

## AGREEMENT

This Agreement (“**Agreement**”) is made on this 2<sup>nd</sup> day of April 2020 (“**Effective Date**”), by and between Iris Vermouth, an individual, bearer of Israeli [redacted: personal information] (“**Iris**”), Shachaf Ohana, an individual, bearer of Israeli [redacted: personal information] (“**Shachaf**”) (each of Iris and Shachaf a “**Shareholder**” and collectively the “**Shareholders**”), Isracann Biosciences Inc., a company organized under the laws of British Columbia, Canada, including on behalf of its wholly owned subsidiary, Isracann Operations Ltd. (“**Isracann**”), and Cannation Ltd., a company organized under the laws of the State of Israel registration number 516016060 (“**Company**”). Each of Iris, Shachaf, Isracann and Company shall be referred to hereinafter as a “**Party**”, and together the “**Parties**”. Capitalized terms not specifically defined herein shall have the meaning ascribed to them in the SPA (as such terms are defined below).

**WHEREAS**, Isracann, Intelicanna Ltd. a company organized under the laws of the State of Israel, registration number 520040973 (“**Intelicanna**”), and the Company are parties to that certain Share Purchase Agreement having an equal date herewith (the “**SPA**”), and Intelicanna, HBI, WOL, WOLC, and the Company are parties to that certain Settlement Agreement, having an equal date herewith (the “**Settlement Agreement**”); and

**WHEREAS**, Isracann purchased the initial Shares and the rights to receive the Remaining Shares on behalf of Isracann Operations Ltd., a wholly owned subsidiary of Isracann, and in order to induce Isracann to enter into the SPA and to become a shareholder in the Company the Shareholders and the Company hereby agree that this Agreement shall govern certain rights and matters as well as their relationship as shareholders of the Company, all as set forth in this Agreement.

**NOW, THEREFORE**, in consideration of the undertakings and covenants herein contained, the parties hereto hereby agree as follows:

### 1. Agreement among the Company, Isracann and the Shareholders

#### 1.1. Corporate Approvals; Articles of Association

1.1.1. It is hereby clarified, that notwithstanding anything to the contrary herein, the Initial Shares when transferred to Isracann and the Remaining Shares when issued shall be free and clear of any Liens or other encumbrance of any kind including but not limited to any of the restrictions set forth under Article 4.2 and 5.1 of the Company’s First Amended AOA.

#### 1.2. Share Capital.

1.2.1. As of the Closing, the share capital of the Company shall be allocated as follows: (a) Iris – 500 ordinary shares, of no par value per share ( “**Ordinary Share(s)**”); (b) Shachaf – 500 Ordinary Shares; (c) Isracann – 98 Ordinary Shares (“**Initial Shares**”); Company – 902 Ordinary Shares (i.e., the Remaining Shares which until issuance thereof in accordance with this Agreement shall be dormant shares within the meaning of Section 308 to the Companies Law). The Company shall not be entitled to cancel the Remaining Shares.

1.2.2. Rights to Receive the Remaining Shares. The Company hereby irrevocably undertakes that immediately upon receipt of the IMCA Approvals, it shall automatically and without any further action, issue the entire Remaining Shares to Isracann (or to any third party identified exclusively by Isracann) free and clear of any Lien or any third party rights (such as preemptive rights, etc.), all as evidenced by the Company’s corporate approvals attached hereto and to the SPA. Upon issuance of the Remaining Shares to Isracann or any third party as shall be directed by Isracann, the Company shall record the issuance of such Remaining Shares to Isracann or such third party as shall be directed by Isracann and shall deliver new shareholder register reflecting the issuance of the Remaining Shares to Isracann or such third party as shall be directed by Isracann.

### 2. Affirmative Covenants

#### 2.1. Pledge Agreement.

2.1.1. The Company shall create, immediately upon Closing, in favor of Isracann, a first ranking fixed charge over (i) the Company's registered and unissued/unallocated share capital, and over (ii) the Remaining Shares, until all of the Remaining Shares are duly issued to Isracann or to any third party directed by Isracann, all in accordance with the signed pledge agreement attached hereto as **Schedule 2.1.1** ("Pledge Agreement").

2.1.2. The Company hereby undertakes to file the attached Pledge Agreement with the Israeli Registrar of Companies ("**ROC**") immediately upon Closing and hereby appoints Isracann and Isracann's legal counsel to file the Pledge Agreement on behalf of the Company with the ROC, in accordance with the notification documents attached hereto as **Schedule 2.1.2**.

2.2. **IMCA Approvals.** The Parties shall use all requisite efforts to obtain, as soon as reasonably practicable after the date hereof, all approvals from governmental or regulatory authorities as are required (including from the IMCA) for Isracann to (i) hold more than 5% of the issued and outstanding share capital of the Company and (ii) to appoint members on behalf of Isracann to serve as a members of the Board, so as to preserve all rights of and benefits to Isracann (from and after the closing of the SPA) ("**IMCA Approvals**"). The Parties will consult and cooperate with one another, and consider in good faith the views of one another, in connection with any analyses, appearances, presentations, memoranda, briefs, arguments, opinions and proposals made or submitted by or on behalf of any Party in connection with proceedings under or relating to any governmental or regulatory authority including the IMCA.

2.3. **Confidentiality.** Each of Isracann and each of the Shareholders ("**Eligible Shareholder**") agrees that any information provided to it under this Agreement will not be disclosed (other than to: (i) its officers and its legal, financial and technical advisors, or (ii) to any prospective purchaser of any equity securities from such Eligible Shareholder, or in the case of Isracann also to a purchaser of the Remaining Shares, to the extent applicable, if such prospective purchaser is under an obligation to the Eligible Shareholder to keep such information confidential), without the prior written consent of the Company; *provided* that, in connection with periodic non-public reports to its shareholders, partners, affiliates, or members, each Eligible Shareholders may, without first obtaining such written consent, make general standard statements, not containing technical or other confidential information, regarding the nature and progress of the Company's business; and *provided further*, that each Eligible Shareholders may provide summary information regarding the Company's financial information in its reports to their respective shareholders, affiliates, members or partners, but may not annex to such reports the full financial information to be provided under this Agreement by the Company. For the avoidance of doubt, confidential information shall not include any information which: (1) was in the public domain prior to the time of disclosure by the Company; (2) enters the public domain after disclosure by the Company to the Eligible Shareholder through no action or inaction of such Eligible Shareholder; (3) is already in the possession of the Eligible Shareholder free of any obligation of confidentiality at the time of disclosure by the Company; (5) is or has been independently developed or conceived by the Eligible Shareholders, without use of the Company's confidential information as evidenced by written records, (6) is or has been made known or disclosed to such Eligible Shareholder by a third party without, to such Eligible Shareholder's knowledge, a breach of any obligation of confidentiality such third party may have to the Company, or (6) is required by law to be disclosed by the Eligible Shareholder. For the avoidance of any doubt, and without derogating from the above, the parties hereto acknowledge that Isracann is a publicly traded company and that Isracann shall be entitled to make any disclosure of confidential information, to the extent it is required to do so under any applicable stock exchanges laws, rules and regulations.

2.4. **Non-Circumvention.** Neither Iris, Shachaf and/or Isracann shall pursue, whether directly or indirectly, any activity, which intervenes in the relationship between the Company and any of the Company's employees, contractors, consultants, customers, agents etc.

#### 2.5. **Proprietary Rights**

2.5.1. Any and all discoveries, ideas, developments, inventions, formulae, improvements, works of authorship, mask works, trade secrets, modifications, concepts, techniques, methods, technologies, know-how, designs, data, processes, proprietary information, "**Service Inventions**" under Section 132 of the

Patent Law, whether or not patentable, copyrightable or otherwise protectable, development of new plant strains under section 46 of the Plant Breeders' Rights Law, 5733-1973 ("**Plant Breeders' Law**"), whether registered under the Plant Breeders' Law or not (collectively, "**Inventions**"), and all intellectual property rights therein or associated therewith such as copyrights and copyrights applications, patents and patent applications (collectively, "**IP Rights**"), which we may have invented, made, developed, discovered, conceived, learned, reduced to practice or created, in whole or in part and/or may invent, make, develop, discover, conceive, learn, reduce to practice or create, in whole or in part, independently or jointly with others within the field of business of the Company ("**Company Inventions**") and all IP Rights therein or associated therewith are and shall be the sole and exclusive property of the Company, and the Shareholders shall have no rights, claims or interest whatsoever in or with respect thereto, and for the removal of doubt each of the Shareholders hereby irrevocably and unconditionally assign to the Company any and all my rights, title and interest, in and to any and all Company Inventions and all IP Rights therein or associated therewith (the "**Company IP Rights**").

2.5.2. Without derogating from the generality of the foregoing, each of the Shareholders hereby irrevocably confirm that, he/she shall not be entitled to any compensation whatsoever with respect to the Inventions and Company IP Rights or for fulfilling the duties hereunder and he/she hereby irrevocably waives any claim and/or demand to any right, moral rights, compensation or reward, including any right for royalties in Service Inventions based on Section 134 of Israeli Patent Law and / or any right for any consideration for the development of new plant strains based on Section 49 of the Plant Breeders' Law.

## 2.6. Facilities

2.6.1.1. [redacted: commercially sensitive and confidential information]

2.6.1.2. [redacted: commercially sensitive and confidential information]

## 2.7. Marketing / Distribution Rights.

2.7.1. Following the Effective Date, subject to receipt of the relevant IMCA Approvals and any other required approval and/or license from the authorities with respect to the following agreements between the Parties, and the affirmative prior written request by Isracann which shall be provided at Isracann's sole discretion, without granting any exclusivity to the Company, the Company shall exclusively supply certain services in connection with trimming and growing various cannabis strains, plants and/or products owned and/or licensed by the Company ("**Services**") only to two (2) companies, one to be owned by Isracann and the second to be owned by the Shareholders ("**Marketing and Distribution Entities**") as follows:

2.7.1.1. The Company shall exclusively supply to each of the Marketing and Distribution Entities the Services in equal portions and each of the Marketing and Distribution Entities shall purchase from the Company 50% of the Services as shall be mutually ordered by both Marketing and Distribution Entities from time to time.

2.7.1.2. The Marketing and Distribution Entities shall purchase from the Company of all products, trimmed, grown and/or produced by the Company in accordance with the mutual instructions of the Marketing and Distribution Entities ("**Products**") at the prices to be mutually agreed upon by the Company and the Marketing and Distribution Entities.

2.7.1.3. The Marketing and Distribution Entities, with the assistance of the Company shall mutually arrange for the purchase from the Marketing and Distribution Entities (in equal parts) of all Products purchased from the Company.

2.7.1.4. The Company undertakes to provide each of the Marketing and Distribution Entities or any other entity as mutually instructed by the Marketing and Distribution Entities with 50% of the Products manufactured in accordance with applicable regulations, by using, raw materials and/or other products, which shall be pre-approved by the Marketing and Distribution Entities, in accordance with industry standards in the State of Israel, the specifications to be provided to the Company from time to time and by the

## Marketing and Distribution Entities.

2.7.1.5. The Marketing and Distribution Entities shall both instruct the Company on the shipment of the Products including, destination, quantity, delivery schedules, method and any other relevant details, strictly to receivers/off takers that are licensed under applicable laws. The Company shall be fully responsible to ensure that such shipment is packaged and delivered in compliance with all applicable laws and regulations which apply to the Services provided by the Company.

2.7.1.6. The consideration for the Services including date of payment and transfer of title and risk and product warranty shall be at industry standard and identical for both Marketing and Distribution Entities.

2.7.1.7. Each Party shall bear and pay all taxes, including but not limited to, income tax, corporate tax, duties, levies etc. of any kind, as applicable to such Party by any applicable law.

2.7.1.8. The Company shall at all times hold those insurance policies required under any supply agreement between the Marketing and Distribution Entities and the third party receivers/off takers. The Company shall equally indemnify, defend and hold harmless, each of the Marketing and Distribution Entities in equal portions, their respective affiliates, officers, directors, shareholders, or representatives and/or anyone acting on their behalf from any and all demands, judgments, awards, losses, damages, expenses, claims and liabilities, and all related costs, including reasonable legal fees (“**Liabilities**”) incurred by the Marketing and Distribution Entities as a result of or arising out of any liability suffered by the Marketing and Distribution Entities under agreements to be entered into by the Marketing and Distribution Entities and third party receivers/off takers.

## 2.8. Company Financing; Use of Proceeds

### 2.8.1. Initial financing.

2.8.1.1. At the Closing, Isracann shall provide the Company with a loan in an aggregate amount of 1,250,000 ILS (the “**Isracann Loan**”). The Company shall only use the Isracann Loan in accordance with the provisions of this Agreement and the Budget. It is hereby acknowledged and confirmed by Isracann that the Isracann Loan is provided to the Company in order to match the funds in the same amount provided to date by WOL to the Company (the “**WOL Loan**”) and that WOL shall have the right to have the Company classify, register and recognize the WOL Loan as an shareholders loan and shall also have the right to assign the WOL Loan to the Shareholders, or to any of them, in any proportion the Shareholders may deem appropriate in their sole discretion.

2.8.1.2. It is clarified that an amount of 500,000 ILS of the Isracann Loan shall be paid immediately following the Closing by the Company to HBI on account of the payment due by WOL to HBI in accordance with the Settlement Agreement.

### 2.8.2. Additional Financing.

2.8.2.1. Cannation Leakage and Third Party Expenses. Following the Closing of the SPA, each of Isracann and the Shareholders shall provide the Company with a loan in an aggregate amount equal to 50% of all respective amount of Third Party Expenses and Cannation Leakage (“**Additional Shareholder Loans**”).

2.8.2.2. Lease Payments. As of April 1, 2020 (that is, for lease payments due for a period commencing April 1, 2020) and until the Company is able to fund the payment obligations with respect to the Lease Agreement, each of Isracann and the Shareholders undertake to provide the Company from time to time with loans in aggregate amounts equal to 50% of all payments required to be made by the Company under the Lease Agreement (“**Lease Financing**”).

2.8.2.3. Upon Closing, the Isracann Loan, Additional Shareholder Loans and Lease

Financing (and with respect to the Additional Shareholder Loan and Lease Financing – when actually provided) shall be registered in the books and records of the Company as loans and shall be referred to hereunder together as the “**Shareholders’ Loans**”). The Shareholders’ Loans and the WOL Loan shall bear the minimum interest rate permitted by law, and to the extent permitted by law, shall bear no interest. Additionally, the Shareholders’ Loans and the WOL Loan will be repaid prior to any distributions of dividends and/or other payments to the shareholders and/or interested parties of the Company unless agreed upon in writing by Isracann and the Shareholders plus VAT as applicable on the interest.

2.8.2.4. The Company will operate in accordance with the budget attached hereto as **Schedule 2.8.2.4** (“**Budget**”).

2.9. Insurance and Indemnity.

2.9.1. Until an IPO (as defined below), Isracann may require the Company to obtain from financially sound and reputable insurers (and shall pay all premiums and maintain in full force and effect) (a) an insurance against loss or damage by fire, explosion and other risks customarily insured against by companies in the Company’s lines of business, in amounts reasonably sufficient (satisfactory to Isracann); and thereafter the Company shall at all times pay all premiums and maintain such insurance coverage in full force and effect, (b) upon the issuance of the Remaining Shares to Isracann or any third party as shall be directed by Isracann, a ‘directors’ and officers’ liability insurance in a form and coverage satisfactory to Isracann (“**D&O Coverage Amount**”), and thereafter the Company shall at all times pay all premiums and maintain such insurance coverage in full force and effect. At least once at each calendar year, the Board of Directors shall discuss and resolve any modification, if required, of the D&O Coverage Amount.

2.9.2. Upon the issuance of the Remaining Shares to Isracann or any third party as shall be directed by Isracann, the Company shall execute a written indemnification agreement with all of its members of the Board in the form to be approved by a resolution of the shareholder of the Company.

“**IPO**” means the first underwritten public offering or reverse merger or other facility which will end in the Company's shares or the remaining entity shares traded on a stock exchange.

2.10. Compliance with Requirements of Governmental Authorities. The Company shall duly observe and conform, in all material respects, to all valid requirements of governmental authorities relating to the conduct of their businesses or to their properties or assets.

2.11. Retention of Key Persons. Both Shareholders hereby undertake to continue their involvement and active role in the Company in their capacity as members of the Board in the same scope as provided until the Effective Date, for no consideration whatsoever from neither the Company, nor any other shareholder of the Company and for a period commencing in the Closing and ending upon the second anniversary of the Closing.

2.12. Issuance of Additional Shares. The Company and both Shareholders hereby undertake, that, notwithstanding anything to the contrary in this Agreement, in the event that following the Closing, the Company shall issue any shares of any type or class to any third party for any reason arising prior to the Closing Date, including but not limited to the issuance of shares of the Company to Gil and Amit Plotkin pursuant to Section 4.3.3 of the Lease Agreement (all together the “**Issuance of Additional Shares**”), the Issuance of Additional Shares shall only dilute the Shareholders and shall not under any circumstance dilute the holdings of Isracann or Isracann’s rights to receive shares of the Company. For the avoidance of any doubt, the foregoing provision shall apply whether the Issuance of the Additional shares has taken place prior to or following the issuance of the Remaining Shares to Isracann, i.e. if the Issuance of Additional Shares has occurred prior to the issuance of the Remaining Shares, than concurrently with the issuance of the Remaining Shares the Company shall issue to Isracann such additional amount of shares required to ensure that Isracann’s holdings percentage of the Company on a fully diluted basis, following the issuance of the Remaining Shares shall be the same as if the Issuance of Additional Shares did not take place, i.e. in any event Isracann will maintain its 50% of the share capital of the Company on a fully diluted basis or right to be issued with shares (or that such shares are issued to any third party directed by Isracann as aforementioned),

reflecting 50% of the share capital of the Company on a fully diluted, as the case may be.

### 3. Miscellaneous Provisions

3.1. Notices. All notices, requests and other communications hereunder must be in writing and will be deemed to have been duly given only if delivered personally or by electronic transmission or by nationally recognized overnight courier prepaid, to the Parties at the addresses detailed in Schedule 3.1 attached hereto. All such notices, requests and other communications will (a) if delivered personally to the address as provided in this Section 3.1, be deemed given upon delivery, (b) if delivered by email transmission to the email address as provided for in this Section 3.1, be deemed given upon confirmation of successful completion of transmission, and (c) if delivered by overnight courier to the address as provided in this Section 3.1, be deemed given on the earlier of the first Business Day following the date deposited with such overnight courier with the requisite payment and instructions to effect delivery on the next Business Day or upon receipt (in each case regardless of whether such notice, request or other communication is received by any other Person to whom a copy of such notice is to be delivered pursuant to this Section 3.1). Any party from time to time may change its address, email address or other information for the purpose of notices to that party by giving notice specifying such change to the other parties hereto.

3.2. Entire Agreement. This Agreement and the Schedules hereto, constitute the entire agreement among the Parties with respect to the subject matter hereof and supersede all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof.

3.3. Further Assurances; Post-Closing Cooperation. At any time or from time to time after the Closing, the parties shall execute and deliver to each other party such other documents and instruments, provide such materials and information and take such other actions as the other party may reasonably request to consummate the transactions contemplated by this Agreement and otherwise to cause the other parties to fulfill their respective obligations under this Agreement and the transactions contemplated hereby.

3.4. No Assignment; Binding Effect. Neither this Agreement nor any right, interest or obligation hereunder may be assigned (by operation of law or otherwise) by a Party hereto without the prior written consent of the other Parties and any attempt to do so shall be void, except that Isracann may assign this entire agreement with the transfer of all of its shares in the Company and rights to receive shares in the Company to its Permitted Transferee (as defined in the First Amended AOA). Subject to the foregoing sentence, this Agreement is binding upon, inures to the benefit of and is enforceable by the Parties hereto and their respective successors and assigns.

3.5. Headings. The headings and table of contents used in this Agreement have been inserted for convenience of reference only and do not define or limit the provisions hereof.

3.6. Invalid Provisions. If any provision of this Agreement is held to be illegal, invalid or unenforceable under any present or future law, and if the rights or obligations of any Party hereto under this Agreement will not be materially and adversely affected thereby, (a) such provision shall be fully severable, (b) this Agreement shall construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part hereof, (c) the remaining provisions of this Agreement shall remain in full force and effect and shall not be affected by the illegal, invalid or unenforceable provision or by its severance herefrom, and (d) in lieu of such illegal, invalid or unenforceable provision, there shall be added automatically as a part of this Agreement a legal, valid and enforceable provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible.

3.7. Governing Law; Jurisdiction. This Agreement shall be governed by and construed in accordance with the domestic laws of the State of Israel, without giving effect to any choice of law or conflict of law provision that would cause the application of the laws of any jurisdiction other than the State of Israel. Any dispute not resolved by the Parties may be referred to competent courts of Tel Aviv-Jaffa, Israel which shall have, exclusive jurisdiction to adjudicate any dispute arising out of this Agreement.

3.8. Specific Performance. The Parties hereto agree that irreparable damage would occur in the

event that any of the provisions of this Agreement were not performed in accordance with its specific terms or were otherwise breached. The Parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions hereof in any state or province having jurisdiction, this being in addition to any other remedy to which they are entitled at law or in equity.

3.9. Amendments. No amendment, supplement or update shall be made to this Agreement without the express written consent of Isracann, and no amendment, supplement or update made or delivered (or purporting to be made or delivered) after the date of this Agreement without such consent shall have any effect on any of the rights or obligations of the Company, the Shareholders or Isracann, respectively.

**[SIGNATURE PAGE FOLLOWS]**

*[Signature Page of Shareholders Agreement (Iris, Shahaf, Cannation and Isracann) dated March 2020]*

**IN WITNESS WHEREOF**, the parties hereto have signed this Shareholders Agreement as of the date first hereinabove set forth.

**Iris Vermouth**

*“Iris Vermouth”* \_\_\_\_\_



*[Signature Page of Shareholders Agreement (Iris, Shahaf, Cannation and Isracann) dated March 2020]*

**IN WITNESS WHEREOF**, the parties hereto have signed this Shareholders Agreement as of the date first hereinabove set forth.

**Shahaf Ohana**

*“Shahaf Ohana”*\_\_\_\_\_

*[Signature Page of Shareholders Agreement (Iris, Shahaf, Cannation and Isracann) dated March 2020]*

**IN WITNESS WHEREOF**, the parties hereto have signed this Shareholders Agreement as of the date first hereinabove set forth.

**COMPANY**

*“Iris Vermouth”* \_\_\_\_\_

**Cannation Ltd.**

Name: Iris Vermouth \_\_\_\_\_

Title: CEO \_\_\_\_\_

*[Signature Page of Shareholders Agreement (Iris, Shahaf, Cannation and Isracann) dated March 2020]*

**IN WITNESS WHEREOF**, the parties hereto have signed this Shareholders Agreement as of the date first hereinabove set forth.

*“Darryl Jones”*\_\_\_\_\_

**Isracann Biosciences Inc.**

Name: Darryl Jones\_\_\_\_\_

Title: President and CEO\_\_\_\_\_