is no person acting or purporting to act at the request or on behalf of the Corporation that is entitled to any brokerage or finder's fees in connection with the Offering;
- (hh) all material disclosure filings required to be made by the Corporation pursuant to Applicable Securities Laws in the Canadian Selling Jurisdictions from July 31, 2017 have been made and such disclosure and filings contained no material misrepresentations as at the respective dates thereof;
- (ii) the Corporation has not filed any confidential material change reports still maintained on a confidential basis and to the best of the Corporation's knowledge, no circumstances exist under which the Corporation has incurred liability under secondary market disclosure provisions of Applicable Securities Laws in the Canadian Selling Jurisdictions;
- (jj) all forward-looking information and statements of the Corporation contained in the Prospectus and the assumptions underlying such information and statements, subject to any qualifications contained therein, including any forecasts and estimates, expressions of opinion, intention and expectation, as at the time they were or will be made, were or will be made or based on assumptions that are reasonable;
- (kk) the statistical, industry and market related data included in the Prospectus are derived from sources which the Corporation reasonably believes to be accurate, reasonable and reliable, and such data agrees in all material respects with the sources from which it was derived;
- (ll) the Corporation has no knowledge of any legislation, or proposed legislation (published by a legislative body), which it anticipates will materially and adversely affect the business, affairs, operations, assets, liabilities (contingent or otherwise) or prospects of the Corporation, other than United States federal laws defining marijuana as a controlled substance;
- (mm) the Corporation is in material compliance with all Applicable Laws respecting employment and employment practices, terms and conditions of employment, pay equity and wages, except where non-compliance with such laws could not reasonably be expected to have a Material Adverse Effect, and has not and is not engaged in any unfair labour practice;
- (nn) other than as disclosed in the Disclosure Record, neither the Corporation nor any Subsidiary is a party to any written contracts of employment which may not be terminated on one month's notice nor which provide for payments occurring on a change of control of the Corporation;
- (oo) there has not been and there is not currently any labour disruption or conflict which could reasonably be expected to have a Material Adverse Effect on the Corporation or its Subsidiaries;

- (pp) except as disclosed in the Disclosure Record, the Corporation and its Subsidiaries do not have any loans or other indebtedness outstanding which have been made to any of its officers, directors or employees, past or present, any known holder of more than 10% of any class of shares of the Corporation, or any person not dealing at arm's length with the Corporation that are currently outstanding;
- (qq) except as disclosed in the Disclosure Record, none of the directors, officers or employees of the Corporation, any known holder of more than 10% of any class of shares of the Corporation, or any associate or affiliate of any of the foregoing persons, had or has any material interest, direct or indirect, in any transaction or any proposed transaction that was or is material to the Corporation;
- (rr) the Corporation and its Subsidiaries maintain insurance covering the properties, operations, personnel and businesses of the Corporation and its Subsidiaries as the Corporation reasonably deems adequate; such insurance insures against such losses and risks to an extent which is adequate in the reasonable opinion of management of the Corporation to protect the Corporation and its Subsidiaries and the business of the Corporation and its Subsidiaries; all such insurance is fully in force on the date hereof and will be fully in force on the Closing Date; and the Corporation has no reason to believe that it will not be able to renew any such insurance as and when such insurance expires;
- (ss) except to the extent that any violation or other matter referred to in this subparagraph does not have a material adverse effect on the business, financial condition, assets, properties, liabilities or operations of the Corporation:
  - (i) neither the Corporation nor any Subsidiary is in violation of any Environmental Laws;
  - (ii) the Corporation and its Subsidiaries have operated their business at all times and have received, handled, used, stored, treated, shipped and disposed of all contaminants without violation of Environmental Laws;
  - (iii) there have been no spills, releases, deposits or discharges of hazardous or toxic substances, contaminants or wastes into the earth, air or into any body of water or any municipal or other sewer or drain water systems by the Corporation that have not been remedied;
  - (iv) no orders, directions or notices have been issued and remain outstanding pursuant to any Environmental Laws relating to the business or assets of the Corporation or any Subsidiary;
  - (v) the Corporation (or any Subsidiary) has not failed to report to the proper federal, provincial, municipal or other political subdivision, government, department, commission, board, bureau, agency or instrumentality, domestic or foreign the occurrence of any event which is required to be so reported by any Environmental Law;
  - (vi) the Corporation and each of its Subsidiaries hold all licenses, permits and approvals required under any Environmental Laws in connection with the operation of each of their respective businesses and the ownership and use of its assets, all such licenses, permits and approvals are in full force and effect, and neither the Corporation nor any Subsidiary has received any notification pursuant to any Environmental Laws that any work, repairs, constructions or capital expenditures are required to be made by it as a condition of continued

compliance with any Environmental Laws, or any license, permit or approval issued pursuant thereto, or that any license, permit or approval referred to above is about to be reviewed, made subject to limitation or conditions, revoked, withdrawn or terminated; and

- (vii) neither the Corporation (including, if applicable, any predecessor companies thereof) nor any Subsidiary has received any notice of, or been prosecuted for an offence alleging, material non-compliance with any Environmental Laws, and neither the Corporation (including, if applicable, any predecessor companies) nor any Subsidiary has settled any allegation of material non-compliance short of prosecution;
- (tt) no order, ruling or determination having the effect of suspending the sale or ceasing the trading in any securities of the Corporation has been issued by any securities regulatory authority and is continuing in effect and no proceedings for that purpose have been instituted or, to the knowledge of the Corporation, are pending, contemplated or threatened by any securities regulatory authority, and the Corporation is not in default of any material requirement of Applicable Securities Laws;
- (uu) neither the Corporation nor any Subsidiary has made any loans to, or guaranteed the obligations of, any person;
- (vv) other than as disclosed in the Disclosure Record, the Corporation has no loans or other indebtedness outstanding which have been made to or from any of its shareholders, officers, directors or employees or any other person not dealing at arm's length with the Corporation that are currently outstanding;
- (ww) no officer, director, or, to the knowledge of the Corporation, any employee or any other person not dealing at arm's length with the Corporation or any associate or affiliate of any such person, owns, has or is entitled to any royalty, net profits interest, carried interest, licensing fee or any other encumbrances or claims of any nature whatsoever from the Corporation;
- (xx) the Corporation does not have any knowledge of any outstanding rights of first refusal or other pre-emptive rights of purchase which entitle any person to acquire any of the rights, title, interests, property or assets of the Corporation or any Subsidiary;
- (yy) the Corporation and each of the Subsidiaries is the owner of its respective assets, including real property, if any, as may be described in the Financial Statements, and as is being used in the business, with good and marketable title free and clear of all liens, charges, encumbrances and any other rights of others, other than those disclosed in the Financial Statements, there are no outstanding options or rights of first refusal to purchase any real property or assets of the Corporation or any Subsidiary and the Corporation is not aware of any defects, failures or impairments in the title of any of the Corporation's or any Subsidiary's assets, including real property, whether or not an action, suit, proceeding or inquiry is pending or threatened or whether or not discovered by any third party, which, in aggregate could have a material adverse effect on the business of the Corporation or any Subsidiary;
- (zz) with respect to each of the premises of the Corporation and Subsidiaries which is material to the business of the Corporation or any Subsidiary and which the Corporation or Subsidiary occupies as tenant (the "**Leased Premises**"), the Corporation or Subsidiary has the right to occupy and use such Leased Premises, and each of the leases pursuant to which the Corporation or Subsidiary occupies the Leased Premises are in good standing and in full force and effect, and neither the Corporation, a Subsidiary nor any

other party thereto is in breach of any material covenants, conditions or obligations contained therein;

- (aaa) there have not been and there are not currently any material disagreements with any of the employees of the Corporation or any Subsidiary which are materially adversely affecting the carrying on of the business of the Corporation or Subsidiary;
- (bbb) to the knowledge of the Corporation, there is no action, suit, proceeding, inquiry or investigation before or brought by any court or governmental agency or body, domestic or foreign, now pending or threatened against or affecting the Corporation or any Subsidiary, which would cause a Material Adverse Effect;
- (ccc) the Transfer Agent at its principal offices in the City of Vancouver has been duly appointed as registrar and transfer agent for the Common Shares;
- (ddd) neither the Corporation, a Subsidiary nor to the knowledge of the Corporation, any director, officer, agent, employee or other person associated with or acting on behalf of the Corporation or a Subsidiary has: (i) used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expense relating to political activity; (ii) made any direct or indirect unlawful payment to any foreign or domestic government official or employee from corporate funds; (iii) violated any applicable anti-bribery, export control and economic sanctions laws including any provision of the *Corruption of Foreign Officials Act (Canada)* or the *United States Foreign Corrupt Practice Act*; or (iv) made any bribe, rebate, payoff, influence payment, kickback or other unlawful payment;
- (eee) the Corporation and each Subsidiary holds all of the permits, licenses and like authorizations necessary for it to carry on its business in each jurisdiction where such business is carried on that are material to the conduct of the business of the Corporation or the Subsidiary (as such business is currently conducted and proposed to be conducted), including, but not limited to, permits, licenses, and like authorizations from Regulatory Authorities (collectively, the "**Material Permits**"); all such Material Permits which are so required are valid and subsisting and in good standing and none of the same contains any term, provision, condition or limitation which has or would reasonably be expected to affect or restrict in a materially adverse manner the operation of the business of the Corporation or Subsidiary, as now carried on or proposed to be carried on, as set out in the Prospectus, and neither the Corporation nor any Subsidiary is in breach thereof or in default with respect to filings to be effected or conditions to be fulfilled in order to maintain such Material Permits in good standing;
- (fff) the Corporation is and at all times has been in material compliance with each Material Permit held by it and is not in violation of, or in default under, any such Material Permit in any material respect, except in any case where the Corporation has received a valid and effective waiver of such violation or default;
- (ggg) each Subsidiary is and at all times has been in material compliance with each Material Permit held by it and is not in violation of, or in default under, any such Material Permit in any material respect, except in any case where the Subsidiary has received a valid and effective waiver of such violation or default;
- (hhh) all filings made by the Corporation or any Subsidiary under which the Corporation or Subsidiary has received or is entitled to government incentives, have been made in accordance, in all material respects, with all applicable legislation and contain no misrepresentations of material fact or omit to state any material fact which could cause any amount previously paid to the Corporation or Subsidiary or previously accrued on the accounts thereof to be recovered or disallowed;



- (iii) the Corporation and each of its Subsidiaries has the right to use, or is the registered owner of all right, title and interest in and to the Intellectual Property as is necessary to conduct the business of the Corporation or Subsidiary as it is currently conducted except where the failure to have such rights could not have a material adverse effect on the Corporation or Subsidiary. To the knowledge of the Corporation, the conduct of the business of the Corporation and Subsidiaries does not infringe upon the trademarks, trade names, patents or copyrights, domestic or foreign, of any other person, except where such infringement could not have a material adverse effect on the Corporation or any Subsidiary. To the knowledge of the Corporation, the Intellectual Property which is not owned by the Corporation or a Subsidiary is being used by the Corporation or its Subsidiaries only with the consent of or license from the rightful owner thereof, and all such licences are in full force and effect, except where the failure to have such consent or license could not have a material adverse effect on the Corporation or any Subsidiary. To the knowledge of the Corporation, there does not exist any claim of adverse ownership, invalidity or any other opposition to or conflict with any Intellectual Property nor any pending or threatened suit, proceeding, claim, demand, action or investigation of any nature or kind against the Corporation or any Subsidiary relating to the Intellectual Property, except where such suit, proceeding, claim, demand, action or investigation could not have a material adverse effect on the Corporation or any Subsidiary. As regards any patents and patent applications, all and only the correct inventors have been named. All registrations and applications for registration of Intellectual Property are in good standing, and have been diligently maintained, and all necessary registrations have been made to confirm the Corporation's or Subsidiary's rights therein. All Intellectual Property has been duly assigned to the Corporation or a Subsidiary by the relevant inventors and authors. All confidential information comprised within the Intellectual Property remains confidential and all those individuals and entities with knowledge of such confidential information are contractually bound to the Corporation or a Subsidiary to maintain the confidentiality of such confidential information. The authors of all copyright works owned by the Corporation or a Subsidiary have duly assigned such copyright to the Corporation and are the true and only authors of such works and have waived all moral rights in the works in favour of the Corporation or Subsidiary;
- (jjj) the Corporation is the sole legal and beneficial owner of, has good and marketable title to, and owns all right, title and interest in and to all Corporation IP free and clear of all encumbrances, charges, covenants, conditions, options to purchase and restrictions or other adverse claims or interest of any kind or nature, and the Corporation has no knowledge of any claim of adverse ownership in respect thereof. No consent of any person is necessary to make, use, reproduce, license, sell, modify, update, enhance or otherwise exploit any Corporation IP and none of the Corporation IP comprises an improvement to Licensed IP that would give any person any rights to the Corporation IP, including, without limitation, rights to license the Corporation IP. The Corporation has a valid and enforceable right to the Licensed IP used or held for use in the business the Corporation and its Subsidiaries;
- (kkk) to the Corporation's knowledge, there is no Intellectual Property, other than the Intellectual Property which the Corporation owns and licenses, that is required to permit the Corporation and its Subsidiaries to substantially carry on each of its present business as described in the Prospectus, and the Corporation has no knowledge of any Intellectual Property owned by another person that is required to permit the Corporation or any Subsidiary to substantially carry on its business as described in the Prospectus and to which the Corporation knows it or its Subsidiaries cannot obtain a license;
- (lll) the Corporation has not received any notice or claim (whether written, oral or otherwise) challenging the Corporation's ownership or right to use any of the Corporation IP or suggesting that any other person has any claim of legal or beneficial ownership or other claim or interest with respect thereto, nor, to the knowledge of the Corporation, is there a

reasonable basis for any claim that any person other than the Corporation has any claim of legal or beneficial ownership or other claim or interest in any of the Corporation IP;

- (mmm) all applications for registration of any Registered Corporation IP are in good standing, are recorded in the name of the Corporation and all such registrations have been filed in a timely manner in the appropriate offices to preserve the rights thereto (if any) and, in the case of a provisional application, the Corporation confirms that all right, title and interest in and to the invention(s) disclosed in such application(s) have been or as of the Closing Date will be assigned in writing (without any express right to revoke such assignment) to the Corporation. To the knowledge of the Corporation, there has been no public disclosure, sale or offer for sale of any invention described in each of the Corporation IP anywhere in the world that may prevent the valid issue of a registration from that Corporation IP in the corresponding jurisdiction;
- (nnn) all material prior art or other information known to the Corporation relating to the Corporation IP has been disclosed to the appropriate offices if and to the extent such disclosure is required to comply with the Applicable IP Laws in the jurisdictions where the corresponding applications are pending;
- (ooo) to the knowledge of the Corporation, all active Registered Corporation IP has been filed, prosecuted and obtained in accordance with the corresponding Applicable IP Laws and is currently in effect and in compliance with such Applicable IP Laws;
- (ppp) no registration of any Corporation IP has expired, become abandoned, been cancelled or expunged, or has lapsed for failure to be renewed or maintained, except where such expiration, abandonment, cancellation, expungement or lapse would not have a material adverse effect;
- (qqq) to the knowledge of the Corporation, the conduct of the business of the Corporation and its Subsidiaries (including, without limitation, the use or other exploitation of the Corporation IP by each of the Corporation or other licensees) has not infringed, violated or misappropriated any Intellectual Property right of any person;
- (rrr) the Corporation is not a party to any action or proceeding, nor, to the knowledge of the Corporation, is or has any action or proceeding been threatened that alleges that any current or proposed conduct of the business of the Corporation or its Subsidiaries (including, without limitation, the use or other exploitation of any Corporation IP by the Corporation, Subsidiaries or any customers, distributors or other licensees) has or will infringe, violate or misappropriate any Intellectual Property right of any person;
- (sss) to the knowledge of the Corporation, no person has interfered with, infringed upon, misappropriated, illegally exported, or violated any of the Corporation's rights in the Corporation IP;
- (ttt) the Corporation has entered into valid and enforceable written agreements pursuant to which the Corporation has been granted all licenses and permissions to one or more of make, use, reproduce, sub license, manufacture, sell, modify, update, enhance or otherwise exploit the Licensed IP to the extent required to operate the business of the Corporation and its Subsidiaries currently conducted (including, if required, the right to incorporate such Licensed IP into the Corporation IP) as described in the Prospectus. All license agreements in respect of the Licensed IP are in full force and effect, and neither the Corporation nor, to the knowledge of the Corporation, any other person is in default of its obligations thereunder;

- (uuu) the Corporation has taken all actions that it is contractually obligated to take and all actions that are customary and reasonable to protect the confidentiality of the Corporation IP that it treats as confidential;
- (vvv) to the knowledge of the Corporation, it is not, and will not be, necessary for the Corporation to utilize any Intellectual Property owned by or in possession of any of its employees that was made prior to their employment with the Corporation in a manner that is in violation of the rights of such employee or the rights of his or her prior employers;
- (www) the Corporation has not received any advice or any opinion that any of the Corporation IP is invalid or unregistrable or unenforceable, in whole or in part, provided that any proposed trademarks of the Corporation or its Subsidiaries may not be registrable or enforceable under United States federal law;
- (xxx) the Corporation has not received any grant relating to research and development which is subject to repayment in whole or in part or to conversion to debt upon sale of any securities of the Corporation or which may affect the right of ownership of the Corporation in the Corporation IP;
- (yyy) all of the present and past employees of the Corporation, and all of the present and past consultants, contractors and agents of the Corporation performing services relating to the conception, discovery, making, development or modification of the Corporation IP, have entered into a written agreement assigning or requiring assignment to the Corporation of, or confirming that the Corporation owns, all right, title and interest in and to all such Intellectual Property, and, with respect to any Corporation IP in which moral rights subsist, waiving all moral rights in such Intellectual Property in favour of the Corporation;
- (zzz) any and all fees or payments required to keep the Corporation IP and the Licensed IP in force or in effect have been paid;
- (aaaa) to the knowledge of the Corporation, there is no claim of infringement or breach by the Corporation or any Subsidiary of any industrial or Intellectual Property rights of any other person, nor has the Corporation or any Subsidiary received any notice or threat from any such third party, nor does the Corporation have knowledge that the use of the business names, trademarks, service marks and other industrial or Intellectual Property of the Corporation or any Subsidiary infringes upon or breaches any industrial or Intellectual Property rights of any other person;
- (bbbb) there are no Intellectual Property disputes, settlement negotiations, settlement agreements or communications relating to the foregoing between the Corporation and any other persons relating to or potentially relating to the business of the Corporation, which have not been resolved;
- (cccc) except in relation to United States federal laws relating, directly or indirectly, to Marijuana Related Activities, the Corporation and its Subsidiaries has each conducted and is conducting its business in compliance in all material respects with all Applicable Laws of each jurisdiction in which it carries on business and has not received a notice of non-compliance, nor knows of, nor has reasonable grounds to know of, any facts that could give rise to a notice of non-compliance with any such laws which would have a Material Adverse Effect;
- (dddd) there are no material restrictions on the ability of the Corporation to use and explore all rights in the Corporation IP required in the ordinary course of the business of the

Corporation. None of the rights of the Corporation in the Corporation IP will be impaired or affected in any way by the transactions contemplated by this Agreement;

- (eeee) the Corporation does not have a shareholder rights protection plan in place;
- (ffff) to the knowledge of the Corporation, none of its directors or officers are now, or have ever been, subject to an order or ruling of any securities regulatory authority or stock exchange prohibiting such individual from acting as a director or officer of a public company or of a company listed on a particular stock exchange;
- (gggg) the Due Diligence Session Responses will be true and correct where they relate to matters of fact, and in all material respects as at the time such responses are given and, to the knowledge of the Corporation, such responses taken as a whole shall not omit any fact or information necessary to make any of the responses not misleading in light of the circumstances in which such responses were given, and the Corporation and its directors and officers will have responded in a thorough and complete fashion. Where the Due Diligence Session Responses reflect the opinion or view of the Corporation or its directors or officers (including, Due Diligence Session Responses or portions of such Due Diligence Session Responses, which are forward-looking or otherwise relate to projections, forecasts or estimates of future performance or results (operating, financial or otherwise)), such opinions or views are subject to the qualifications and provisions set forth in the Due Diligence Session Responses and will be honestly held and believed to be reasonable at the time they are given; provided, however, it shall not constitute a breach of this paragraph solely if the actual results vary or differ from those contained in such forward-looking statements;
- (hhhh) none of the Corporation nor any of its predecessors has had the registration of a class of securities under the U.S. Exchange Act revoked by the United States Securities Exchange Commission pursuant to Section 12(j) of the U.S. Exchange Act and any rules or regulations promulgated thereunder;
- (iiii) as at the Closing Date:
  - (i) the Debentures, Warrants and Compensation Options will be duly and validly created and issued;
  - (ii) the Debenture Shares will be authorized and allotted for issuance and, upon the issuance of the Debenture Shares following conversion of the Debentures in accordance with the terms thereof, the Debenture Shares will be validly issued as fully paid and non-assessable securities in the capital of the Corporation;
  - (iii) the Warrant Shares will be authorized and allotted for issuance and, upon the issuance of the Warrant Shares following due exercise of the Warrants in accordance with the terms thereof, the Warrant Shares will be validly issued as fully paid and non-assessable securities in the capital of the Corporation;
  - (iv) the Compensation Option Unit Shares will be authorized and allotted for issuance and, upon the issuance of the Compensation Option Unit Shares following due exercise of the Compensation Options in accordance with the terms thereof, the Compensation Option Unit Shares will be validly issued as fully paid and non-assessable securities in the capital of the Corporation;
  - (v) the Compensation Option Unit Warrants will be authorized and allotted for issuance and, upon the issuance of the Compensation Option Unit Warrants following due exercise of the Compensation Options in accordance with the

terms thereof, the Compensation Option Unit Warrants will be duly and validly created and issued;

- (vi) the Compensation Option Unit Warrant Shares will be authorized and allotted for issuance and, upon the issuance of the Compensation Option Warrant Shares following due exercise of the Compensation Option Unit Warrants in accordance with the terms thereof, the Compensation Option Warrant Shares will be validly issued as fully paid and non-assessable securities in the capital of the Corporation;
- (jjjj) the operations of the Corporation and its Subsidiaries are and have been conducted at all times in compliance with, in each case to the extent applicable, the financial recordkeeping and reporting requirements of the *United States Currency and Foreign Transactions Reporting Act of 1970*, the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada)*, the anti-money laundering statutes of all jurisdictions, the rules and regulations thereunder and any related or similar rules, regulations or guidelines, issued, administered or enforced by any governmental agency (collectively, the “**Anti-Money Laundering Laws**”), provided however that the business of the Corporation and its Subsidiaries may be in violation of United States federal laws relating to Marijuana Related Activities, and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Corporation with respect to the Anti-Money Laundering Laws is pending or, to the knowledge of the Corporation, threatened;
- (kkkk) neither the Corporation, nor any of its Subsidiaries, nor, to the knowledge of the Corporation, any director, officer, agent, employee or affiliate of the Corporation or its Subsidiaries is currently subject to any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Treasury Department (“**OFAC**”) and the Corporation will not directly or indirectly use the proceeds of the Offering, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other person or entity, for the purpose of financing the activities of any person currently subject to any U.S. sanctions administered by OFAC;
- (llll) other than as set forth in Schedule C, neither the Corporation nor any of the Subsidiaries are involved (directly or indirectly) in any Marijuana Related Activities, or have any joint partnerships, ventures or act as manager or landlord to any persons involved in any Marijuana Related Activities;
- (mmmm) all activities of the Corporation and its Subsidiaries set forth in Schedule C are conducted in compliance with all applicable laws, excluding U.S federal law relating to Marijuana Related Activities, and the Corporation and its Subsidiaries hold all necessary licenses, permits and other authorizations to conduct their operations and business as currently and proposed to be conducted, and all such licenses, permits and authorizations are in good standing and the Corporation has no reason to believe such licenses, permits and authorizations will be revoked or not be granted renewal at the applicable time.

## 8. Closing

The purchase and sale of the Units shall be completed at the Closing Time (and with respect to the Additional Units, at the Over-Allotment Option Closing Time) at the offices of counsel to the Corporation, Armstrong Simpson, in Vancouver, British Columbia, or at such other place or places as the Agents and the Corporation may agree. At the Closing Time (and with respect to the Additional Units, at the Over-Allotment Option Closing Time), the Corporation shall deliver to the Agents certificates in definitive form and/or book-entry only securities in accordance with the “non-certificated inventory” rules and procedures of CDS representing the Units registered in the name of CDS & Co. or in such other name or names as

shall be designated by the Agents against payment by the Agents to the Corporation of the aggregate purchase price payable to the Corporation for the Units by certified cheque, bank draft or wire transfer. The payment made to the Corporation will be net of: (i) the Agents' Fee, (ii) the Agents' Corporate Finance Fee (the Agents confirm and acknowledge that \$20,000 of the Agents' Corporate Finance Fee has been paid to the Agents), (iii) amounts payable to the Agents' legal counsel, DLA Piper (Canada) LLP, and (iv) the Agents' expenses incurred in connection with the Offering (which expenses shall be borne by the Corporation), as more fully set out in Section 13. In addition, the Corporation shall, at the Closing Time, issue to the Agents the Compensation Option Certificates.

## 9. Closing Conditions

The Agents' obligation to complete the Closing at the Closing Time (and with respect to the Additional Units, at the Over-Allotment Option Closing Time) shall be subject to the accuracy of the representations and warranties of the Corporation contained in this Agreement and in certificates required to be delivered by the Corporation hereunder as of the date of this Agreement and as of the Closing Date (and with respect to the Additional Units, at the Over-Allotment Option Closing Date), the performance by the Corporation of its obligations under this Agreement and the following conditions:

- (a) the Agents shall have received an opinion, dated the Closing Date (and with respect to the Additional Units, at the Over-Allotment Option Closing Time), of the Corporation's Canadian counsel, and any other local counsel, in form and substance satisfactory to the Agents, acting reasonably (it being understood that such counsel may rely to the extent appropriate in the circumstance: (i) as to matters of fact, on certificates of the Corporation executed on its behalf by a senior officer of the Corporation and on certificates of the Transfer Agent, as to the issued capital of the Corporation; and (ii) as to matters of fact not independently established, on certificates of public officials) with respect to the following matters (with such opinions being subject to usual and customary assumptions and qualifications, including the qualifications set out below):
  - (i) as to the incorporation and subsistence of the Corporation and its Subsidiaries under the laws of its governing jurisdiction and as to the corporate power of the Corporation to carry out its obligations under this Agreement and to issue the securities as contemplated by this Agreement;
  - (ii) as to the authorized and issued capital of the Corporation;
  - (iii) as to the authorized and issued capital of the Subsidiaries and the Corporation's ownership thereof;
  - (iv) that the Corporation and each Subsidiary has all requisite corporate power and authority under the laws of its jurisdiction of incorporation to carry on its business and to own or lease its properties and assets as described in the Prospectus;
  - (v) that none of the execution and delivery of this Agreement, the Debenture Indenture, the Warrant Indenture, the Compensation Option Certificates and the Compensation Option Unit Warrant Certificates (if any), and the performance by the Corporation of its obligations hereunder, or the sale or issuance of the Debentures, Debenture Shares, Warrants, Warrant Shares, Compensation Options, Compensation Option Units and Compensation Option Unit Warrant Shares will conflict with or result in any breach of the articles or by-laws of the Corporation;
  - (vi) that each of this Agreement, the Debenture Indenture, the Warrant Indenture, the Compensation Option Certificates and the Compensation Option Unit Warrant Certificates (if any) has been duly authorized and executed and delivered by the

Corporation, and constitutes a valid and legally binding obligation of the Corporation enforceable against it in accordance with its terms, except as enforcement thereof may be limited by bankruptcy, insolvency, liquidation, reorganization, moratorium or similar laws affecting the rights of creditors generally and except as limited by the application of equitable principles when equitable remedies are sought, and the qualification that the enforceability of rights of indemnity and contribution may be limited by Applicable Law;

- (vii) all necessary corporate action has been taken by the Corporation to authorize the execution and delivery of the Prospectus and any Prospectus Amendment and the filing of such documents as are required under Applicable Securities Laws in each of the Canadian Selling Jurisdictions;
- (viii) no consent, approval, authorization or order of or filing, registration or qualification with any court, governmental agency or body or securities regulatory authority having jurisdiction is required at this time for the execution and delivery by the Corporation of this Agreement, the Debenture Indenture, the Warrant Indenture, the Compensation Option Certificates and the Compensation Option Unit Warrant Certificates (if any) and the performance of its obligations hereunder and thereunder, except for such as have been made or obtained;
- (ix) that the Debentures, Warrants and Compensation Options have been duly and validly created and issued;
- (x) the Debenture Shares will be authorized and allotted for issuance and, upon the issuance of the Debenture Shares following conversion of the Debentures in accordance with the terms thereof, the Debenture Shares will be validly issued as fully paid and non-assessable securities in the capital of the Corporation;
- (xi) the Warrant Shares will be authorized and allotted for issuance and, upon the issuance of the Warrant Shares following due exercise of the Warrants in accordance with the terms thereof, the Warrant Shares will be validly issued as fully paid and non-assessable securities in the capital of the Corporation;
- (xii) the Compensation Option Unit Shares will be authorized and allotted for issuance and, upon the issuance of the Compensation Option Unit Shares following due exercise of the Compensation Options in accordance with the terms thereof, the Compensation Option Unit Shares will be validly issued as fully paid and non-assessable securities in the capital of the Corporation;
- (xiii) the Compensation Option Unit Warrants will be authorized and allotted for issuance and, upon the issuance of the Compensation Option Unit Warrants following due exercise of the Compensation Options in accordance with the terms thereof, the Compensation Option Unit Warrants will be duly and validly created and issued;
- (xiv) the Compensation Option Unit Warrant Shares will be authorized and allotted for issuance and, upon the issuance of the Compensation Option Warrant Shares following due exercise of the Compensation Option Unit Warrants in accordance with the terms thereof, the Compensation Option Warrant Shares will be validly issued as fully paid and non-assessable securities in the capital of the Corporation;
- (xv) all approvals, permits, consents, orders and authorizations have been obtained, all necessary documents have been filed and all other legal requirements have

been fulfilled under Applicable Securities Laws of the Canadian Selling Jurisdictions to qualify the issuance or Distribution and sale of the Units to the public in each of the Canadian Selling Jurisdictions and the Compensation Options to the Agents and to permit the issuance, sale and delivery of the Units to the public through dealers registered under the Applicable Laws of each of the Canadian Selling Jurisdictions who have complied with the relevant provisions of such laws and the terms of their registration;

- (xvi) subject to the qualifications, assumptions, limitations and understandings set out therein, the statements set out in the Prospectus, under the heading "Eligibility for Investment" are true and correct as at the date of the Prospectus;
  - (xvii) that the attributes of the Securities and Common Shares conform in all material respects with the description thereof contained in the Prospectus;
  - (xviii) that the Offering has been conditionally accepted by the CSE; and
  - (xix) as to such other matters as the Agents' legal counsel may reasonably request prior to the Closing Time;
- (b) if any sales of Units have been effected to, or for the account or benefit of, persons in the United States or U.S. Persons, the Agents shall have received a legal opinion addressed to the Agents from United States special counsel, dated as of the Closing Date (and with respect to the Additional Units, at the Over-Allotment Option Closing Date), in form and substance satisfactory to the Agents, acting reasonably, to the effect that, subject to customary assumptions, the offer and sale of the Units (and, if applicable, of any Additional Units) in accordance with Schedule B are not required to be registered under the U.S. Securities Act;
- (c) legal opinions of the Corporation's U.S. local counsel (addressed to the Agents, Agents' Counsel, Agents' US Counsel and the Purchasers) in form and substance satisfactory to the Agents, acting reasonably, relating to the Corporation's and the Subsidiaries' operations conducted in the United States;
- (d) the Agents shall have received the Debentures, Warrants and Compensation Options (in physical or electronic form, subject to compliance with Applicable Securities Laws, and as the Agents may advise);
- (e) the Agents shall have received an incumbency certificate dated the Closing Date including specimen signatures of the President and Chief Executive Officer, the Chief Financial Officer and any other officer of the Corporation signing this Agreement or any document delivered hereunder;
- (f) the Agents shall have received a certificate dated the Closing Date (and with respect to the Additional Units, at the Over-Allotment Option Closing Date) of the President and Chief Executive Officer and the Chief Financial Officer of the Corporation or other officers of the Corporation acceptable to the Agents, to the effect that, to the best of their knowledge, information and belief, after due inquiry and without personal liability:
- (i) the representations and warranties of the Corporation contained in this Agreement are true and correct in all respects as if made at and as of the Closing Time (and with respect to the Additional Units, at the Over-Allotment Option Closing Time);



- (ii) the Corporation has complied with and satisfied the covenants, terms and conditions of this Agreement on its part to be complied with and satisfied up to the Closing Time (and with respect to the Additional Units, at the Over-Allotment Option Closing Time);
  - (iii) the constating documents of the Corporation delivered at Closing are full, true and correct copies, unamended, and in effect on the date thereof;
  - (iv) the minutes or other records of various proceedings and actions of the Corporation's board of directors relating to the Offering and delivered at Closing are full, true and correct copies thereof and have not been modified or rescinded as of the date thereof;
  - (v) no order, ruling or determination having the effect of suspending the sale or ceasing the trading of the Common Shares or any other securities of the Corporation has been issued by any stock exchange, securities commission or securities regulatory authority and is continuing in effect and no proceedings for that purpose have been instituted or are pending;
  - (vi) since the respective dates as of which information is given in the Prospectus as amended by any Prospectus Amendment: (A) there has been no material change (actual, anticipated, contemplated, proposed or threatened, whether financial or otherwise) in the business, financial condition, affairs, operations, business prospects, assets, liabilities or obligations (contingent or otherwise) or capital of the Corporation; and (B) other than the Offering and except as disclosed in the Prospectus or any Prospectus Amendment, as the case may be, no transaction has been entered into by the Corporation which constitutes a material change as defined in Applicable Securities Laws of the Canadian Selling Jurisdictions;
  - (vii) none of the documents filed with applicable securities regulatory authorities since January 1, 2016, contained a misrepresentation as at the time the relevant document was filed that has not since been corrected; and
  - (viii) there are no contingent liabilities affecting the Corporation which are material to the Corporation, other than as disclosed in the Final Prospectus or any Prospectus Amendment, as the case may be;
- (g) the Agents shall have received a certificate dated the Closing Date (and with respect to the Additional Units, at the Over-Allotment Option Closing Date) of the President and Chief Executive Officer and the Chief Financial Officer of the Corporation or other officers of the Corporation acceptable to the Agents, confirming all Marijuana Related Activities of the Corporation and its Subsidiaries;
- (h) the Agents shall have received a comfort letter dated the Closing Date, in form and substance satisfactory to the Agents from the Corporation's Auditors, confirming the continued accuracy of the comfort letter to be delivered to the Agents pursuant to subsection 4(a)(v) with such changes as may be necessary to bring the information in such letter forward to a date not more than two Business Days prior to the Closing Date, which changes shall be acceptable to the Agents;
- (i) the Corporation's board of directors shall have authorized and approved, as the case may be and all matters related thereto:

- (i) the execution and delivery of this Agreement, the Debenture Indenture, the Warrant Indenture, the Compensation Option Certificates and the Compensation Option Unit Warrant Certificates (if any);
- (ii) the creation and issuance of the Debentures, Warrants and Compensation Options;
- (iii) upon conversion of the Debentures, the allotment, issuance and delivery of the Debenture Shares;
- (iv) upon the due exercise of the Warrants, the allotment, issuance and delivery of the Warrant Shares;
- (v) upon the due exercise of the Compensation Options, the allotment, issuance and delivery of the Compensation Option Unit Shares and the creation and issuance of the Compensation Option Unit Warrants;
- (vi) upon the due exercise of the Compensation Option Unit Warrants, the allotment, issuance and delivery of the Compensation Option Unit Warrant Shares; and
- (j) the Corporation shall have received the conditional approval from the CSE for the listing of the Debentures, Warrants and Underlying Shares for trading on the CSE;
- (k) the Corporation shall not have received any notice from the CSE that the Debentures, Warrants and Underlying Shares shall not be accepted for listing on the CSE;
- (l) that final acceptance of the Offering by the CSE shall be subject only to the fulfilment of Standard Listing Conditions;
- (m) the Agents shall have received confirmation from the Corporation that the Corporation is not on the defaulting issuer's list (or equivalent) maintained by the Canadian Securities Regulators in the Canadian Selling Jurisdictions;
- (n) the Agents shall have received a certificate of good standing or equivalent thereof in respect of the Corporation and each Subsidiary;
- (o) the Agents and their counsel shall have been provided with all information and documentation reasonably requested relating to their due diligence inquiries and investigations;
- (p) the Corporation will have made and/or obtained the necessary filings, approvals, consents and acceptances of the appropriate securities regulatory authorities required to be made or obtained by the Corporation in connection with the sale of the Units to the Purchasers prior to the Closing Time (and with respect to the Additional Units, at the Over-Allotment Option Closing Time); as herein contemplated, it being understood that the Agents shall do all that is reasonably required to assist the Corporation to fulfil this condition, subject only to the Standard Listing Conditions and any post-Closing notice filings under applicable United States federal or state securities laws; and
- (q) the Agents shall have received a certificate from the Transfer Agent as to the number of Common Shares issued and outstanding as at a date no more than two Business Days prior to the Closing Date.

The Corporation agrees that the aforesaid legal opinions and certificates to be delivered at the Closing Time (and with respect to the Additional Units, at the Over-Allotment Option Closing Time) will be addressed to the Agents and the Agents' counsel.

#### **10. All Terms to be Conditions**

The Corporation agrees that the conditions contained in this Agreement, including those terms in Section 9, will be construed as conditions and any breach or failure to comply with any of the conditions shall entitle the Agents to terminate their obligations hereunder by written notice to that effect given to the Corporation at or prior to the Closing Time. It is understood that the Agents may waive, in whole or in part, or extend the time for compliance with, any of such terms and conditions without prejudice to the rights of the Agents in respect of any such terms and conditions or any other or subsequent breach or non-compliance of the Corporation, provided that to be binding on the Agents, any such waiver or extension must be in writing and signed by the Agents.

#### **11. Rights of Termination**

Without limiting any of the other provisions of this Agreement, the Agents will be entitled, at their option, to terminate and cancel, without any liability on their part or on the part of the Purchasers, their obligations under this Agreement by giving written notice to the Corporation at any time prior to the Closing Time if, after the date hereof and at any time prior to the Closing:

- (a) there shall have occurred any change in any material fact, material change (actual, intended, anticipated or threatened) or the Agents shall have discovered any previously undisclosed material fact (determined by the Agents in their sole discretion, acting reasonably) in relation to the Corporation, which, in the opinion of the Agents, acting reasonably, prevents or restricts trading in or the Distribution of the Units or securities underlying the Units or has or could reasonably be expected to have a Material Adverse Effect;
- (b) there shall have occurred any change in the Applicable Securities Laws of any Selling Jurisdiction or any inquiry, investigation or other proceeding by a securities regulatory authority or any order is issued under or pursuant to any statute of Canada or any province thereof or any stock exchange in relation to the Corporation or any of its securities (except for any inquiry, investigation or other proceeding based upon activities of the Agents and not upon activities of the Corporation), which, in the reasonable opinion of the Agents, would be expected to have a significant adverse effect on the market price of value of the Units or securities underlying the Units;
- (c) there should develop, occur or come into effect or existence any event, action, state, condition or major financial occurrence or catastrophe, accident, public protest, government law or regulation, war or act of terrorism of national or international consequence or any law or regulation which, in the opinion of the Agents, seriously adversely affects or involves, or will seriously adversely affect, or involve, the financial markets or the business, operations or affairs of the Corporation or the market price of value of the Units or securities underlying the Units;
- (d) the state of the financial markets in Canada and the United States is such that, in the reasonable opinion of the Agents, the Units cannot be marketed profitably;
- (e) there is an inquiry or investigation (whether formal or informal) by any Securities Regulator or other regulatory authority in relation to the Corporation or any one of its directors or officers, or any of its principal shareholders, which has not been rescinded, revoked or withdrawn and which, in each case, operates to materially prevent or restrict the Distribution of the Units as contemplated by this Agreement;

- (f) a cease trading order with respect to any securities of the Corporation is made by any Securities Regulator or other competent authority by reason of the fault of the Corporation or its directors, officers and agents and such cease trading order has not been rescinded, revoked or withdrawn;
- (g) the Agents, acting reasonably, is not satisfied in its sole discretion with their due diligence review and investigations;
- (h) the Corporation is in breach of a material term, condition or covenant of this Agreement or any representation or warranty given by the Corporation in this Agreement becomes or is false or misleading;
- (i) the Corporation receives notice from the CSE that the that the Debentures, Warrants or Underlying Shares shall not be accepted for listing on the CSE; and
- (j) if the Closing Date has not occurred by November 23, 2018.

The rights of termination contained herein are in addition to any other rights or remedies that the Agents may have in respect of any default, act or failure to act or non-compliance by the Corporation in respect of any of the matters contemplated by this Agreement or otherwise.

In the event of any such termination, there shall be no further liability on the part of the Agents to the Corporation or on the part of the Corporation to the Agent except in respect of any liability which may have arisen prior to or arise after such termination under any or both of Sections 12 and 13.

## 12. Indemnity and Contribution

The Corporation agrees to indemnify and hold harmless the Agents and each Selling Firm (provided that each such Selling Firm is in material compliance with the covenants and obligations of the Agents set forth in Section 3 herein (as if such Selling Firm were an Agent), to the extent applicable) and each of their subsidiaries and affiliates, and each of their respective directors, officers, employees, shareholders, partners, advisors and agents (collectively, the “**Indemnified Parties**” and each, an “**Indemnified Party**”), to the full extent lawful, from and against any and all losses (except loss of profit), claims, actions, suits, proceedings, damages, liabilities or expenses of whatsoever nature or kind, including the aggregate amount paid in reasonable settlement of any actions, suits, proceedings, investigations or claims and the reasonable fees, disbursements and taxes of their counsel in connection with any action, suit, proceeding, investigation or claim that may be made or threatened against any Indemnified Party or in enforcing this indemnity (collectively, the “**Claims**”) to which an Indemnified Party may become subject or otherwise involved in any capacity insofar as the Claims relate to, are caused by, result from, arise out of or are based upon, directly or indirectly, the performance of professional services rendered to the Corporation by an Indemnified Party hereunder or otherwise in connection with the matters referred to in this Agreement, whether performed before or after the Corporation's execution of this Agreement, including in connection with Claims relating to or arising from the following:

- (a) any information or statement (except any information or statement relating solely to or provided by the Agents) contained in the Offering Documents, which at the time and in light of the circumstances under which it was made contains or is alleged to contain a misrepresentation or any omission or any alleged omission to state therein any fact or information (except facts or information relating solely to the Agents and provided by the Agents) required to be stated therein or necessary to make any of the statements therein not misleading in light of the circumstances in which they are made;
- (b) the omission or alleged omission to state in any certificate of the Corporation or of any officers of the Corporation delivered in connection with the Offering any material fact (except facts or information relating solely to the Agents and provided by the Agents)

required to be stated therein where such omission or alleged omission constitutes or is alleged to constitute a misrepresentation;

- (c) any order made or any inquiry, investigation or proceeding commenced or threatened by any securities regulatory authority, stock exchange or by any other competent authority, based upon any misrepresentation (as defined in Canadian Applicable Securities Laws) or alleged misrepresentation (except a misrepresentation relating solely to the Agents and provided by the Agents) in the Offering Documents (except any document or material delivered or filed solely by the Agents) based upon any failure or alleged failure to comply with Applicable Securities Laws (other than any failure or alleged failure to comply by the Agents) preventing and restricting the trading in or the sale of the Units in any of the Selling Jurisdictions;
- (d) the non-compliance or alleged non-compliance by the Corporation with any material requirement of Applicable Securities Laws, including the Corporation's non-compliance with any statutory requirement to make any document available for inspection; or
- (e) material breach of any representation, warranty or covenant of the Corporation contained in this Agreement or the failure of the Corporation to comply in all material respects with any of its obligations hereunder or thereunder,

and further agrees to immediately reimburse each Indemnified Party forthwith, upon demand, for any legal or other expenses reasonably incurred by such Indemnified Party in connection with any Claim.

The Corporation also agrees that no Indemnified Party shall have any liability (either direct or indirect, in contract or tort or otherwise) to the Corporation or any person asserting Claims on the Corporation's behalf or in right for or in connection with the performance of professional services rendered to the Corporation by an Indemnified Party hereunder or otherwise in connection with the matters referred to in this Agreement, whether performed before or after the Corporation's execution of the Agreement, except to the extent that any losses, expenses, Claims, actions, damages or liabilities incurred by the Corporation are determined by a court of competent jurisdiction in a final judgement that has become non-appealable to have resulted from the Indemnified Party's breach of this Agreement, breach of Applicable Laws, or the gross negligence, wilful misconduct, fraud or dishonesty of such Indemnified Party.

In the event and to the extent that a court of competent jurisdiction in a final judgement that has become non-appealable determines that an Indemnified Party breached this Agreement, breached Applicable Laws, or was grossly negligent or guilty of wilful misconduct, fraud or dishonesty in connection with a Claim in respect of which the Corporation has advanced funds to the Indemnified Party pursuant to this indemnity, such Indemnified Party shall immediately reimburse such funds to the Corporation and thereafter this indemnity shall not apply to such Indemnified Party in respect of such Claim.

The Corporation agrees to waive any right the Corporation might have of first requiring the Indemnified Party to proceed against or enforce any other right, power, remedy or security or claim payment from any other person before claiming under this indemnity

In case any Claim is brought against an Indemnified Party, or an Indemnified Party has received notice of the commencement of any investigation in respect of which indemnity may be sought against the Corporation, the Indemnified Party will give the Corporation prompt written notice of any such Claim or investigation of which the Indemnified Party has knowledge and the Corporation will undertake the investigation and defence thereof on behalf of the Indemnified Party, including the prompt employment of counsel acceptable to the Indemnified Parties affected and the payment of all expenses. Failure by the Indemnified Party to so notify shall not relieve the Corporation of its obligation of indemnification hereunder.

No admission of liability and no settlement, compromise or termination of any Claim shall be made without the Corporation's consent and the consent of the Indemnified Parties affected, such consents not to be unreasonably withheld or delayed.

Notwithstanding that the Corporation will undertake the investigation and defence of any Claim, an Indemnified Party will have the right to employ separate counsel with respect to any Claim and participate in the defence thereof, but the fees and expenses of such counsel will be at the expense of the Indemnified Party unless:

- (a) the employment of such counsel has been authorized in writing by the Corporation;
- (b) the Corporation has not assumed the defence of the action within a reasonable period of time after receiving notice of such Claim;
- (c) the named parties to any such Claim include both the Corporation and the Indemnified Party and the Indemnified Party shall have been advised by counsel that there may be a conflict of interest between the Corporation and the Indemnified Party; or
- (d) the Indemnified Party has been advised in writing by counsel that there are one or more defences available to the Indemnified Party which are different from or in addition to those available to the Corporation, which makes representation by the same counsel inappropriate.

The rights accorded to the Indemnified Parties hereunder shall be in addition to any rights an Indemnified Party may have at common law or otherwise.

Without limiting the generality of the foregoing, this Indemnity shall apply to all reasonable expenses (including legal expenses), losses, claims and liabilities that the Agents may incur as a result of any action, suit, proceeding or claim that may be threatened or brought against the Company.

If for any reason the foregoing indemnification is unavailable (other than in accordance with the terms hereof) to the Indemnified Parties (or any of them) or insufficient to hold them harmless, then the Corporation shall contribute to the amount paid or payable by the Indemnified Parties as a result of such Claim in such proportion as is appropriate to reflect not only the relative benefits received by the Corporation on the one hand and the Indemnified Parties on the other hand, but also the relative fault of the Corporation and the Indemnified Parties, as well as any other equitable considerations which may be relevant; provided that the Corporation shall, in any event, contribute to the amount paid or payable by the Indemnified Parties as a result of such Claim, any amount in excess of the fees actually received by the Indemnified Parties hereunder in which case such fees and expenses will be for the Corporation's account.

The Corporation hereby acknowledges the Agents as trustees for each of the other Indemnified Parties of the Corporation's covenants under this indemnity with respect to such persons and the Agents agree to accept such trust and to hold and enforce such covenants on behalf of such persons.

The Corporation agrees to immediately reimburse the Agents monthly for the time spent by an Indemnified Party or such Indemnified Party's personnel in connection with any Claim at their normal per diem rates. The Corporation also agrees that if any Claim, action, suit or proceeding shall be brought against, or an investigation commenced in respect of the Corporation or the Corporation and the Indemnified Parties or any of the Indemnified Parties' personnel shall be required to testify, participate or respond in respect of or in connection with the performance of professional services rendered to the Corporation by an Indemnified Party hereunder or otherwise in connection with the matters referred to in this Agreement, the Agents shall have the right to employ its own counsel in connection therewith and the Corporation will immediately reimburse the Agents monthly for the time spent by their personnel in connection therewith at their normal per diem rates together with such fees and disbursements and

reasonable out-of-pocket expenses as may be incurred, including the fees and disbursements of the Agents' counsel.

### **13. Expenses**

Whether or not the transactions contemplated by this Agreement shall be completed, all reasonable expenses of or incidental to the Offering and all reasonable expenses of or incidental to all other matters in connection with the transaction set out in this Agreement shall be borne directly by the Corporation, including fees and expenses payable in connection with the qualification of the Units and the Compensation Options for Distribution, fees and disbursements of counsel to the Agents incurred in connection with the Offering, all fees and disbursements of counsel to the Corporation and local counsel, all fees and expenses of the Corporation's Auditors, the reasonable fees and expenses relating to the marketing of the Units (including "road shows", marketing meetings, marketing documentation and institutional investor meetings) and all reasonable out-of-pocket expenses of the Agents (including the Agents' travel expenses in connection with due diligence, marketing meetings and "road shows") and all costs incurred in connection with the preparation and printing of the Prospectus, any Prospectus Amendment, and certificates representing the Securities issued in connection with the Offering. All reasonable expenses incurred by or on behalf of the Agents and all fees and disbursements of counsel to the Agents payable pursuant to the foregoing shall be deducted from the aggregate purchase price for the Units in accordance with Section 8. The Agents confirm the receipt of a \$20,000 expense retainer in respect of the Agents' expenses.

### **14. Survival of Representations, Warranties, Covenants and Agreements**

Other than as otherwise set out in this Agreement, the representations, warranties, covenants and agreements of the Corporation contained in this Agreement and in any certificate delivered pursuant to this Agreement or in connection with the purchase and sale of the Units shall be true and correct at the Closing Time and the Over-Allotment Option Closing Time and shall survive the purchase of the Units and shall continue in full force and effect until the later of: (i) three years following the Closing Date; and (ii) the latest date under the Applicable Securities Laws in which a Purchaser of Units is resident or, if the Applicable Securities Laws do not specify such a date, the latest date under the *Limitations Act* (Alberta).

The representations, warranties, covenants, agreements and obligations under Sections 12, 13, 16, 17 and 25 hereof shall apply whether or not the transactions and Offering contemplated by this Agreement are completed and shall survive the completion of the transactions contemplated under this Agreement and the termination of this Agreement indefinitely.

### **15. Conflict of Interest**

The Corporation acknowledges that the Agents and their affiliates carry on a range of businesses, including providing stockbroking, investment advisory, research, investment management and custodial services to clients and trading in financial products as agent or principal. It is possible that the Agents and other entities in their groups that carry on those businesses may hold long or short positions in securities of companies or other entities, which are or may be involved in the transactions contemplated in this Agreement and effect transactions in those securities for their own account or for the account of their respective clients. The Corporation agrees that these divisions and entities may hold such positions and effect such transactions without regard to the Corporation's interests under this Agreement.

### **16. Restrictions on Further Issues or Sales and Alternative Transactions**

- (a) Provided that the Closing has occurred, for the period ending on the day which is 90 days following the first to occur of the Over-Allotment Closing Date and the expiry of the Over-Allotment Option, the Corporation shall not, without the prior written consent of the Agents (such consent not to be unreasonably withheld), issue, or agree to issue, any Common Shares or securities convertible into Common Shares other than in connection

with: (1) the grant or exercise of incentive securities pursuant to existing incentive plans of the Corporation; (2) outstanding convertible securities; and (3) any transaction with an arm's length third party whereby the Corporation directly or indirectly acquires shares or assets of a business.

- (b) Provided that the Closing has occurred, from the date of the Engagement Letter until a period of one year from the first to occur of the Over-Allotment Closing Date and the expiry of the Over-Allotment Option, the Agents shall be provided with the exclusive right and opportunity to act as agent or agents for any offering of securities of the Corporation to be issued and sold in Canada by private placement or public offering with the participation of an agent or to provide professional, sponsorship or advisory services performed (or normally performed) by a broker or investment dealer. If the Corporation is intending to proceed with any such issuance or has received a proposal for any such issuance, the Corporation shall provide to the Agents notice of the proposed terms thereof (including the commission payable to the agent) and each of the Agents shall have an opportunity to respond to the Corporation within three business days thereof that they are desirous of acting as agent, or participating as the case may be, in such offering on behalf of the Corporation on the terms and conditions contained therein. If both of the Agents decline, in writing, the Corporation may proceed with such offering through another agent or underwriter, provided the arrangements with such agent or underwriter are entered into within 30 days thereafter (it being acknowledged and agreed by the Agents that if the Corporation issues any securities to which the foregoing would apply, but does not retain or utilize a registered dealer as agent therefore, the foregoing shall not apply to such issuance, unless any of the subscribers to the issuance of such securities is a subscriber or beneficial purchaser of Units pursuant to the Offering).
- (c) The Corporation will use reasonable commercial efforts to cause its officers and directors to enter into agreements that will prohibit such persons from selling or agreeing to sell (or announcing any intention to do so), any securities of the Corporation from the date hereof until the first to occur of the Over-Allotment Closing Date and the expiry of the Over-Allotment Option without the prior written consent of the Agents, such consent not to be unreasonably withheld.
- (d) If the Corporation does not complete the Offering, but the Corporation or any affiliate or subsidiary thereof completes any debt or equity financing transaction (excluding a bank loan from commercial bank lenders) prior to the date that is 180 days from the date hereof (any such transaction, an "**Alternative Transaction**") in respect of which the Agents are not the underwriters, placement agents, arrangers or initial purchasers, or in respect of which the Agents do not receive at least the same amount of compensation pursuant to the Alternative Transaction as to which it would have been entitled under the Offering, the Agents shall be entitled to receive immediately upon the completion of such Alternative Transaction the lesser of: (i) the amount of compensation assuming completion of the maximum Offering, and (ii) the commissions (including the Agents' Fee and the Agents' Corporate Finance Fee) and the Compensation Options (including underlying Compensation Option Unit Shares, Compensation Option Unit Warrants and Compensation Option Unit Warrant Shares) calculated based on the amount raised pursuant to the Alternative Transaction, provided however that the Agents shall not be entitled to any amount under this paragraph in the event that the Agents voluntarily terminate this Agreement pursuant to Section 11 (other than as a result of a material breach by the Corporation of its obligations hereunder) or the Corporation terminates this Agreement as a result of the material breach of the Agents of their obligations hereunder.

## 17. Fiduciary

The Corporation hereby acknowledges that the Agents are acting solely as agent in connection with the offer and sale of the Units. The Corporation further acknowledges that the Agents are acting pursuant to a



contractual relationship created solely by this Agreement entered into on an arm's length basis, and in no event do the parties intend that the Agents act or be responsible as a fiduciary to the Corporation, its management, shareholders or creditors or any other person in connection with any activity that the Agents may undertake or have undertaken in furtherance of such offer and sale of the Corporation's securities, either before or after the date hereof. The Agents hereby expressly disclaim any fiduciary or similar obligations to the Corporation, either in connection with the transactions contemplated by this Agreement or any matters leading up to such transactions, and the Corporation hereby confirms its understanding and agreement to that effect. The Corporation and the Agents agree that they are each responsible for making their own independent judgments with respect to any such transactions and that any opinions or views expressed by the Agents to the Corporation regarding such transactions, including, but not limited to, any opinions or views with respect to the price or market for the Corporation's securities, do not constitute advice or recommendations to the Corporation. The Corporation and the Agents agree that the Agents are acting as principal and not the agent or fiduciary of the Corporation and the Agents have not, and the Agents will not assume, any advisory responsibility in favour of the Corporation with respect to the transactions contemplated hereby or the process leading thereto (irrespective of whether the Agents have advised or is currently advising the Corporation on other matters). The Corporation hereby waives and releases, to the fullest extent permitted by law, any claims that the Corporation may have against the Agents with respect to any breach or alleged breach of any fiduciary duty to the Corporation in connection with the transactions contemplated by this Agreement.

#### 18. Notice

Unless otherwise expressly provided in this Agreement, any notice or other communication to be given under this Agreement (a "**Notice**") shall be in writing addressed as follows:

If to the Corporation, addressed and sent to:

Friday Night Inc.  
105, 45655 Tamihi Way  
Chilliwack, British Columbia  
V2R 2M3

Attention: Brayden R. Sutton, President and Chief Executive Officer  
E-mail: brayden@fridaynightinc.com

with a copy (which shall not constitute notice) to:

Armstrong Simpson  
2080 777 Hornby Street  
Vancouver, British Columbia  
V6Z 1S4

Attention: [Name]  
Fax: [Phone Number]  
E-mail: [Email Address]

If to the Agents, to:

Canaccord Genuity Corp.  
Centennial Place - East Tower  
520 3rd Avenue SW, Suite 2400  
Calgary, Alberta  
T2P 0R3

Attention: [Name]  
E-mail: [Email Address]

with a copy (which shall not constitute notice) to:

DLA Piper (Canada) LLP  
Suite 1000, 250 2nd Street SW  
Calgary, Alberta  
T2P 0C1

Attention: [Name]  
Fax: [Phone Number]  
E-mail: [Email Address]

or to such other address as any of the persons may designate by Notice given to the others.

Each Notice shall be personally delivered to the addressee or sent by fax or email to the addressee and: (i) a Notice which is personally delivered shall, if delivered on a Business Day, be deemed to be given and received on that day and, in any other case, be deemed to be given and received on the first Business Day following the day on which it is delivered; and (ii) a Notice which is sent by fax or email shall be deemed to be given and received on the first Business Day following the day on which it is sent, provided that the sender has evidence of a successful transmission, such as a fax confirmation or email receipt confirmation.

#### **19. Entire Agreement**

The provisions herein contained constitute the entire agreement between the parties relating to the Offering and supersede all previous communications, representations, understandings and agreements between the parties, including the Engagement Letter, with respect to the subject matter hereof whether verbal or written.

#### **20. Press Releases**

Any press release connected with the Offering issued by the Corporation shall be issued only after consultation with the Agents and in compliance with Applicable Securities Laws, provided that nothing in this paragraph or this Agreement shall operate or have the effect of precluding the Corporation from discharging its obligations under Applicable Securities Laws. If the Offering is successfully completed, the Agents shall be permitted to publish, at the Agents' expense, such advertisements or announcements relating to the services provided hereunder in such newspaper or other publications as it may consider appropriate as long as such advertisement or announcement complies with Applicable Securities Laws.

#### **21. Funds**

Unless otherwise specified, all funds referred to in this Agreement shall be in Canadian dollars.

#### **22. Time of the Essence**

Time shall be of the essence of this Agreement.

#### **23. Further Assurances**

Each of the parties hereto shall cause to be done all such acts and things or execute or cause to be executed all such documents, agreements and other instruments as may reasonably be necessary or desirable for the purposes of carrying out the provisions and intent of this Agreement.

## **24. Assignment**

Except as contemplated herein, no party hereto may assign this Agreement or any part hereof without the prior written consent of the other party hereto. Subject to the foregoing, this Agreement shall enure to the benefit of, and shall be binding upon, the Corporation and the Agents and their successors and legal representatives, and nothing expressed or mentioned in this Agreement is intended or shall be construed to give any other person any legal or equitable right, remedy or claim under or in respect of this Agreement, or any provisions contained in this Agreement, this Agreement and all conditions and provisions of this Agreement being intended to be and being for the sole and exclusive benefit of such persons and for the benefit of no other person except that the covenants and indemnities of the Corporation set out under the heading "Indemnity and Contribution" shall also be for the benefit of the Indemnified Party.

## **25. Severability**

If any provision of this Agreement is determined to be void or unenforceable in whole or in part, it shall be deemed not to affect or impair the validity of any other provision of this Agreement and such void or unenforceable provision shall be severable from this Agreement.

## **26. Singular and Plural, etc.**

Unless otherwise expressly provided in this Agreement, words importing only the singular number include the plural and vice versa and words importing gender include all genders. References to "Sections", "subsections" or "subparagraphs" are to the appropriate section, subsection or subparagraph of this Agreement. References to any agreement or instrument, including this Agreement, are deemed to be references to the agreement or instrument as varied, amended, modified, supplemented or replaced from time to time, references herein to "including" shall mean "including, without limitation", and any specific references herein to any legislation or enactment are deemed to be references to such legislation or enactment as the same may be amended or replaced from time to time.

## **27. Governing Law**

This Agreement shall be governed by and construed in accordance with the laws of the Province of British Columbia and the laws of Canada applicable therein and the parties hereto irrevocably attorn to the jurisdiction of the courts of such province.

## **28. Language**

The parties hereto confirm their express wish that this Agreement and all documents and agreements directly or indirectly relating thereto be drawn up in the English language.

Les parties reconnaissent leur volonté express que la présente convention ainsi que tous les documents et contrats s'y rattachant directement ou indirectement soient rédigés en anglais.

## **29. Counterparts**

This Agreement may be executed by any one or more of the parties to this Agreement in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same agreement.

## **30. Facsimile and Electronic Transmission**

The Corporation and the Agents shall be entitled to rely on delivery by facsimile or other electronic means of an executed copy of this Agreement and acceptance by the Corporation and the Agents of that delivery

shall be legally effective to create a valid and binding agreement between the Corporation and the Agents in accordance with the terms of this Agreement.

**[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]**

If the foregoing is in accordance with your understanding and is agreed to by you, please signify your acceptance by executing this letter where indicated below and returning the same to the Agents upon which this letter as so accepted shall constitute an agreement between us.

Yours very truly,

**CANACCORD GENUITY CORP.**

By: (s) "Authorized Signatory"  
Authorized Signatory

**BEACON SECURITIES LIMITED**

By: (s) "Authorized Signatory"  
Authorized Signatory

The foregoing offer is accepted and agreed to as of the date first above written.

**FRIDAY NIGHT INC.**

By: (s) "Authorized Officer"  
Authorized Officer

**SCHEDULE A  
CONVERTIBLE SECURITIES**

Designation of Security	Amount authorized	Amount outstanding as of July 31, 2017	Amount outstanding as of the date of this Prospectus	Amount outstanding assuming completion of the Minimum Offering <sup>(1)</sup> <sub>(2)</sub>	Amount outstanding assuming completion of the Maximum Offering <sup>(1)(2)</sup>
Common Shares <sup>(3)(4)</sup>	Unlimited	149,641,349	230,719,060	230,719,060	230,719,060
Options <sup>(5)</sup>	10% of the issued and outstanding	14,160,000	10,493,333 <sup>(6)</sup>	10,493,333	10,493,333
Warrants	N/A	32,010,880	13,574,932 <sup>(7)</sup>	29,128,932	46,904,932
Debentures	N/A	Nil	\$1,831,500 <sup>(8)</sup>	\$8,831,500	\$16,831,500
Agents' Warrants <sup>(9)</sup>	N/A	Nil	Nil	1,244,444	2,666,667 <sup>(10)</sup>

- (1) Assuming no exercise of the Over-Allotment Option. See "Plan of Distribution". See "Use of Proceeds" for the proceeds after giving effect to the Offering and deducting the expenses of the issue.
- (2) In the event that the Over-Allotment Option is exercised in full on the Minimum Offering, a further 1,050 Convertible Debentures with principal value of \$1,050,00 will be issued and a further 2,333,100 Warrants will be issued. In the event that the Over-Allotment Option is exercised in full on the Maximum Offering, a further 2,250 Convertible Debentures with principal value of \$2,250,000 will be issued and a further 4,999,500 Warrants will be issued. The Convertible Debentures are convertible at the Conversion Price at any time prior to the close of business on the earlier of (i) the last business day immediately preceding the Maturity Date and (ii) the date fixed for redemption in the event of a Change of Control (as defined herein). The Warrants are exercisable at a price of \$0.65 per Share for a period of 36 months following the Closing Date. See "Description of Securities Distributed" below.
- (3) As at July 31, 2017, the Company's statement of financial position had an equity deficit of (\$6,450,104).
- (4) On June 12, 2017, the Company completed a two old for one new consolidation of the Shares. The figures in this table are presented post-consolidation.
- (5) The number of stock options the Company may grant is limited by the terms of its stock option plan and the policies of the CSE.
- (6) A total of 10,493,333 Shares are issuable upon the exercise of stock options at exercise prices ranging from \$0.15 to \$0.64 and expiring on dates ranging from November 14, 2020 to June 13, 2022.
- (7) A total of 13,574,932 Shares are issuable upon exercise of the warrants at exercise prices ranging from \$0.25 to \$0.30 per Share and expiring on dates ranging from March 20, 2019 to October 4, 2019.
- (8) The debentures bear interest at 10.0% per annum, payable semi-annually on June 30 and December 31 of each year and will expire on August 16, 2019 (the "DB Maturity Date"). \$1,343,000 in principal amount of the debentures are paid interest through the issuance of Shares at a price of \$0.25 and the balance of the \$488,500 in principal amount debentures receive interest payments in cash. The debentures are convertible into Shares at the option of the holder at any time prior to the close of business on the earlier of: (i) the last business day

immediately preceding the DB Maturity Date; and (ii) the date fixed for redemption, at a conversion price of \$0.25 per Share (the "**DB Conversion Price**"), subject to adjustment in certain events. The Company may force the conversion of all of the principal amount of the then outstanding debentures at the DB Conversion Price on 30 days prior written notice should the daily volume weighted average trading price of the Shares be greater than \$0.45 for any 10 consecutive trading days. The debentures will be subject to redemption, in whole or in part, by the Company at any time after (i) August 16, 2018, as to \$1,343,000 in principal amount of the debentures and (ii) October 4, 2018 as to the remaining \$488,500 in principal amount debentures, upon giving holders not less than 30 and not more than 60 days' prior written notice, at a price equal to the then outstanding principal amount of the debentures plus all accrued and unpaid interest up to and including the redemption date.

- (9) Pursuant to the Agency Agreement, the Company has agreed to grant to the Agents the Agents' Warrants on completion of the Offering, which are exercisable into Agents' Units at a price of \$0.45 per Agents' Unit, for a period of 36 months from the Closing Date. See "*Plan of Distribution*" and "*Description of Securities Distributed*".
- (10) In the event the Over-Allotment Option is exercised in full, a further 186,666 Agent's Warrants will be issued in the case of the Minimum Offering and a further 400,000 Agents' Warrants will be issued in the case of the Maximum Offering.

**SCHEDULE B**  
**COMPLIANCE WITH UNITED STATES SECURITIES LAWS**

**A. Definitions**

Capitalized terms used in this Schedule B and not defined herein shall have the meanings ascribed thereto in the Agreement to which this Schedule is attached, and the following terms shall have the meanings indicated:

- (a) **"Compensation Securities"** has the meaning set forth below;
- (b) **"Dealer Covered Person"** has the meaning set forth below;
- (c) **"Directed Selling Efforts"** means "directed selling efforts" as that term is defined in Regulation S. Without limiting the foregoing, but for greater clarity in this Schedule B, it means, subject to the exclusions from the definition of directed selling efforts contained in Regulation S, any activity undertaken for the purpose of, or that could reasonably be expected to have the effect of, conditioning the market in the United States for any of the Units, the Debentures, the Debenture Shares, the Warrants or the Warrant Shares and includes the placement of any advertisement in a publication with a general circulation in the United States that refers to the offering of any of such securities;
- (d) **"Disqualification Event"** has the meaning set forth below;
- (e) **"QIB Agreement"** has the meaning set forth below.
- (f) **"Qualified Institutional Buyer"** means a "qualified institutional buyer", as that term is defined in Rule 144A under the U.S. Securities Act, who is also an institutional "accredited investor" as defined in Rule 501(a)(1), (2), (3) or (7) of Regulation D;
- (g) **"Regulation D Securities"** has the meaning set forth below;
- (h) **"Substantial U.S. Market Interest"** means a "substantial U.S. market interest" as that term is defined in Rule 902(j) of Regulation S; and
- (i) **"U.S. Subscription Agreement"** has the meaning set forth below.

**B. Representations, Warranties and Covenants of the Agents**

The Agents acknowledge and agree that the Units, the Debentures, the Debenture Shares, the Warrants and the Warrant Shares have not been and will not be registered under the U.S. Securities Act or applicable state securities laws, and the Units, the Debentures, and the Warrants may be offered and sold only in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act and any applicable state securities laws. Accordingly, the Agents represent, warrant and covenant to the Corporation, on the date hereof and on the Closing Date and any Over-Allotment Closing Date, that:

1. None of the Agents, the U.S. Selling Group Member, their respective affiliates or any person acting on any of its or their behalf has offered or will offer any Units, Debentures or Warrants except: (a) in an "offshore transaction," as such term is defined in Rule 902(h) of Regulation S, outside the United States to non-U.S. Persons in accordance with Rule 903 of Regulation S; or (b) to, or for the account or benefit of, persons in the United States or U.S. Persons that are Qualified Institutional Buyers purchasing pursuant to the exemption from the registration requirements of the U.S. Securities Act under Rule 506(b) of Regulation D and/or pursuant to the exemption from such registration afforded by Section 4(a)(2) of the U.S. Securities Act and in



compliance with similar exemptions under applicable state securities laws as provided in paragraphs 2 through 14 below. Accordingly, none of the Agents, the U.S. Selling Group Member, their respective affiliates or any person acting on any of its or their behalf, has made or will make (except as permitted in paragraphs 2 through 14 below): (i) any offer to sell, or any solicitation of an offer to buy, any Units, Debentures or Warrants to, or for the account or benefit of, any person in the United States or a U.S. Person; (ii) any sale of Units, Debentures or Warrants to any purchaser unless, at the time the buy order was or is originated, the purchaser was outside the United States, not a U.S. Person and not acting for the account or benefit of a person in the United States or a U.S. Person, or the Agents, the U.S. Selling Group Member, their respective affiliates or person acting on its or their behalf reasonably believed that such purchaser was outside the United States, not a U.S. Person and not acting for the account or benefit of a person in the United States or a U.S. Person; or (iii) any Directed Selling Efforts.

2. It has not entered and will not enter into any contractual arrangement with respect to the offer and sale of the Units, the Debentures or the Warrants, except with the U.S. Selling Group Member, any Selling Firm or with the prior written consent of the Corporation. It shall require the Selling Group Member and any Selling Firm to agree in writing, for the benefit of the Corporation, to comply with, and shall use its commercially reasonable best efforts to ensure that the Selling Group Member and any Selling Firm complies with, the same provisions of this Schedule B as apply to such Agents as if such provisions applied to the U.S. Selling Group Member and any Selling Firm.
3. All offers and sales of Units, Debentures and Warrants to, or for the account or benefit of, persons in the United States, or U.S. Persons, have been and shall be made only by the U.S. Selling Group Member or a Selling Firm, which is a U.S. broker-dealer registered pursuant to Section 15(b) of the U.S. Exchange Act and under the securities laws of each state in which offers and sales were or will be made (unless exempted from the respective state's broker-dealer registration requirements) and in good standing with the Financial Industry Regulatory Authority, Inc., in compliance with all applicable U.S. federal and state broker-dealer requirements, in each case at the time of each such offer and sale.
4. Offers of Units, Debentures and Warrants to, or for the account or benefit of, persons in the United States and U.S. Persons have not been made and shall not be made: (i) by any form of "general solicitation" or "general advertising" (as those terms are used in Rule 502(c) of Regulation D), including, without limitation, advertisements, articles, notices or other communications published in any newspaper, magazine or similar media, or on the internet, or broadcast over radio, television or the internet, or any seminar or meeting whose attendees have been invited by general solicitation or general advertising or (ii) or has taken or will take any action that would constitute a public offering of the Units, Debentures and Warrants in the United States within the meaning of Section 4(a)(2) of the U.S. Securities Act.
5. The Agents, acting only through the U.S. Selling Group Member or a Selling Firm, has offered and will offer the Units, the Debentures and the Warrants to, or for the account or benefit of, persons in the United States and U.S. Persons only to offerees with respect to which the Agents, the U.S. Selling Group Member or the Selling Firm has a pre-existing business relationship and has reasonable grounds to believe and does believe, are Qualified Institutional Buyers (and in compliance with Rule 506(b) of Regulation D and/or Section 4(a)(2) of the U.S. Securities Act and applicable state securities laws).
6. Each offeree of Units, Debentures or Warrants who is or is acting for the account or benefit of, a person in the United States or a U.S. Person has been or shall be provided with a copy of the U.S. Memorandum containing the Preliminary Prospectus and/or the U.S. Memorandum containing the Final Prospectus, in the form agreed to by the Corporation and the Agents. Prior to any sale of Units, Debentures or Warrants to, or for the account or benefit of, a person in the United States or a U.S. Person or to a person who was offered such securities in the United States, each such purchaser shall be provided with a copy of the U.S. Memorandum including the

Final Prospectus, and no other written material was used in connection with the offer or sale of the Units, the Debentures or the Warrants to, or for the account or benefit of, persons in the United States or U.S. Persons.

7. Prior to the completion of any sale by the Corporation of Units to, or for the account or benefit of, persons in the United States or U.S. Persons, each such purchaser will be required to execute a Qualified Institutional Buyer Agreement in the form attached as Exhibit I to the U.S. Memorandum (the "**QIB Agreement**").
8. Prior to the Closing Date, the Agents will provide the Corporation and the transfer agent of the Corporation with a list of all purchasers of the Units who are or are acting for the account or benefit of, persons in the United States and U.S. Persons, or who were offered Units in the United States. Prior to the Closing Date, the Agents will provide the Corporation with copies of all QIB Agreements, duly executed by such purchasers for acceptance by the Corporation.
9. At Closing, each of the Agents, the U.S. Selling Group Member and any applicable Selling Firm that has offered or sold Units, Debentures or Warrants to, or for the account or benefit of, persons in the United States or U.S. Persons will provide a certificate, substantially in the form of Exhibit 1 to this Schedule B, relating to the manner of the offer and sale of the Units, the Debentures and the Warrants to, or for the account or benefit of, persons in the United States and U.S. Persons or the Agents and such persons will be deemed to have represented and warranted that no offers or sales of the Units, the Debentures or the Warrants were made to, or for the account or benefit of, persons in the United States or U.S. Persons.
10. None of the Agents, the U.S. Selling Group Member, their respective affiliates or any person acting on any of its or their behalf has taken or will take, directly or indirectly, any action in violation of Regulation M under the U.S. Exchange Act with respect to the offer or sale of the Units, the Debentures or the Warrants.
11. With respect to Units, Debentures and Warrants that may be offered and sold hereunder in reliance on Rule 506(b) of Regulation D (the "**Regulation D Securities**"), the Agents represent that none of (i) the Agents or the U.S. Selling Group Member, (ii) the Agents or the U.S. Selling Group Member's general partners or managing members, (iii) any of the Agents' or the U.S. Selling Group Member's directors, executive officers or other officers participating in the offering of the Regulation D Securities, (iv) any of the Agents' or the U.S. Selling Group Member's general partners' or managing members' directors, executive officers or other officers participating in the offering of the Regulation D Securities or (v) any other person associated with any of the above persons, including any Selling Firm and any such persons related to such Selling Firm, that has been or will be paid (directly or indirectly) remuneration for solicitation of purchasers in connection with sale of Regulation D Securities (each, a "**Dealer Covered Person**" and, collectively, the "**Dealer Covered Persons**"), is subject to any of the "Bad Actor" disqualifications described in Rule 506(d)(1) under Regulation D (a "**Disqualification Event**").
12. The Agents represent that they are not aware of any person (other than any Dealer Covered Person) that has been or will be paid (directly or indirectly) remuneration for solicitation of purchasers in connection with the sale of any Regulation D Securities.
13. It is acquiring the Compensation Options, the Compensation Option Unit Shares, the Compensation Option Unit Warrants, the Compensation Option Unit Warrant Shares (collectively, the "**Compensation Securities**") as principal for its own account and not for the benefit of any other person. Furthermore, in connection with the issuance of the Compensation Securities, (i) it is not a U.S. Person and it is not acquiring the Compensation Securities in the United States, or on behalf of a U.S. Person or a person located in the United States, and (ii) the Agreement was executed and delivered outside the United States. It agrees that it will not engage in any Directed Selling Efforts with respect to any Compensation Securities.

14. None of the Agents, the U.S. Selling Group Member or any person acting on its or their behalf will (i) take an action that would cause the exemption provided by Section 3(a)(9) of the U.S. Securities Act to be unavailable for the exchange or conversion of Debentures for Debenture Shares, or (ii) receive any commission or other remuneration, directly or indirectly, for soliciting the exchange of Debentures for Debenture Shares.

**C. Representations, Warranties and Covenants of the Corporation**

The Corporation represents, warrants, covenants and agrees that, as of the date hereof and the Closing Date and any Over-Allotment Closing Date:

1. The Corporation is a “foreign issuer”, within the meaning of Rule 902(e) of Regulation S, and reasonably believes that there is no Substantial U.S. Market Interest in the Units, the Debentures, the Debenture Shares, the Warrants, the Warrant Shares or any class of the Corporation's equity securities.
2. The Corporation is not, and as a result of the sale of the Units, the Debentures and the Warrants and the issuance of the Debenture Shares and Warrant Shares will not be, an “investment company”, as defined in the United States Investment Company Act of 1940, as amended, registered or required to register under such Act.
3. During the period in which the Units, the Debentures and the Warrants are offered for sale, none of it, its affiliates, or any person acting on its or their behalf (other than the Agents, the U.S. Selling Group Member, any Selling Firm, any of its or their respective affiliates, or any person acting on any of its or their behalf in respect of which no representation, warranty, covenant or agreement is made): (i) has made or will make any Directed Selling Efforts; or (ii) has engaged in or will engage in any form of “general solicitation” or “general advertising” (as those terms are used in Rule 502(c) of Regulation D) with respect to offers or sales of the Units, the Debentures or the Warrants to, or for the account or benefit of, persons in the United States or U.S. Persons, including, without limitation, advertisements, articles, notices or other communications published in any newspaper, magazine or similar media or on the internet, or broadcast over radio, television or the internet, or any seminar or meeting whose attendees have been invited by general solicitation or general advertising or has taken or will take any action that would constitute a public offering of the Units in the United States within the meaning of Section 4(a)(2) of the U.S. Securities Act.
4. For a period of six months prior to the commencement of the Offering, none of it, its affiliates or any person acting on its or their behalf (other than the Agents, the U.S. Selling Group Member, any Selling Firm, any of its or their respective affiliates, or any person acting on any of its or their behalf in respect of which no representation, warranty, covenant or agreement is made): (i) has sold, offered for sale or solicited any offer to buy, and for a period ending six months after the later of the Closing Date or Over-Allotment Closing Date will not sell, offer for sale or solicit any offer to buy, any of the Corporation's securities in a manner that would be integrated with the offer and sale of the Units, the Debentures or the Warrants and would cause the exemption from registration set forth in Rule 506(b) of Regulation D and/or afforded by Section 4(a)(2) of the U.S. Securities Act to become unavailable with respect to the offer and sale of the Units, the Debentures or the Warrants, or (ii) has engaged or will engage in any general solicitation or general advertising (within the meaning of Rule 502(c) of Regulation D) in connection with any offer or sale of the Corporation's securities in reliance upon Rule 506(b) of Regulation D or otherwise in a manner that would be integrated with the offer and sale of the Units, the Debentures or the Warrants and would cause the exemption from registration set forth in Rule 506(b) of Regulation D and/or afforded by Section 4(a)(2) of the U.S. Securities Act to become unavailable with respect to the offer and sale of the Units, the Debentures or the Warrants to, or for the account or benefit of, persons in the United States or U.S. Persons.

5. During the period in which the Units, the Debentures and the Warrants are offered for sale, none of the Corporation, its affiliates, or any person acting on any of its or their behalf (other than the Agents, the U.S. Selling Group Member, and Selling Firm, any of its or their respective affiliates or any person acting on its or their behalf, in respect of which no representation, warranty, covenant or agreement is made) has taken or will take any action (i) in violation of Regulation M under the U.S. Exchange Act in connection with the offer or sale of the Units, the Debentures or the Warrant Shares or (ii) that would cause the exemption afforded by Rule 506(b) of Regulation D and/or afforded by Section 4(a)(2) of the U.S. Securities Act to be unavailable for offers and sales of the Units, the Debentures or the Warrants to, or for the account or benefit of, persons in the United States or U.S. Persons in accordance with the Agreement, or the exclusion from registration afforded by Rule 903 of Regulation S to be unavailable for offers and sales of the Units, the Debentures or the Warrants outside the United States to non-U.S. Persons in accordance with the Agreement.
6. Within the prescribed period, the Corporation will file a Form D, Notice of Sale, with the United States Securities and Exchange Commission and any applicable state securities commissions in connection with the offer and sale of the Units, Debentures and Warrants to, or for the account or benefit of, persons in the United States or U.S. Persons.
7. Neither the Corporation nor any of its predecessors or affiliates has been subject to any order, judgment or decree of any court of competent jurisdiction, temporarily, preliminarily or permanently enjoining such person for failure to comply with Rule 503 of Regulation D.
8. Except with respect to offers and sales in accordance with this Agreement (including this Schedule B to, or for the account or benefit of, persons in the United States or U.S. Persons that are Qualified Institutional Buyers in reliance upon the exemption from registration set forth in Rule 506(b) of Regulation D and/or afforded by Section 4(a)(2) of the U.S. Securities Act, none of the Corporation, its affiliates, or any person acting on its or their behalf (other than the Agents, the U.S. Selling Group Member, any Selling Firm, any of its or their respective affiliates or any person acting on any of its or their behalf, in respect of which no representation, warranty, covenant or agreement is made), has made or will make: (A) any offer to sell, or any solicitation of an offer to buy, any Units, Debentures or Warrants to, or for the account or benefit of, a person in the United States or a U.S. Person; or (B) any sale of Units, Debentures or Warrants unless, at the time the buy order was or will have been originated, the purchaser is (i) outside the United States, not a U.S. Person and not acting for the account or benefit of a person in the United States or a U.S. Person or (ii) the Corporation, its affiliates, and any person acting on their behalf reasonably believes that the purchaser is outside the United States, not a U.S. Person and not acting for the account or benefit of a person in the United States or a U.S. Person.
9. As of the Closing Date, with respect to the offer and sale of the Regulation D Securities, none of the Corporation, any of its predecessors, any "affiliated" (as such term is defined in Rule 501(b) of Regulation D) issuer, any director, executive officer or other officer of the Corporation participating in the offering of the Regulation D Securities, any beneficial owner of 20% or more of the Corporation's outstanding voting equity securities, calculated on the basis of voting power, or any promoter (as that term is defined in Rule 405 under the U.S. Securities Act) connected with the Corporation in any capacity at the time of sale of the Regulation D Securities (other than any Dealer Covered Person, as to whom no representation, warranty, acknowledgement, covenant or agreement is made) is subject to any Disqualification Event.
10. The Corporation is not aware of any person (other than any Dealer Covered Person) that has been or will be paid (directly or indirectly) remuneration for solicitation of purchasers in connection with the sale of any Regulation D Securities.
11. Upon receipt of a written request from a Purchaser in the United States or who is a U.S. Person, the Corporation shall make a determination if the Corporation is a "passive foreign investment company" (a "PFIC") within the meaning of section 1297(a) of the United States Internal Revenue

Code of 1986, as amended (the “**Code**”), during any calendar year following the purchase of the Units by such Purchaser, and if the Corporation determines that it is a PFIC during such year, the Corporation will provide to such Purchaser, upon written request, all information that would be required to permit a United States or a U.S. Person shareholder to make an election to treat the Corporation as a “qualified electing fund” for the purposes of the Code.

12. None of it, its affiliates or any person acting on its or their behalf (other than the Agents, the U.S. Selling Group Member, any Selling Firm, any of its or their respective affiliates or any person acting on any of its or their behalf, in respect of which no representation, warranty, covenant or agreement is made) will (i) take an action that would cause the exemption provided by Section 3(a)(9) of the U.S. Securities Act to be unavailable for the conversion or exchange of Debentures for Debenture Shares, or (ii) pay or give any commission or other remuneration, directly or indirectly, for soliciting the exchange of Debentures for Debenture Shares.

**EXHIBIT 1**  
**TO SCHEDULE B**  
**AGENTS' CERTIFICATE**

In connection with the private placement to, or for the account or benefit of, persons in the United States and U.S. Persons of the Units of Friday Night Inc. (the "**Corporation**") pursuant to the agency agreement dated August 30, 2018 by and between the Corporation and the Agents (the "**Agreement**"), the undersigned do hereby certify as follows:

1. • (the "**U.S. Selling Group Member**") was on the date of each offer and sale of Units, Debentures and Warrants to, or for the account or benefit of, persons in the United States or U.S. Persons, and is on the date hereof, a duly registered broker-dealer with the United States Securities and Exchange Commission and under the securities laws of each state in which such offers and sales were made (unless exempted from the respective state's broker-dealer registration requirements) and a member of, and in good standing with, the Financial Industry Regulatory Authority, Inc.
2. All offers and sales of the Units, the Debentures and the Warrants to, or for the account or benefit of, persons in the United States and U.S. Persons have been conducted by us through the U.S. Selling Group Member and in accordance with the terms of the Agreement (including Schedule B thereto) and all applicable U.S. federal and state broker-dealers requirements.
3. Immediately prior to offering Units, the Debentures and the Warrants to each prospective purchaser who was, or was acting for the account or benefit of a person in the United States or a U.S. Person (each, a "**U.S. Offeree**"), we had reasonable grounds to believe and did believe that each U.S. Offeree was a Qualified Institutional Buyer and, on the date hereof, we continue to believe that each U.S. Offeree purchasing the Units from the Corporation is a Qualified Institutional Buyer.
4. Each U.S. Offeree of Units, Debentures or Warrants was provided with a copy of the U.S. Memorandum including the Preliminary Prospectus or Final Prospectus, in the form agreed to by the Corporation and the Agents, and each purchaser of Units, Debentures or Warrants who (i) is in the United States, (ii) is a U.S. Person, (iii) is acting for the account or benefit of a person in the United States or a U.S. Person or (iv) was offered Units, Debentures or Warrants in the United States, was provided with a copy of the U.S. Memorandum, including the Final Prospectus, and no other written material was used in connection with the offer and sale of the Units, the Debentures or the Warrants to, or for the account or benefit of, persons in the United States or U.S. Persons;
5. No form of "general solicitation" or "general advertising" (as those terms are used in Rule 502(c) of Regulation D) was used by us, including, without limitation, advertisements, articles, notices or other communications published in any newspaper, magazine or similar media or on the internet or broadcast over radio, television or the internet, or any seminar or meeting whose attendees had been invited by general solicitation or general advertising, in connection with the offer and sale of the Units, the Debentures and the Warrants to, or for the account or benefit of, persons in the United States or U.S. Persons.
6. Prior to any sale of Units, Debentures and Warrants to a U.S. Offeree, we caused each such U.S. Offeree to execute a QIB Agreement in the form of Exhibit I to the U.S. Memorandum.
7. Neither we nor any of our affiliates have taken or will take, directly or indirectly, any action in violation of Regulation M under the U.S. Exchange Act with respect to the offer or sale of the Units, the Debentures and the Warrants.

- 8. None of (i) the undersigned, (ii) the undersigned's general partners or managing members, (iii) any of the undersigned's directors, executive officers or other officers participating in the offering of the Regulation D Securities, (iv) any of the undersigned's general partners' or managing members' directors, executive officers or other officers participating in the offering of the Regulation D Securities or (v) any other person associated with any of the above persons, including any Selling Firm and any such persons related to such Selling Firm, that has been or will be paid (directly or indirectly) remuneration for solicitation of purchasers in connection with sale of Regulation D Securities (each, a **"Dealer Covered Person"** and, collectively, the **"Dealer Covered Persons"**), is subject to any of the "Bad Actor" disqualifications described in Rule 506(d)(1) under Regulation D.
- 9. The undersigned is not aware of any person (other than any Dealer Covered Person) that has been or will be paid (directly or indirectly) remuneration for solicitation of purchasers in connection with the sale of any Regulation D Securities.
- 10. The offering of the Units, the Debentures and the Warrants to, or for the account or benefit of, persons in the United States or U.S. Persons has been conducted by us in accordance with the terms of the Agreement, including Schedule B thereto.

Capitalized terms used in this certificate have the meanings given to them in the Agreement, including Schedule B attached thereto, unless otherwise defined herein.

DATED this \_\_\_\_\_ day of \_\_\_\_\_, 2018

**CANACCORD GENUITY CORP.**

**[U.S. SELLING GROUP MEMBER]**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**SCHEDULE C**  
**MARIJUANA RELATED ACTIVITIES**

**A. Alternative Medicine Association LC**

The Company owns 91% of Alternative Medicine Association LC, a Nevada limited liability company ("**AMA**"). AMA is licensed to cultivate marijuana and to manufacture marijuana-infused products. AMA holds the following marijuana licenses in the State of Nevada:

1. Medical Marijuana Cultivation;
2. Medical Marijuana Production;
3. Recreational Marijuana Cultivation; and
4. Recreational Marijuana Production.

**B. Infused MFG LLC**

The Company owns 91% of Infused MFG LLC, a Nevada limited liability company ("**Infused**"). Infused produces industrial hemp-based products from industrial hemp cultivated and processed under Nevada's Industrial Hemp Pilot Program.