

**UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS
SECURITY MUST NOT TRADE THE SECURITY BEFORE JULY 17, 2020**

CANNABIS GROWTH OPPORTUNITY CORPORATION

(the “**Creditor**”)

- and -

CORE ONE LABS INC.

(the “**Company**”)

AS OF MARCH 16, 2020

**CONVERTIBLE DEBENTURE
DUE ON DECEMBER 31, 2022**

CONVERTIBLE DEBENTURE

Up to \$1,500,000

Effective as of March 16, 2020 (the “**Effective Date**”)

ARTICLE ONE INTERPRETATION

1.1 Definitions.

As used in this Debenture, including the Schedules and Exhibits hereto (if any), unless otherwise defined or unless the context otherwise requires the following terms have the following respective meanings:

- (a) “**Affiliates**” has the meaning set out in the *Business Corporations Act* (British Columbia);
- (b) “**Applicable Law**” means (a) any domestic or foreign statute, law (including common and civil law), treaty, code, ordinance, rule, regulation or by-law (zoning or otherwise); (b) any judgement, order, writ, injunction, decision, ruling, decree or award; (c) any regulatory policy, practice, protocol, guideline or directive; or (d) any franchise, licence, qualification, authorization, consent, exemption, waiver, right, permit or other approval, in each case, of any Governmental Authority and having the force of law, binding on or affecting the Party referred to in the context in which the term is used or binding on or affecting the property of such Party, all of the foregoing as may exist as of the Effective Date or as may be implemented, revised or modified from time to time after the Effective Date;
- (c) “**Business Day**” means any day of the year, other than a Saturday, Sunday, legal holiday or any day on which banking institutions are closed in Toronto, Ontario;
- (d) “**Cannabis**” means (a) any plant or seed, whether live or dead, from any species or subspecies of genus Cannabis, including Cannabis sativa, Cannabis indica and Cannabis ruderalis, Marijuana and Industrial Hemp and any part, whether live or dead, of the plant or seed thereof, including any stalk, branch, root, leaf, flower, or trichome, (b) any material obtained, extracted, isolated, or purified from the plant or seed or the parts contemplated by clause (a) of this definition, including any oil, cannabinoid, terpene, genetic material or any combination thereof, (c) any organism engineered to biosynthetically produce the material contemplated by clause (b) of this definition, including any micro-organism engineered for such purpose, (d) any biologically or chemically synthesized version of the material contemplated by clause (b) of this definition or any analog thereof, including any product made by any organism contemplated by clause (c) of this definition, and (e) any other

meaning ascribed to the term "cannabis" under Applicable Law, including the Cannabis Act.

- (e) **"Cannabis Act"** means *An Act respecting cannabis and to amend the Controlled Drugs and Substances Act, the Criminal Code and other Acts*, S.C. 2018, c. 16, as amended from time to time and includes the regulations made thereunder and any replacements to the foregoing;
- (f) **"Change of Control"** means (a) any Person or group of Persons, acting jointly or in concert (within the meaning of such phrase in the *Securities Act* (British Columbia)) acquires, directly or indirectly, outstanding equity interests of the Company which have or represent 50% or more of the votes that may be cast to elect the directors of the Company or other persons charged with the management and direction of the Company, (b) any Person or group of Persons, acting jointly or in concert (within the meaning of such phrase in the *Securities Act* (British Columbia)) acquires the power to direct, or cause the direction of, management, business or policies of the Company or any of its subsidiaries, whether through the ability to exercise voting power, by contract or otherwise, (c) the Company shall cease to own and control, of record and beneficially, less than the number of outstanding equity interests of its subsidiaries owned by the Company as of the Effective Date, (d) any Person or group of Persons acting jointly or in concert (within the meaning of such phrase in the *Securities Act* (British Columbia)) succeed in having a sufficient number of nominees elected to the board of directors of the Company or any of its subsidiaries that such nominees, when added to any existing director remaining on the board of directors of the Company or such subsidiary after such election who is also a nominee of such Person or group of Persons, will constitute a majority of the board of directors of the Company or such subsidiary, (e) if, at any time, the Company or any of its subsidiaries sells or otherwise disposes of all or substantially all of its assets, (f) the Company or any of its subsidiaries amalgamates or otherwise merges its business and property with or into any other Person if that amalgamation or merger is not otherwise expressly permitted by the other provisions of this Debenture, or (g) a liquidation, dissolution or winding up of the Company or any of its subsidiaries, except, as applied to the Company's subsidiaries, where such events referred to in items (a) through (g) of this definition would not have a Material Adverse Change;
- (g) **"Claim"** means any claim or liability of any nature whatsoever, including any demand, obligation, liability, debt, cause of action, suit, proceeding, judgment, award, assessment or reassessment;
- (h) **"Collateral"** means any and all assets in respect of which the Creditor has or is intended to have an Encumbrance pursuant to a Security Document;
- (i) **"Common Shares"** means the common shares in the capital of the Company, as such shares exist at the close of business on the date of execution and delivery of this Debenture; provided that, in the event of

a subdivision, redivision, reduction, combination, consolidation or reclassification of the capital of the Company or such successive subdivisions, redivisions, reductions, combinations, consolidations or reclassifications, "Common Shares" shall thereafter mean the shares corresponding to the Common Shares resulting from such subdivision, redivision, reduction, combination, consolidation or reclassification;

- (j) "**Company**" means Core One Labs Inc., a company formed under the laws of the Province of British Columbia, and its successors and permitted assigns (by amalgamation, merger or otherwise);
- (k) "**Confidential Information**" means the terms of this Debenture and any other information and intellectual property concerning any matters affecting or relating to the business, operations, assets, results or prospects of the Parties, including information regarding plans, budgets, costs, processes, results of experimentation and other data, except to the extent that such information has already been publicly released by a Party as allowed herein or that the Party providing such information can demonstrate was previously publicly released by a Person who did not do so in violation or contravention of any duty or agreement;
- (l) "**Conversion Price**" means the price per Common Share at which any portion of the principal sum outstanding under this Debenture, together with any accrued but unpaid interest thereon, shall from time to time be convertible into Common Shares, being \$0.40 per Common Share, unless adjusted in accordance with the terms of this Debenture;
- (m) "**Corporate Records**" means the corporate records of the Company and any of its subsidiaries, including in each case (i) all constating documents, articles, by-laws, notice of articles, any shareholders' agreements and any amendments thereto, and (ii) all minutes of meetings and resolutions of shareholders and the board of directors (and any committee thereof);
- (n) "**Creditor**" means Cannabis Growth Opportunity Corporation and its successors and assigns;
- (o) "**CSE**" means the Canadian Securities Exchange;
- (p) "**Date of Conversion**" means the date specified in the notice delivered to the Company, such date being not less than 5 Business Days after receipt of same by the Company;
- (q) "**Debenture**" means this convertible debenture issued on the Effective Date and due on the Maturity Date in an aggregate principal amount of up to \$1,500,000, as the same may be amended, supplemented, otherwise modified, restated or replaced from time to time;
- (r) "**Effective Date**" has the meaning ascribed to such term on page 2 herein;

- (s) **“Encumbrance”** means any lien, charge, hypothec, pledge, mortgage, title retention agreement, covenant, condition, lease, license, security interest of any nature, claim, exception, reservation, easement, encroachment, right of occupation, right-of-way, right-of-entry, matter capable of registration against title, option, assignment, right of pre-emption, royalty, right, pledge, privilege or any other encumbrance or title defect of any nature whatsoever, and any other right of third parties relating to, attaching to or affecting any asset, regardless of form (excluding ordinary course payables), whether or not registered or registrable and whether or not consensual or arising by any Applicable Law, and includes any contract to create any of the foregoing;
- (t) **“Environmental Laws”** means all Applicable Laws relating to the protection of human health and the environment, including all Applicable Laws pertaining to the reporting, licensing, permitting, transportation, storage, disposal, investigation or remediation of Releases, or threatened Releases, of Hazardous Materials into the air, surface water, groundwater, or land, or relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transportation or handling of Hazardous Materials;
- (u) **“Event of Default”** has the meaning ascribed to such term in Section 6.1 hereof;
- (v) **“GAAP”** means the International Financial Reporting Standards (**“IFRS”**) and its interpretations adopted by the International Accounting Standards Board;
- (w) **“Governmental Authorities”** means any municipal, regional, provincial or federal governments and their agencies, authorities, branches, departments, commissions or boards, having or claiming jurisdiction over the Company and/or the Company’s assets including, for greater certainty, Health Canada, and **“Governmental Authority”** shall mean any one of the Governmental Authorities as the context requires;
- (x) **“Governmental Charges”** means all taxes, levies, duties, assessments, reassessments and other similar charges and impositions together with all related penalties, interest and fines, due and payable by the Company or any of its subsidiaries (as applicable) to any domestic or foreign government (federal, provincial, state, municipal or otherwise) or to any regulatory authority, agency, commission, board or court of competent jurisdiction of any domestic or foreign government;
- (y) **“Hazardous Materials”** means:
 - (i) any radioactive material;
 - (ii) any explosive;
 - (iii) any substance that, if added to any water, would degrade or alter or form part of a process of degradation or alteration of the quality

of that water to the extent that it will adversely affect its use by man or by any animal, fish or plant;

- (iv) any solid, liquid, gas or odour or combination of any of them that, if emitted into the air, would create or contribute to the creation of a condition of the air that:
 - A. endangers the health, safety or welfare of individual persons or the health of animal life;
 - B. interferes with normal enjoyment of life or property; or
 - C. causes damage to plant life or to property;
- (v) any petroleum or petroleum product;
- (vi) any toxic substance or other contaminant;
- (vii) any substance declared to be hazardous or toxic under any Applicable Law now or hereafter enacted or promulgated by any Governmental Authority having jurisdiction over the Company, any of its subsidiaries or their respective properties, assets or interests, including any substance which would be considered a hazardous substance under any Environmental Law; and
- (viii) any other substance which is or may become hazardous, dangerous or toxic to individual persons or property, including any asbestos or asbestos-containing material;

but for clarity does not include Cannabis produced or sold in the ordinary course of business.

- (z) **“Industrial Hemp”** has the meaning ascribed to such term or the term “hemp” (i) under Applicable Law, including the Industrial Hemp Regulations (Canada) issued under the Cannabis Act; or (ii) under the Agricultural Marketing Act of 1946 (United States);
- (aa) **“Marijuana”** has the meaning ascribed to such term under Applicable Law;
- (bb) **“Material Adverse Change”** means any change or event which constitutes a material adverse change in (i) the business, operations, condition (financial or otherwise), assets or properties of the Company and any of its subsidiaries, either individually or taken as a whole, (ii) the enforceability of any Transaction Document, (iii) the Company's ability to timely and fully perform its obligations under any Transaction Document, or (iv) the ability of the Creditor to enforce its rights and remedies under any Transaction Document;

- (cc) **“Material Subsidiaries”** means, collectively, LDS Agrotech Inc., LDS Scientific Inc., Reveur Holdings Inc., LDS Development Corporation, CSPA Group, Inc., Core Isogenics Inc., and Agrotech LLC.
- (dd) **“Maturity Date”** means the earliest of (i) December 31, 2022, and (ii) the date that all amounts owing hereunder may become due and payable in accordance with the terms hereof;
- (ee) **“Notice of Request for Advance”** means a notice substantially in the form of the notice attached as Exhibit A (Form of Notice of Request for Advance) to be given to the Creditor by the Company in connection with any advance requested by the Company hereunder;
- (ff) **“Obligations”** means all monies and obligations now or at any time and from time to time hereafter owing or payable by the Company to the Creditor, including pursuant to this Debenture;
- (gg) **“Observer Rights Agreement”** means the observer rights agreement between the Creditor and the Company dated on or about the date hereof, as the same may be amended, supplemented, otherwise modified, restated or replaced from time to time;
- (hh) **“Parties”** means the Company and the Creditor; and **“Party”** means any one of them;
- (ii) **“Permit”** has the meaning assigned to such term in Section 3.3(o);
- (jj) **“Permitted Encumbrances”** means:
 - (i) statutory encumbrances not at the time overdue, or which are overdue but the validity of which is being contested in good faith and in respect of which appropriate reserves have been established;
 - (ii) Encumbrances for taxes, duties and assessments which may be overdue but the validity of which is being contested in good faith and in respect of which appropriate reserves have been established;
 - (iii) Encumbrances or rights of distress reserved in or exercisable under any lease for rent or for compliance with the terms of such lease (provided that the recognition of such Encumbrances or rights as a permitted encumbrance shall not prejudice the priority of the Creditor's security over such Encumbrances or rights as determined in accordance with applicable law);
 - (iv) any obligations or duties affecting any lands due to any public utility or Governmental Authority with respect to any franchise, grant, licence or permit and any defects in title to structures or other facilities arising solely from the fact that such structures or facilities are constructed or installed on lands under government permits,

leases or other grants; which obligations, duties and defects in the aggregate do not materially impair the use of such property, structures or facilities for the purpose for which they are held;

- (v) Encumbrances incurred or deposits made in connection with contracts, bids, tenders or expropriation proceedings, or to secure workers' compensation, unemployment insurance or other social security obligations, surety or appeal bonds, costs of litigation when required by law, public and statutory obligations, warehousemen's, carriers' and other similar Encumbrances and deposits;
- (vi) Encumbrances given to a public utility or Governmental Authority to secure obligations incurred to such utility, municipality, government or other authority in the ordinary course of business;
- (vii) Encumbrances and privileges arising out of judgments or awards in respect of which: an appeal or proceeding for review has been commenced; a stay of execution pending such appeal or proceedings for review has been obtained; and appropriate reserves have been established;
- (viii) any mechanic's, labourer's, materialman's statutory or other similar Encumbrance arising in the ordinary course of business or out of the construction or improvement of any lands or arising out of the furnishing of materials or supplies therefor, the action to enforce which has not proceeded to a final judgment;
- (ix) undetermined or inchoate Encumbrances incidental to the normal business operations of a company not at the time overdue, or which are overdue but have not been filed against such company or any of its properties pursuant to applicable law and the validity of which is being contested in good faith and appropriate reserves have been established;
- (x) PMSIs and capital leases up to the maximum aggregate amount of \$100,000 incurred in connection with the purchase or leasing of capital equipment;
- (xi) Encumbrances in favour of the Creditor; and
- (xii) Encumbrances consented to in writing by the Creditor;

provided that the use of the term "Permitted Encumbrances" to describe such interests and Encumbrances shall mean that they are permitted to exist (whether in priority to or subsequent in priority to the Creditor's security, as determined by applicable law), and shall not be interpreted as meaning that such interests and Encumbrances are entitled to priority over the Creditor's security;

- (kk) **“Person”** means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership or other entity;
- (ll) **“PMSI”** means purchase-money security interests as defined in the PPSA;
- (mm) **“PPSA”** means *the Personal Property Security Act* (British Columbia), and the regulations promulgated thereunder, as amended from time to time and any legislation substituted therefor and any amendments thereto, provided that, if perfection or the effect of perfection or non-perfection or the priority of any Encumbrance created under any Security Document or under any other Transaction Document on the Collateral is governed by the personal property security legislation or other applicable legislation with respect to personal property security in effect in a province or jurisdiction other than British Columbia, “PPSA” means the Personal Property Security Act or such other applicable legislation in effect from time to time in such other jurisdiction for purposes of the provisions hereof relating to such perfection, effect of perfection or non-perfection or priority;
- (nn) **“Public Disclosure Record”** means the material change reports, news releases, financial statements, management discussion and analysis, management information circulars, and other continuous disclosure documents filed by or on behalf of the Company with the Exchange and any applicable securities regulatory authority (through SEDAR);
- (oo) **“Redacted Information”** means all (i) equity percentage information relating to a conversion, and (ii) pricing related information contained in this Debenture;
- (pp) **“Release”** includes releasing, spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, disposing or dumping, or permitting any of the foregoing to occur;
- (qq) **“Securities Laws”** means the *Securities Act* (British Columbia), as amended, the *Securities Act* (Alberta), as amended, and the *Securities Act* (Ontario), as amended, in each case including the regulations thereto and all national or multilateral instruments, policies, rules, orders, blanket orders, codes, notices and interpretation notes adopted by securities regulators in British Columbia, Alberta and Ontario;
- (rr) **“Security Documents”** means (i) the general security and pledge agreement by the Company in favour of the Creditor, and (ii) and any other security for the Obligations, as each of the foregoing may be amended, supplemented, otherwise modified, restated or replaced from time to time; and **“Security Document”** means any one of them;
- (ss) **“Security Interest”** means the pledges, assignments, mortgages, charges, and hypothecations of and the security interests in the

Collateral created in favour of the Creditor under the Security Documents;

- (tt) **“Subscription Agreement (Debenture)”** means the subscription agreement from the Creditor to the Company dated on or about the date hereof, as the same may be amended, supplemented, otherwise modified, restated or replaced from time to time relating to the acquisition of this Debenture and the Warrants of the Company by the Creditor;
- (uu) **“Subscription Agreements (Share Swap)”** means the subscription agreements from the Company to the Creditor and from the Creditor to the Company dated on or about the date hereof, whereby the Creditor will issue to the Company 3,149,606 common shares in the capital of the Creditor in consideration for the issuance by the Company to the Creditor of 5,333,333 Common Shares as the same may be amended, supplemented, otherwise modified, restated or replaced from time to time, relating to the purchase of shares of the Company by the Creditor and the purchase of shares of the Creditor by the Company;
- (vv) **“Transaction Documents”** means, collectively, this Debenture, the Observer Rights Agreement, the Security Documents, the Subscription Agreement (Debenture), the Subscription Agreements (Share Swap), the Voting and Resale Agreement, the Warrant Certificate and any other documents, agreements or instruments executed or delivered in connection therewith; and **“Transaction Document”** means any one of them;
- (ww) **“USCSA”** means the United States Controlled Substances Act of 1970 as amended from time to time and includes the regulations made thereunder and any replacements to the foregoing;
- (xx) **“Voting and Resale Agreement”** means the voting and resale agreement between the Company and Creditor dated on or about the date hereof, as the same may be amended, supplemented, otherwise modified, restated or replaced from time to time;
- (yy) **“Warrants”** means the warrants issued by the Company to and in favour of the Creditor on or about the date hereof, as the same may be amended, supplemented, otherwise modified, restated or replaced from time to time; and
- (zz) **“Warrant Certificate”** means the warrant certificate evidencing the Warrants.

1.2 Gender and Number.

Any reference in this Debenture to gender shall include all genders, and words importing the singular number only shall include the plural and vice versa.

1.3 **Headings, Etc.**

The division of this Debenture into Articles, Sections, Subsections, and other subdivisions and the insertion of headings are for convenience of reference only and shall not affect or be utilized in the construction or interpretation of this Debenture.

1.4 **Currency.**

All references in this Debenture to dollars, unless otherwise specifically indicated, are expressed in the currency of Canada.

1.5 **Severability.**

Any article, section, subsection or other subdivision of this Debenture or any other provision of this Debenture which is, or becomes, illegal, invalid or unenforceable shall be severed from this Debenture and be ineffective to the extent of such illegality, invalidity or unenforceability and shall not affect or impair the remaining provisions hereof or thereof.

1.6 **Governing Law.**

This Debenture shall be governed by and interpreted and enforced in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein. For the purpose of legal proceedings, this Debenture shall be deemed to have been made in the said Province and to be performed therein and the courts of that Province shall have jurisdiction over all disputes which may arise under this Debenture. The Parties hereby irrevocably and unconditionally submit to the non-exclusive jurisdiction of such courts.

1.7 **Accounting Principles.**

Wherever in this Debenture reference is made to “generally accepted accounting principles” or “GAAP”, such reference shall be deemed to be to GAAP (as defined herein).

1.8 **Interpretation.**

Unless otherwise expressly provided in this Debenture, if any matter in this Debenture is subject to the determination, consent or approval of the Creditor or is to be acceptable to the Creditor, such determination, consent, approval or determination of acceptability will be in the sole discretion of the Creditor, which means the Creditor shall have sole and unfettered discretion, without any obligation to act reasonably. If any provision in this Debenture refers to any action taken or to be taken by the Company, or which the Company is prohibited from taking, such provision will be interpreted to include any and all means, direct or indirect, of taking, or not taking, such action. When used in the context of a general statement followed by a reference to one or more specific items or matters, the term “including” shall mean “including, without limitation” and the use of the term “includes” shall mean “includes, without limitation”.

ARTICLE TWO
PROMISE TO PAY

2.1 Principal Sum.

For value received, subject to the exercise by the Creditor of its right to convert as set out herein, the Company hereby promises to pay to or to the order of the Creditor at the address of the Creditor set forth in Section 7.7(a) hereof (or such other address of the Creditor as may be indicated by the Creditor pursuant to Section 7.7 hereof) on the Maturity Date the lesser of:

- (a) the principal sum of \$1,500,000; and
- (b) the amount of the unpaid principal balance from time to time owing by the Company to the Creditor as recorded by or on behalf of the Creditor on the grid attached hereto as Schedule A and any further grids attached hereto, all of which grids form part of this Debenture;

and the Company promises to pay interest thereon pursuant to Section 2.3 hereof.

2.2 Advances.

- (a) The maximum principal sum hereunder shall, subject to completion of the conditions precedent set out in Article Four, only be available to the Company in three (3) equal advances of \$500,000;
- (b) The Company shall give the Creditor a Notice of Request for Advance for each advance three (3) Business Days prior to the date of any proposed advance. Such Notice of Request for Advance is irrevocable and will oblige the Company to take the action contemplated on the date specified; and
- (c) The total amount that may be advanced to the Company under this Debenture shall not exceed the aggregate principal sum of \$1,500,000 regardless of whether the Creditor exercises its rights in respect of an optional conversion pursuant to Section 5.1.

2.3 Interest.

- (a) Interest shall accrue on the principal sum outstanding from the date of each advance both before and after the Maturity Date, demand, default and judgment until actual payment in full at a rate of 12% per annum, calculated and accrued monthly in arrears. All accrued and outstanding interest hereunder that has not otherwise been converted into Common Shares at the option of the Creditor pursuant to the terms hereof, shall be due and payable on the Maturity Date.
- (b) Upon the occurrence of an Event of Default and for so long as such Event of Default shall be continuing, interest shall accrue on the principal sum outstanding at a rate per annum equal to rate prescribed in Section 2.3(a) *plus* 2%, such interest to be calculated and payable in accordance with Section 2.3(a).

- (c) In the event that a court of competent jurisdiction determines that any provision of this Debenture obligates the Company to make any payment of interest, or other amount payable to the Creditor, in an amount, or calculated at a rate, which would be prohibited by Applicable Law or would result in receipt by the Creditor of interest at a rate in excess of the maximum rate permissible under Applicable Law then, notwithstanding such provision, such amount or rate shall be deemed to have been adjusted, with retroactive effect, to the maximum amount or rate of interest, as the case may be, as would not be so prohibited by Applicable Law or so result in receipt by the Creditor of interest at a rate in excess of the maximum rate permissible.

2.4 Voluntary Prepayment

Prior to the Creditor making the third and final advance of \$500,000 to the Company under Section 4.3, the Company may prepay the outstanding principal amount and any accrued and unpaid interest thereon at any time and from time to time. Upon the Creditor making the third and final advance of \$500,000 to the Company under Section 4.3, the Company shall not, prior to the Maturity Date, be permitted to repay to the Creditor the whole or any part of any principal sum owing by it from time to time hereunder without the prior written consent of the Creditor in its sole discretion.

ARTICLE THREE **COVENANTS AND REPRESENTATIONS OF THE COMPANY**

3.1 Positive Covenants.

So long as this Debenture remains outstanding, the Company covenants and agrees that it will and cause each of its subsidiaries to:

- (a) **Payment and Performance of Obligations.** Duly and punctually pay all sums of money due by it under the terms of this Debenture at the times and places and in the manner provided for by this Debenture and shall duly and punctually perform and observe all other obligations on its part to be performed or observed hereunder at the times and in the manner provided for herein;
- (b) **Common Shares.** At all times reserve and keep available Common Shares for the purpose of effecting any conversion pursuant to Article Five;
- (c) **Observation of Covenants.** Duly observe and perform each and every one of its covenants and agreements set forth in the Transaction Documents;
- (d) **Notice.** Provide the Creditor with prompt written notice of: (i) any event which constitutes, or which, with notice, lapse of time, or both, would constitute an Event of Default hereunder; (ii) the commencement by or against the Company or any of its subsidiaries, as the case may be, of any material litigation or legal proceedings; and (iii) any default by the

Company or any of its subsidiaries, as the case may be, under a contract to which it is a party with a value in excess of \$50,000;

- (e) **Maintenance of Existence & Business Practices.** Do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence and its rights and franchises. Without limiting the generality of the foregoing, the Company shall, and shall cause each of its subsidiaries to (i) use, operate and maintain all of their property and assets in a good and workman like manner and in accordance with good business practice and in a manner which does not impair the Security Interests of the Creditor in such property and assets; and (ii) continue to collect all accounts receivable in the ordinary course of their business consistent with past practice;
- (f) **Compliance with Laws.** Comply with all Applicable Laws (but without regard to the provisions of the USCSA as applied to the Company's U.S. Cannabis operations);
- (g) **Approvals.** Use commercially reasonable efforts to obtain all necessary waivers, consents, Permits and approvals required to be obtained by the Company and its subsidiaries to operate their business, own their assets, and to complete the transactions contemplated by each of the Transaction Documents;
- (h) **Taxes.** Pay all taxes imposed on it, or on its income or profits or its assets, when due and payable, except for any taxes assessed against the Company or its subsidiaries which they are in good faith contesting pursuant to a *bona fide* dispute process;
- (i) **Insurance.** Maintain insurance coverage with responsible insurers, in amounts and against risks normally insured by owners of similar businesses or assets. Promptly on the happening of any loss or damage, the Company will furnish or cause to be furnished at its own expense all necessary proofs and will do all necessary acts to enable the Creditor to obtain payment of the insurance monies, which, in the sole discretion of the Creditor, may be applied in reinstating the insured property or be paid to the Company or the subsidiaries or be applied in payment of the Obligations, whether due or not then due, or paid partly in one way and partly in another. Such insurance coverage shall name the Creditor as first loss payee and additional insured, and neither the Company nor any of its subsidiaries shall fail to promptly give any notice or present any material claim thereunder;
- (j) **Carry on Business.** Continue to carry on and conduct their business in a proper and efficient manner, maintain proper books and records (in which full and correct entries shall be made of all financial transactions and the assets and the business of the Company and each of its subsidiaries in accordance with GAAP);
- (k) **Provision of Further Information.** Provide to the Creditor:

- (i) upon request, all production books and records;
 - (ii) notice of the occurrence of any default or Event of Default setting out the details of any event so disclosed and the steps (if any) taken by it to remedy or cure the same;
 - (iii) any impending or current litigation, arbitration, criminal or administrative proceeding, tax claim or labour dispute or other proceeding relating to the Company or any of its subsidiaries or its respective property, assets or revenues, or its respective outstanding share capital;
 - (iv) a copy of (i) notice received from the counterparty of any consent, Permit or approval and (ii) notice of any event which may result in the termination of, or the ability of any party to terminate, any authorization, Permit or approval;
 - (v) the receipt of any notice given or sent to or served upon the Company or any of its subsidiaries which would constitute, or would be reasonably expected to constitute, a Material Adverse Change;
 - (vi) all information as may from time to time be required by the Creditor under or in connection with compliance with any Applicable Laws; and
 - (vii) such other information as the Creditor may request, acting reasonably, from time to time;
- (l) **Ownership.** Defend their right, title and interest in and to their respective property and assets (including, for greater certainty, the Collateral) against the claims of all other Persons, at their own expense, as well as maintain corporate ownership, direct or indirect, of all of its subsidiaries;
 - (m) **Good Accounting Practice.** At all times keep proper books of record and account which, in all material respects, are kept, where applicable, in accordance with GAAP, consistently applied;
 - (n) **Payment and Performance of Third-Party Obligations.** Duly and punctually pay all material sums of money due by them to any party other than the Creditor as and when such payments shall become due and shall maintain in good standing and observe and perform in all material respects all material contracts to which they are a party;
 - (o) **Further Assurances.** Provide the Creditor with such other documents, opinions, consents, acknowledgements and agreements as are reasonably necessary to implement this Debenture and the other Transaction Documents and perfect and maintain any of the security interests granted, or intended to be granted, to the Creditor pursuant to or in connection herewith; and

- (p) **Subsidiaries.** At all times ensure that the Company maintain its ownership interest in each of the Company's subsidiaries with no less interest than that held by the Company in such subsidiary as of the Effective Date.
- (q) **Reporting Issuer Status and Listing.** The Company shall maintain (i) its status as a "reporting issuer" (or the equivalent thereof) under applicable Securities Laws not in default; and (ii) the listing of the Common Shares on the CSE in good standing, and timely file all reports and otherwise comply with all other requirements of the CSE and under applicable Securities Laws.

3.2 **Negative Covenants.**

At all times, for so long as this Debenture remains outstanding, the Company hereby covenants and agrees, that, without the prior written consent of the Creditor, the Company shall not, and shall ensure that each of its subsidiaries shall not:

- (a) **Amalgamations.** Directly or indirectly, by operation of law or otherwise, amalgamate with, merge with, consolidate with or otherwise combine with, any Person;
- (b) **Indebtedness.**
 - (i) Create, incur, assume or permit to exist any indebtedness, except:
 - A. trade debt incurred in the ordinary course of business and consistent with past practice; and
 - B. indebtedness secured by PMSIs up to the amounts permitted by Section 1.1(jj)(x);
 - (ii) Lend money to, guarantee the indebtedness of or give financial assistance to any other Person other than the Company, the Company's subsidiaries, or otherwise render itself liable in any manner whatsoever, whether directly or indirectly, for the indebtedness of any person other than granting credit to trade creditors in the ordinary course of its business and consistent with past practice and payments made to EPG Energy Corporation prior to the Effective Date;
- (c) **Encumbrances.** Create, incur, assume or permit to exist any Encumbrance on or with respect to any of their properties or assets (whether now owned or hereafter acquired) except for Permitted Encumbrances;
- (d) **Issue Shares.** Issue any classes of shares, or any equivalent ownership interests in a Person (including partnership, membership or trust interests therein), other than Common Shares;

- (e) **Non-Arm's Length Transactions.** Enter into, amend or be a party to any agreement or transaction with, or make any payment to, any Person not acting at arm's length (as defined in the *Income Tax Act* (Canada)) (other than its wholly-owned subsidiaries, EPG Energy Corporation and Highway 395 Dispensary Inc., in the ordinary course of Company's business and consistent with past practice);

- (f) **Restricted Payments.**
 - (i) Declare or pay any dividend or incur any liability to make any other payment or distribution of cash, other property or other assets in respect of any class of its capital stock, warrants, options or other rights with respect to any shares of any class of its capital stock;

 - (ii) Make any payment or distribution, or apply any of its funds, property or assets on account of the purchase, redemption, defeasance, sinking fund, retirement, or any other reduction of any class of its capital stock, warrants, options or other rights with respect to any shares of any class of its capital stock;

 - (iii) Make any repayment, redemption, purchase or other defeasance or discharge of any indebtedness owing to, or make any other payment to, any Affiliate other than the Company or subsidiary of the Company (including payments of principal, interest or otherwise on account of in reduction of inter-corporate debt); or

 - (iv) Make any deposit for any of the foregoing purposes or other discharge of any indebtedness incurred by an Affiliate other than the Company or a subsidiary of the Company;

provided however that the Company's wholly-owned subsidiaries are not prohibited from taking the above actions.

- (g) **Change of Corporate Name or Location.** Change its corporate name or change or move its chief executive office, registered office, principal place of business, corporate offices, warehouses or other locations at which Collateral is held or stored and/or the location of its records concerning the Collateral, without:
 - (i) providing the Creditor with at least thirty (30) days' prior written notice of their intention to do same; and

 - (ii) having received the Creditor's written acknowledgement that any reasonable action requested by the Creditor in connection therewith (including to continue the perfection of any Encumbrance in favour of the Creditor in any Collateral) has been completed or taken;

- (h) **Change of Year-End, Accountants or Auditors.** Change its fiscal year-end, or change, replace or terminate the accountants or auditors retained by the Company or its subsidiaries (as applicable) at the time of entering into this Debenture;

- (i) **No Sale of Assets.** Directly or indirectly sell, lease, assign, transfer, convey or otherwise dispose of (whether in one or a series of transactions) its property and assets except for sales (i) of equipment, fixtures or materials that are worn-out or obsolete or have been replaced and are not required for the conduct by the Company or any of its subsidiaries of its business, (ii) of inventory made in the ordinary course and as part of the normal operation of its business, or (iii) otherwise with the prior written consent of the Creditor;
- (j) **Employment Agreements.** Amend any employment agreements or consulting agreements with any Person not acting at arms-length. For greater clarity this provision shall not be read as preventing the Company from entering into, or amending, employment or consulting agreements in the ordinary course of the Company's business with Persons that are not executive officers or directors of the Company and its Material Subsidiaries;
- (k) **Constating Documents.** Amend their notice of articles, articles, by-laws or other constating documents in any manner which is reasonably likely to result in a Material Adverse Change;
- (l) **Nature of Business.** Carry on any business other than the business presently carried on by the Company and its subsidiaries, nor discontinue its business or any material part thereof;
- (m) **Securities, Capital and Subsidiaries.** Acquire any securities or subscribe capital to any company or incorporate or acquire any subsidiaries;
- (n) **Royalty Obligations.** Create or suffer to exist, any royalty, overriding royalty, production payment, net profit interest, offtake, inventory purchase and sale, or other similar burden on production or other interest with respect to its property or assets;
- (o) **Dissolution.** Liquidate, wind-up, dissolve themselves (or suffer any liquidation or dissolution), reorganize, make an assignment for the benefit of their creditors or file a petition, answer or consent to seeking a reorganization;
- (p) **No Sale-Leasebacks.** Directly, or indirectly, enter into any arrangement providing for the sale, assignment, transfer or disposition of any property used in the ordinary course of its business and thereafter rent or lease such property; and
- (q) **Investments.** Make any investments other than in the Company's business or in cash equivalents, other than investments arising out of the Transaction Documents or investments held by the Company as of the Effective Date.

3.3 Representations and Warranties

The Company hereby represents and warrants to the Creditor that:

- (a) **No Default.** No default has occurred and is continuing under any material agreement to which the Company or any of its subsidiaries is a party or by which their properties are bound;
- (b) **Location.** Schedule B is a list of all of the Company's subsidiaries and a list of all of the addresses at which the Company and each of its subsidiaries (i) have their respective chief executive office, head office, registered office and principal place of business, (ii) carry on business, and (iii) store any tangible personal property (except for goods in transit in the ordinary course of business);
- (c) **Status; Corporate Power and Qualification.** Each of the Company and each of its subsidiaries:
 - (i) is a corporation duly incorporated, organized, validly existing and in good standing under the laws of its jurisdiction of formation;
 - (ii) is duly qualified to conduct business and is in good standing in each other jurisdiction where its ownership or lease of property or the conduct of its business requires such qualification;
 - (iii) has the requisite corporate power and authority and the legal right to own, pledge, mortgage, hypothecate or otherwise encumber and operate its properties and assets, to lease the property it operates under lease and to conduct its business as presently conducted in the jurisdictions in which it currently carries on business;
 - (iv) is in compliance with its constating documents and by-laws; and
 - (v) is in compliance with all applicable provisions of Applicable Law;
- (d) **Authorization; Execution and Delivery; Approval and Conflict.** The execution, delivery and performance by the Company of this Debenture and the other Transaction Documents and the creation of the Encumbrances in favour of the Creditor:
 - (i) are within the Company's and its subsidiaries' corporate power;
 - (ii) have been duly authorized by all necessary or proper corporate and shareholder action;
 - (iii) do not contravene any provision of the Company's or the subsidiaries' constating documents or bylaws or any resolutions passed by the directors (or any committee thereof) or shareholders of the Company or any of its subsidiaries;

- (iv) do not result in any breach or violation of any statute or any judgment, decree, order, rule, policy or regulation of any court, governmental authority, arbitrator, stock exchange or securities regulatory authority applicable to the Company or any of its subsidiaries or any of their respective properties or assets;
 - (v) do not conflict with or result in the breach or termination of, constitute a default under or accelerate or permit the acceleration of any performance required by, any indenture, mortgage, deed of trust, lease, agreement or other instrument to which the Company or any of its subsidiaries is a party or by which the Company, any of its subsidiaries or any of their respective property or assets is bound; and
 - (vi) do not require the consent, approval, authorization, order or agreement of, or registrations or qualification with any Governmental Authority or any other Person;
- (e) **Validity of Agreements.** Each of the Debenture and the other Transaction Documents has been duly executed and delivered by the Company and constitutes a legal, valid and binding obligation of the Company enforceable against it in accordance with its terms, subject only to:
- (i) applicable bankruptcy, insolvency, liquidation, reorganization, reconstruction, moratorium laws or similar laws affecting creditors' rights generally; and
 - (ii) the fact that the availability of equitable remedies, such as specific performance and injunctive relief, are in the discretion of a court and may not be available where damages are considered an equitable remedy;
- (f) **Taxes and Filings.** All tax returns, reports and statements, including information returns, required by any Governmental Authority to be filed by the Company and each of its subsidiaries have been filed with the appropriate Governmental Authority and all taxes have been paid prior to the date on which any fine, penalty, interest or late charge may be added thereto for non-payment thereof (or any such fine, penalty, interest, late charge or loss has been paid). The Company and each of its subsidiaries has duly and timely filed all material returns required to be filed by it prior to the date hereof, other than those which have been administratively waived, and all such returns are or will be upon filing, true, complete and correct in all material respects. The Company and each of its subsidiaries has paid or has collected, withheld and remitted to the appropriate Governmental Authority on a timely basis all material Governmental Charges which are due and payable, other than those which are being or have been contested in good faith and, where payment is not yet due. No audit, action, investigation, deficiencies, litigation, proposed adjustments or other matters in controversy exist or have been asserted or threatened with respect to Governmental

Charges of the Company or any of its subsidiaries, and the Company and its subsidiaries are not a party to any action or proceeding for assessment or collection of Governmental Charges and no such event has been asserted or, to the knowledge of the Company, threatened against the Company, its subsidiaries, or any of their respective assets or property, except where such deficiencies or other matters, actions or proceedings would not reasonably be expected to have a Material Adverse Change. There are no currently effective material elections, agreements or waivers extending the statutory period or providing for an extension of time with respect to the assessment or reassessment of any Governmental Charges, or of the filing of any return or any payment of Governmental Charges by the Company or any of its subsidiaries;

- (g) **Authorized Capital.** The authorized capital of the Company consists of an unlimited number of Common Shares, of which 26,744,206 Common Shares are issued and outstanding as of the date hereof. Except pursuant to the Transaction Documents and as disclosed in the Public Disclosure Record, (i) the Company does not have any outstanding agreement, subscription, warrant, option or commitment (nor has it granted any right or privilege capable of becoming an agreement, subscription, warrant, option or commitment) obligating it to issue or sell any Common Shares or other securities, including any security or obligation of any kind convertible into or exchangeable for Common Shares or other security; and (ii) there is no outstanding share or stock appreciation right, phantom equity, restricted share unit, deferred share unit or similar right, agreement, arrangement or commitment based on the market price of the Common Shares or the income or any other attribute of the Company or any of its subsidiaries. Other than the Transaction Documents, there is no outstanding shareholder agreement, proxy, voting trust, right to require registration under any applicable securities legislation or any other arrangement or commitment to which the Company or any of its subsidiaries is a party or bound, with respect to the voting, disposition or registration of any outstanding securities of the Company or any of its subsidiaries;
- (h) **Valid Issuance of Debenture and Underlying Shares.** This Debenture will be duly and validly created and issued, and will be free of restrictions on transfer other than restrictions on transfer set forth in the Debenture and under applicable securities legislation. The Common Shares issuable upon the conversion of the Debenture will be duly and validly authorized, allotted and reserved for issuance upon such conversion and will, upon the conversion of the Debenture in accordance with its terms, be validly issued as fully paid and non-assessable shares in the capital of the Company;
- (i) **Corporate Records.** The Corporate Records of the Company and each of its subsidiaries are complete and accurate in all material respects and all corporate proceedings and actions reflected therein have been conducted or taken in material compliance with all Applicable Laws and with the constating documents of the Company or such subsidiary. Without limiting the generality of the foregoing: (i) the minute books

contain, in all material respects, complete and accurate minutes (or drafts thereof) of all meetings of the directors and shareholders of the Company and each of its subsidiaries and all such meetings were duly called and held; (ii) the minute books contain, in all material respects, all written resolutions passed by the directors and shareholders of the Company and each of its subsidiaries and all such resolutions were duly passed; and (iii) the registers of directors and officers of the Company and each of its subsidiaries are complete and accurate, in all material respects, and all former and present directors and officers of the Company and each of its subsidiaries were duly elected or appointed, as the case may be;

- (j) **Restrictive Agreements.** Neither the Company nor any of its subsidiaries is subject to any restriction under its constituting documents or is party or subject to any Claim, Encumbrance or contract, instrument or other agreement which would prevent (i) the consummation of the transactions contemplated by this Debenture or the other Transaction Documents, (ii) compliance by the Company or any of its subsidiaries with the terms, conditions and provisions of this Debenture or the other Transaction Documents, as applicable, or (iii) the Company or any of its subsidiaries from carrying on its business as currently conducted after the date hereof;
- (k) **No Material Adverse Change.** Except as disclosed by the Company to the Creditor prior to the Effective Date, since December 31, 2018 there has been no change in the affairs, assets, liabilities, business, prospects, operations or conditions (financial or otherwise) of the Company, on a consolidated basis, which had or would reasonably be expected to have a Material Adverse Change;
- (l) **Financial Statements.** The consolidated financial statements for the Company for the financial year and financial quarter mostly recently ended, together with the auditors' report thereon and the notes thereto, have been prepared in accordance with GAAP on a basis consistent with prior periods (except as disclosed in such consolidated financial statements) and present fairly and correctly in all material respects the financial condition and position and results of operations and cash flows of the Company on a consolidated basis as at the date thereof;
- (m) **Compliance with Contracts.** Except for matters that would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Change, (i) neither the Company nor any of its subsidiaries nor, to the knowledge of the Company, any third party is in breach or default of any contract, instrument or other agreement to which it is a party and (ii) no event has occurred which, with notice or lapse of time or both, would constitute such a default or breach;
- (n) **Accounting Controls.** The Company maintains a system of internal accounting controls sufficient to provide reasonable assurance that in all material respects transactions are executed in accordance with management's general or specific authorization, transactions are

recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain accountability for assets and access to assets is permitted only in accordance with management's general or specific authorization;

- (o) **Compliance with Laws, Licenses and Permits.** Each of the Company and its subsidiaries (i) has conducted and is conducting its business in compliance in all material respects with all Applicable Laws (except with respect to the provisions of the USCSA as applied to the Company's U.S. Marijuana operations, for which no representations or warranties are made) of each jurisdiction in which it carries on business and (ii) possesses or will possess all material approvals, consents, certificates, registrations, authorizations, permits and licenses issued by the appropriate provincial, state, municipal, federal or other regulatory agency or body necessary to carry on its business as currently conducted or contemplated to be conducted (collectively, the "**Permits**"). Each of the Company and its subsidiaries is in compliance in all material respects with the terms and conditions of all such Permits and neither the Company nor any of its subsidiaries has received any notice of the material modification, revocation or cancellation of, or any intention to materially modify, revoke or cancel or any proceeding relating to the modification, revocation or cancellation of any such Permit. Notwithstanding the forgoing, the Creditor understands and acknowledges that Marijuana remains a Schedule I drug under the USCSA and, as such, the cultivation, processing, distribution and possession of Marijuana and Marijuana related products remains illegal under U.S. federal law and, as such there are inherent risks with respect to the legality of the Company's business operations in the United States and that no representations or warranties are made with respect to the legality of such operations under U.S. federal law;
- (p) **Environmental.**
 - (i) The Company and each of its subsidiaries has conducted, and is conducting, its business in compliance in all material respects with Environmental Laws;
 - (ii) None of the properties owned or leased by the Company or any of its subsidiaries has been used to generate, manufacture, refine, treat, recycle, transport, store, handle, dispose, transfer, produce or process Hazardous Materials except in compliance in all material respects with all Environmental Laws;
 - (iii) Neither the Company nor any of its subsidiaries has caused or permitted the release of any Hazardous Materials at, in, on, under or from any property owned or leased by the Company or any of its subsidiaries except in compliance in all material respects with all Environmental Laws;
 - (iv) All Hazardous Materials handled, recycled, disposed of, treated or stored on or off-site of any of the properties owned or leased by the

Company or any of its subsidiaries have been handled, recycled, disposed of, treated and stored in material compliance with all Environmental Laws and, to the knowledge of the Company, there are no Hazardous Materials at, in, on, under or migrating from any of the aforementioned properties except in material compliance with all Environmental Laws;

- (v) The Company and each of its subsidiaries is in possession of all required environmental approvals (all of which are being complied with in all material respects) required to own, lease, operate, develop and exploit the properties (as and when acquired) and conduct its business as it is now being conducted;
- (vi) No environmental, reclamation or abandonment obligation or work orders or other liabilities presently exist with respect to any portion of the properties owned or leased by the Company or any of its subsidiaries and, to the knowledge of the Company, there is no basis for any such obligations or liabilities to arise in the future as a result of any activity on any of these properties owned or leased by the Company or any of its subsidiaries; and
- (vii) Neither the Company nor any of its subsidiaries has received from any person or Governmental Authority any notice, formal or informal, of any proceeding, action or other claim, liability or potential liability arising under any Environmental Law that is pending which would be likely to result in any material action being taken by any Governmental Authority or any other person;
- (q) **Assets.** The Company and each of its subsidiaries own or otherwise hold good and valid legal title to, or hold a valid leasehold interest in, all material assets and properties that are required to conduct the business and operations of the Company and each of its subsidiaries as presently conducted, and there are no Encumbrances on any such assets or properties that would, individually or in the aggregate, materially detract from the value of any such assets or properties or materially and adversely impact the normal use and operation thereof by the Company and each of its subsidiaries in the ordinary course of business;
- (r) **Employment and Labour Matters.**
 - (i) As of the Effective Date, none of the Company or any of its subsidiaries is a party to or bound or governed by, or subject to, or has any liability with respect to (i) any collective bargaining or union agreement or other similar arrangement with any labour union or employee associate, or any actual or, to the knowledge of the Company, threatened application for certification or bargaining rights in respect of the Company or any of its subsidiaries or (ii) any labour dispute, work stoppage or slowdown, strike or lock-out relating to or involving any employees of the Company or any of its subsidiaries. Notwithstanding the forgoing, the Company has disclosed to the Creditor that it may, in the future, be required under

the provisions of California Assembly Bill 1291, to enter into collective bargaining or other "labour peace agreements" in respect of its Cannabis operations in California.

- (ii) Each of the Company and its subsidiaries have operated in material compliance with all Applicable Laws with respect to employment and labour in all material respects, including employment and labour standards, occupational health and safety, employment equity, pay equity, workers' compensation, human rights, labour relations and privacy and, except for proceedings that would not reasonably be expected to have a Material Adverse Change, there are no current, pending or, to the knowledge of the Company, threatened proceedings by or before any Governmental Authority with respect to any such matters;
- (iii) Each material plan for retirement, bonus, stock purchase, profit sharing, stock option, deferred compensation, severance or termination pay, insurance, medical, hospital, dental, vision care, drug, sick leave, disability, salary continuation, legal benefits, unemployment benefits, vacation, pension, incentive or otherwise contributed to, or required to be contributed to, by the Company or any of its subsidiaries for the benefit of any current or former officer, director, employee or consultant of the Company or any of its subsidiaries has been maintained in material compliance with the terms thereof and with the requirements prescribed by any and all statutes, orders, rules, policies and regulations that are applicable to any such plan;
- (s) **Insolvency.** Neither the Company nor any of its subsidiaries has admitted in writing that it is, or has been declared to be, insolvent or unable to pay its debts. Neither the Company nor any of its subsidiaries has committed an act of bankruptcy or sought protection from its creditors before any court or pursuant to any legislation, proposed a compromise or arrangement to its creditors generally, taken any proceeding with respect to a compromise or arrangement, taken any proceeding to be declared bankrupt or wound up, taken any proceeding to have a receiver appointed of any of its assets, had any person holding any Encumbrance, charge, hypothec, pledge, mortgage, title retention agreement or other security interest or receiver take possession of any of its property, had an execution or distress become enforceable or levied upon any portion of its property or had any petition for a receiving order in bankruptcy filed against it;
- (t) **Legal Proceedings.** Other than as disclosed in Schedule C, there is no material action, suit or proceeding, at law or in equity, by any person, nor any arbitration, administrative or other proceeding by or before (or to the knowledge of the Company any investigation by) any Governmental Authority pending, or, to the knowledge of the Company, threatened against or affecting the Company, any of its subsidiaries or any of their respective properties or rights and, to the knowledge of the Company, there is no valid basis which would reasonably be expected

to result in any such action, suit, proceeding, arbitration or investigation or which would reasonably be expected to prevent or delay the issuance of this Debenture, the execution and delivery of any of the other Transaction Documents, or have a Material Adverse Change on the Company or any of its subsidiaries or its assets. Neither the Company nor any of its subsidiaries is subject to any judgment, order or decree entered in any lawsuit or proceeding;

- (u) **Insurance.** The assets, business and operations of the Company and each of its subsidiaries are insured against loss or damage with responsible insurers on a basis consistent with insurance obtained by reasonably prudent participants in a comparable business in comparable circumstances and such coverage is in full force and effect as of the Effective Date;
- (v) **Accuracy of Disclosure.** All written and factual information previously or contemporaneously furnished to the Creditor by or on behalf of the Company for purposes of or in connection with this Debenture, the other Transaction Documents or any transaction contemplated hereby or thereby, is true and accurate in every material respect and such information is not incomplete by the omission of any material fact necessary to make such information not misleading; and
- (w) **No Withholding of Information.** The Company has not withheld from the Creditor any fact or information relating to the Company or any of its subsidiaries or to the transactions contemplated by this Debenture or the other Transaction Documents that would, in the opinion of the Creditor, be material to the Creditor in deciding whether to enter into this Debenture and the other Transaction Documents.
- (x) **Reporting Issuer and Listing Status.** The Company is a reporting issuer or the equivalent thereof not in default under the Securities Laws of each of the Provinces of British Columbia, Alberta and Ontario; where applicable, the Company is in compliance with its timely disclosure obligations under the Securities Laws in each of the Provinces of British Columbia, Alberta and Ontario and under the rules and policies of the CSE and, without limiting the generality of the following, since September 30, 2019, there has not occurred any Material Adverse Change in the business, affairs, operations, assets, liabilities (contingent or otherwise) or capital of the Company and its subsidiaries (taken together as a whole) which has not been publicly disclosed; the Common Shares are listed and posted for trading on the CSE and the Company is in material compliance with the applicable rules and policies of the CSE, except as otherwise disclosed by the Company to the Creditor prior to the Effective Date.
- (y) **No Orders.** No order, ruling or determination having the effect of suspending the sale of, or ceasing the trading of, the Common Shares or any other securities of the Company has been issued and is continuing in effect and no proceedings for that purpose have been instituted, are pending or, to the knowledge of the Company, are

contemplated or threatened (in writing) under any Applicable Law or by any Governmental Authorities.

- (z) **Disclosure Controls.** The Company has established and maintains a system of disclosure controls and procedures that are designed to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under applicable Securities Laws are recorded, processed, summarized and reported within the time periods specified in applicable Securities Laws. Such disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted under applicable Securities Laws are accumulated and communicated to the Company's management, including its chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.
- (aa) The Common Shares to be issued hereunder have been, or prior to the time of closing on the Closing Date or closing of the Second Advance and the Third Advance, as applicable, will be duly authorized for issuance and will, upon their issuance in accordance with Article Five, be validly issued as fully paid and non-assessable shares in the capital of the Company.
- (bb) The Warrants have been duly and validly created and authorized for issuance and when issued and delivered by the Company pursuant to the Subscription Agreement (Debenture) and the certificate(s) representing the Warrants, the Warrants will be validly issued.
- (cc) The Common Shares issuable upon exercise of the Warrants have been duly and validly allotted and authorized for issuance and, upon exercise of the Warrants in accordance with the terms and conditions of the certificates representing the Warrants, the Common Shares issuable upon exercise thereof will be validly issued as fully paid and non-assessable Common Shares.

3.4 **Survival of Representations and Warranties**

The representations and warranties of the Company contained in this Debenture and in all certificates delivered pursuant to or contemplated by this Debenture will survive the execution of this Debenture. Each representation and warranty will be deemed to repeat (x) on the first day of each month preceding (x) the Maturity Date, with reference to the facts and circumstances then subsisting, as if made at such time, and (y) on the date of each advance hereunder.

ARTICLE FOUR
CONDITIONS PRECEDENT

4.1 Conditions Precedent to Initial Advance

The obligation of the Creditor to make the initial advance of \$500,000 under this Debenture will be subject to the completion of each of the following conditions precedent to the satisfaction of the Creditor:

- (a) prior written approval of the Creditor to such advance;
- (b) the Company shall have executed and delivered a Notice of Request for Advance in accordance with Section 2.2(b);
- (c) the execution and delivery of each of the Transaction Documents in form and substance satisfactory to the Creditor. For greater certainty, the Company will deliver a duly executed copy of the general security and pledge agreement by the Company in favour of the Creditor to be held in escrow by the Creditor's counsel, and which shall only be released to the Creditor on to the Creditor making the third and final advance of \$500,000 to the Company in accordance with Section 4.3 hereof;
- (d) the Company shall have obtained and provided evidence to the Creditor of all necessary corporate approvals;
- (e) the Company shall have delivered an officer's certificate attaching certified copies of its constating documents and the constating documents of each of the Material Subsidiaries, a certificate of incumbency and certified directors' resolutions of the Company authorizing the transactions contemplated by the Transaction Documents;
- (f) the Creditor shall be in receipt of all customary legal opinions in form and substance satisfactory to the Creditor;
- (g) confirmation that no default or event of default exists under any of the Transaction Documents;
- (h) a bringdown certificate of the Company confirming that all representations and warranties of the Company contained herein remain true and correct in all material respects;
- (i) All registrations in Canada necessary or desirable in connection with the Security Documents shall have been registered (or arrangements for registration satisfactory to the Creditor, acting reasonably, shall have been made) in all offices in which, in the opinion of the Creditor or its counsel, registration is necessary or of advantage to perfect or render opposable to third parties the Encumbrances intended to be created by the Security Documents. For clarity, no security interest will be granted by the Company to the Creditor, and no security interest will attach in favour of the Creditor, until the Creditor makes the third and final

advance of \$500,000 to the Company in accordance with Section 4.3 hereof;

- (j) The Company shall provide the Creditor certificates of insurance evidencing all insurance policies required to be maintained by the Company hereunder, such certificates to name the Creditor as an additional insured (with respect to liability insurance only) and a loss payee and containing (i) provisions that such policies will not be cancelled without 30 days prior written notice having been given by the insurance company to the Creditor, and (ii) a standard non-contributory "mortgagee", "lender" or "secured party" clause, as well as such other provisions as the Creditor may reasonably require to fully protect the Creditor's interest in all assets, property and undertakings of the Company and to any payments to be made under such policies.
- (k) such other documents, information and deliveries as may be reasonably required by the Creditor.

4.2 **Conditions Precedent to Second Advance**

The obligation of the Creditor to make the second advance of \$500,000 under this Debenture will be subject to the completion of each of the following conditions precedent to the satisfaction of the Creditor:

- (a) the Company shall have executed and delivered a Notice of Request for Advance in accordance with Section 2.2(b);
- (b) the conditions precedent in Section 4.1 shall have been completed to the satisfaction of the Creditor in its sole discretion;
- (c) the Company shall have delivered to the Creditor a business plan for the Company prepared by Graham Simmonds or such other Person as may be mutually agreed upon by the Company and the Creditor (the "**Business Plan**"), in form and substance satisfactory to the Creditor;
- (d) a bringdown certificate of the Company confirming (i) all representations and warranties of the Company contained herein remain true and correct in all material respects, (ii) no default or event of default exists under any of the Transaction Documents, and (iii) the non-occurrence of any Material Adverse Change; and
- (e) such other documents, information and deliveries as may be reasonably required by the Creditor.

4.3 **Conditions Precedent to Third Advance**

The obligation of the Creditor to make the third and final advance of \$500,000 under this Debenture will be subject to the completion of each of the following conditions precedent to the satisfaction of the Creditor:

- (a) the Company shall have executed and delivered a Notice of Request for Advance in accordance with Section 2.2(b);
- (b) the conditions precedent in Section 4.1 and Section 4.2 shall have been completed to the satisfaction of the Creditor in its sole discretion;
- (c) the Business Plan shall be approved by the Creditor and the Company, acting reasonably;
- (d) a bringdown certificate of the Company confirming (i) all representations and warranties of the Company contained herein remain true and correct in all material respects, (ii) no default or event of default exists under any of the Transaction Documents, and (iii) the non-occurrence of any Material Adverse Change;
- (e) confirmation from the Company that all Security Documents are valid and effective and, to the extent applicable, released from any escrow arrangement without condition or delay whatsoever, and that the Security Interest constitutes a valid, first-priority Encumbrance (subject only to Permitted Encumbrances) over all present and future property (both real and personal) of the Company and its subsidiaries and that all required filings and registrations shall have been made which, in the reasonable opinion of the Creditor's counsel, are desirable or required to make effective the Security Interest created or intended to be created by the Company and its subsidiaries in favour of the Creditor, and to ensure the perfection and priority of the Security Interest; and
- (f) such other documents, information and deliveries as may be reasonably required by the Creditor.

ARTICLE FIVE
CONVERSION OF CONVERTIBLE DEBENTURE

5.1 Optional Conversion of Debenture into Shares.

- (a) **Optional Conversion.** The Creditor shall have the right, at its option upon written notice at any time and from time to time during which the principal sum remains outstanding under this Debenture, to convert the whole or any part of the principal sum then outstanding hereunder, together with any accrued but unpaid interest thereon, into such number of Common Shares determined by a fraction equal to:
 - (i) the numerator of which shall be the amount of principal sum and any accrued but unpaid interest thereon being converted; and
 - (ii) the denominator of which shall be the Conversion Price;
- (b) **Conversion Mechanism.** The Creditor may exercise its rights to convert herein by (i) delivering to the Company a written notice exercising its right to convert in accordance with the provisions hereof, designating such part of the principal sum or interest hereof to be

converted at such time, and (ii) surrendering this Debenture to the Company at its principal office. Thereupon, the Creditor shall be entered in the books of the Company as at the Date of Conversion as the holder of the number of fully paid and non-assessable Common Shares into which the designated principal sum and any interest thereon is convertible in accordance with the provisions hereof and, as soon as practicable thereafter, the Company shall deliver a certificate or certificates representing such Common Shares to the Creditor.

5.2 **Date of Conversion.**

For the purposes hereof, this Debenture (or such part thereof, if applicable) shall be deemed to be converted on the Date of Conversion. As of and from the Date of Conversion, the Common Shares so issued shall for all purposes be and be deemed to be issued and outstanding as fully paid and non-assessable Common Shares in the name of the Creditor. Upon the issue by the Company of the said certificate or certificates, the principal amount of this Debenture, as the case may be, shall be automatically reduced by such principal amount.

5.3 **No Fractional Shares.**

Notwithstanding anything contained herein, the Company shall in no case be required to issue fractional Common Shares upon the conversion of this Debenture. If any fractional interest in the Common Shares would, except for the provisions of this Section, be deliverable upon the conversion of this Debenture, the Company shall, in lieu of delivering any certificate of fractional interest, satisfy the fractional interest by paying to the Creditor an amount of lawful money of Canada equal (computed to the nearest whole cent, with one-half of a cent being rounded up) to the principal amount of the Debenture outstanding after so much of the principal amount as may be converted into a whole number of Common Shares has been so converted.

5.4 **Reservation of Common Shares.**

The Company covenants and agrees that so long as any part of the principal sum outstanding hereunder or interest under this Debenture remains outstanding it will at all times reserve out of its unissued Common Shares against the conversion rights conferred on the Creditor herein a sufficient number of unissued Common Shares so as to entitle all of such principal sum outstanding hereunder, together with any accrued but unpaid interest thereon, at any time to be converted upon the basis and upon the terms and conditions provided for in this Article Five.

5.5 **Adjustment of Shares of the Company.**

- (a) For the purpose of this Section 5.5, unless there is something in the subject matter or context inconsistent therewith, the words and terms defined below shall have the respective meanings specified therefor:
- (b) "**Current Market Price**" of the Common Shares at any date means the price per share equal to the weighted average price at which the Common Shares have traded on the CSE or, if the Common Shares are not then listed on the CSE, on such other Canadian stock exchange on which the shares trade as may be selected by the directors of the Company for such purpose or, if the Common Shares are not then listed on any Canadian stock exchange, in the over-the-counter market, during

the period of any twenty consecutive trading days ending not more than five business days before such date; provided that the weighted average price shall be determined by dividing the aggregate sale price of all Common Shares sold on the said exchange or market, as the case may be, during the said twenty consecutive trading days by the total number of Common Shares so sold; and provided further that if the Common Shares are not then listed on any Canadian stock exchange or traded in the over-the counter market, then the Current Market Price shall be determined by such firm of independent chartered accountants as may be selected by the directors of the Company;

- (c) "**director**" means a director of the Company for the time being and, unless otherwise specified herein, a reference to action "by the directors" means action by the directors of the Company as a board or, whenever empowered, action by the executive committee of such board; and
- (d) "**trading day**" with respect to a stock exchange or over-the-counter market means a day on which such stock exchange or market is open for business.
- (e) If and whenever at any time after the date hereof and prior to the Maturity Date the Company shall (i) subdivide or redivide its then outstanding Common Shares into a greater number of Common Shares, (ii) reduce, combine or consolidate its then outstanding Common Shares into a lesser number of Common Shares or (iii) issue Common Shares (or securities exchangeable for or convertible into Common Shares) to the holders of all or substantially all of its then outstanding Common Shares by way of a stock dividend or other distribution (any of such events herein called a "**Common Share Reorganization**"), then the Conversion Price shall be adjusted effective immediately after the effective date of any such event in (i) or (ii) above or the record date at which the holders of Common Shares are determined for the purpose of any such dividend or distribution in (iii) above, as the case may be, by multiplying the Conversion Price in effect on such effective date or record date, as the case may be, by a fraction, the numerator of which shall be the number of Common Shares outstanding on such effective date or record date, as the case may be, before giving effect to such Common Share Reorganization and the denominator of which shall be the number of Common Shares outstanding immediately after giving effect to such Common Share Reorganization including, in the case where securities exchangeable for or convertible into Common Shares are distributed, the number of Common Shares that would be outstanding if such securities were exchanged for or converted into Common Shares.
- (f) If at any time after the date hereof and prior to the Maturity Date the Company shall fix a record date for the issue or distribution to the holders of all or substantially all of the outstanding Common Shares, of rights, options or warrants pursuant to which such holders are entitled, during a period expiring not more than 45 days after the record date for

such issue (such period being the "**Rights Period**"), to subscribe for or purchase Common Shares or securities exchangeable for or convertible into Common Shares at a price per share (or in the case of securities exchangeable for or convertible into Common Shares at an exchange or conversion price per share at the date of issue of such securities) of less than 95% of the Current Market Price of the Common Shares on such record date (any of such events being herein called a "**Rights Offering**"), the Conversion Price shall be adjusted effective immediately after the record date for the Rights Offering to the amount determined by multiplying the Conversion Price in effect on such record date by a fraction:

- (i) the numerator of which shall be the aggregate of
 - the number of Common Shares outstanding on the record date for the Rights Offering; and
 - the quotient determined by dividing
 - I. either (a) the product of the number of Common Shares offered during the Rights Period pursuant to the Rights Offering and the price at which such Common Shares are offered, or, (b) the product of the exchange or conversion price of the securities so offered and the number of Common Shares for or into which the securities offered pursuant to the Rights Offering may be exchanged or converted, as the case may be, by
 - II. the Current Market Price of the Common Shares as of the record date for the Rights Offering; and
- (ii) the denominator of which shall be the aggregate of the number of Common Shares outstanding on such record date and the number of Common Shares offered pursuant to the Rights Offering (including in the case of the issue or distribution of securities exchangeable for or convertible into Common Shares the number of Common Shares for or into which such securities may be exchanged or converted).

If by the terms of the rights, options, or warrants referred to in this Section 5.5(f), there is more than one purchase, conversion or exchange price per Common Share, the aggregate price of the total number of additional Common Shares offered for subscription or purchase, or the aggregate conversion or exchange price of the convertible or exchangeable securities so offered, shall be calculated for purposes of the adjustment on the basis of the lowest purchase, conversion or exchange price per Common Share, as the case may be. Any Common Shares owned by or held for the account of the Company shall be deemed not to be outstanding for the purpose of any such calculation. To the extent that any adjustment in the Conversion Price occurs pursuant to this Section 5.5(f) as a result of the

fixing by the Company of a record date for the issue or distribution of rights, options or warrants referred to in this Section 5.5(f), the Conversion Price shall be readjusted immediately after the expiry of any relevant exchange, conversion or exercise right to the Conversion Price which would then be in effect based upon the number of Common Shares actually issued and remaining issuable after such expiry and shall be further readjusted in such manner upon the expiry of any further such right.

If this Debenture has been converted during the period beginning after the record date for a Rights Offering and ending on the last day of the Rights Period thereunder, the Creditor will, in addition to the Common Shares to which it is otherwise entitled upon such conversion, be entitled to that number of additional Common Shares equal to the difference, if any, between (x) the result obtained when the Conversion Price in effect immediately prior to the end of such Rights Offering pursuant to this subsection is multiplied by the number of Common Shares received upon the conversion of this Debenture during such period, and the resulting product is divided by the Conversion Price as adjusted for such Rights Offering pursuant to this subsection provided that the provisions of Section 5.3 herein will be applicable to any fractional interest in a Common Share to which the Creditor might otherwise be entitled and (y) the number of Common Shares received upon the conversion of this Debenture during such Rights Period. Such additional Common Shares will be deemed to have been issued to the Creditor immediately following the end of the Rights Period and a certificate for such additional Common Shares will be delivered to the Creditor within 10 business days following the end of the Rights Period.

- (g) If at any time after the date hereof and prior to the Maturity Date, the Company shall fix a record date for the issue or distribution to the holders of all or substantially all of the Common Shares of:
 - (i) shares of the Company of any class other than Common Shares;
 - (ii) rights, options or warrants to acquire Common Shares or securities exchangeable for or convertible into Common Shares (other than rights, options or warrants pursuant to which holders of Common Shares are entitled, during a period expiring not more than 45 days after the record date for such issue, to subscribe for or purchase Common Shares at a price per share (or in the case of securities exchangeable for or convertible into Common Shares at an exchange or conversion price per share at the date of issue of such securities) of at least 95% of the Current Market Price of the Common Shares on such record date);
 - (iii) evidences of indebtedness of the Company; or
 - (iv) any property or assets of the Company (for greater certainty, including cash, but excluding a cash dividend in the ordinary course);

and if such issue or distribution does not constitute a Common Share Reorganization or a Rights Offering (any of such non-excluded events being herein called a "**Special Distribution**"), the Conversion Price shall be adjusted effective immediately after the record date for the Special Distribution to the amount determined by multiplying the Conversion Price in effect on the record date for the Special Distribution by a fraction:

the numerator of which shall be the difference between:

- I. the product of the number of Common Shares outstanding on such record date and the Current Market Price of the Common Shares on such record date, and
- II. the fair value (as determined by action by nationally or internationally recognized and independent firm of chartered accountants as may be selected by action by the directors of the Company, and subject to the approval of any stock exchange on which the Common Shares may then be listed, where required) to the holders of the Common Shares of the shares, rights, options, warrants, evidences of indebtedness or property or assets to be issued or distributed in the Special Distribution, and

the denominator of which shall be the product obtained by multiplying the number of Common Shares outstanding on such record date by the Current Market Price of the Common Shares on such record date.

Any Common Shares owned by or held for the account of the Company shall be deemed not to be outstanding for the purpose of such calculation. To the extent that any adjustment in the Conversion Price occurs pursuant to this Section 5.5(g) as a result of the fixing by the Company of a record date for the issue or distribution of rights, options or warrants to acquire Common Shares or securities exchangeable for or convertible into Common Shares referred to in this Section 5.5(g), the Conversion Price shall be readjusted immediately after the expiry of any relevant exercise, exchange or conversion right to the amount which would then be in effect if the fair market value had been determined on the basis of the number of Common Shares issued and remaining issuable immediately after such expiry, and shall be further readjusted in such manner upon the expiry of any further such right.

- (h) If and whenever at any time after the date hereof and prior to the Maturity Date there is a capital reorganization of the Company or a reclassification or other change in the Common Shares (other than a Common Share Reorganization) or a consolidation or merger or amalgamation of the Company with or into any other corporation or other entity (other than a consolidation, merger or amalgamation which does not result in any reclassification of the outstanding Common Shares or a change of the Common Shares into other securities), or a transfer of

all or substantially all of the Company's undertaking and assets to another corporation or other entity in which the holders of Common Shares are entitled to receive shares, other securities or other property (any of such events being called a "**Capital Reorganization**"), after the effective date of the Capital Reorganization the Creditor shall be entitled to receive, and shall accept, for the same aggregate consideration, upon conversion of this Debenture, in lieu of the number of Common Shares to which the Creditor was theretofore entitled upon the conversion of this Debenture, the kind and aggregate number of Common Shares and other securities or property resulting from the Capital Reorganization which the Creditor would have been entitled to receive as a result of the Capital Reorganization as if, on the effective date thereof, the Creditor has been the registered holder of the number of Common Shares to which the Creditor was theretofore entitled to purchase or receive upon the conversion of this Debenture. If necessary, as a result of any Capital Reorganization, appropriate adjustments shall be made in the application of the provisions of this Debenture with respect to the rights and interest thereafter of the Creditor to the end that the provisions of this Debenture shall thereafter correspondingly be made applicable as nearly as may reasonably be possible in relation to any shares or other securities or property thereafter deliverable upon the conversion of this Debenture.

- (i) If the Company takes any action affecting its Common Shares to which the foregoing provisions of this Section 5.5, in the opinion of the directors of the Company, acting in good faith, are not strictly applicable, or if strictly applicable would not fairly adjust the rights of the Creditor against dilution in accordance with the intent and purposes hereof, or would otherwise materially affect the rights of the Creditor hereunder, then the Company shall, subject to the approval of any stock exchange or quotation system on which the Common Shares are then listed and posted (or quoted) for trading, as applicable, execute and deliver to the Creditor an amendment hereto providing for an adjustment in the application of such provisions so as to adjust such rights as aforesaid in such manner as the directors of the Company may determine to be equitable in the circumstances, acting in good faith. The failure of the taking of action by the directors of the Company to so provide for any adjustment on or prior to the effective date of any action or occurrence giving rise to such state of facts will be conclusive evidence that the directors has determined that it is equitable to make no adjustment in the circumstances.

5.6 **Adjustment Rules**

The following rules and procedures shall be applicable to the adjustments made pursuant to Section 5.5 herein:

- (a) any Common Shares owned (a) held by or for the account of the Company shall be deemed not be to outstanding except that, for the purposes of Section 5.5 herein, any Common Shares owned by a pension plan or profit sharing plan for employees of the Company or any

of its subsidiaries shall not be considered to be owned or held by or for the account of the Company;

- (b) the adjustments provided for in Section 5.5 herein are cumulative and shall apply to successive subdivisions, consolidations, dividends, distributions and other events resulting in any adjustment under the provisions of such item;
- (c) in the absence of a resolution of the board of directors of the Company fixing a record date for any dividend or distribution referred to in Section 5.5(e)(iii) herein, the Company shall be deemed to have fixed as the record date therefor the date on which such dividend or distribution is effected;
- (d) if the Company sets a record date to take any action and thereafter and before the taking of such action abandons its plan to take such action, then no adjustment to the Conversion Price will be required by reason of the setting of such record date;
- (e) as a condition precedent to the taking of any action which would require any adjustment to this Debenture evidenced hereby, including the Conversion Price, the Company must take any corporate action which may be necessary in order that the Company shall have unissued and reserved in its authorized capital and may validly and legally issue as fully paid and non-assessable all of the shares or other securities which the Creditor is entitled to receive on the conversion thereof in accordance with the provisions hereof;
- (f) forthwith, but no later than 14 days, after any adjustment to the Conversion Price, the Company shall provide to the Creditor a certificate of an officer of the Company certifying as to the amount of such adjustment and, in reasonable detail, describing the event requiring and the manner of computing or determining such adjustment;
- (g) any question that at any time or from time to time arises with respect to the amount of any adjustment to the Conversion Price or other adjustment pursuant to Section 5.5 herein shall be conclusively determined by a firm of independent chartered accountants (who may be the Company's auditors) and shall be binding upon the Company and the Creditor;
- (h) in case the Company, after the date of issue of this Debenture, takes any action affecting the Common Shares, other than an action described in Section 5.5 herein, which in the opinion of the directors of the Company would materially affect the rights of the Creditor, the Conversion Price will be adjusted in such manner, if any, and at such time, by action by the directors of the Company but subject in all cases to any necessary regulatory approval, including approval of any stock exchange or quotation system on which the Common Shares are then listed and posted (or quoted) for trading, as applicable. Failure of the taking of action by the directors of the Company so as to provide for an

adjustment on or prior to the effective date of any action by the Company affecting the Common Shares will be conclusive evidence that the directors of the Company has determined that it is equitable to make no adjustment in the circumstances; and

- (i) on the happening of each and every such event set out in Section 5.5 herein, the applicable provisions of this Debenture, including the Conversion Price, shall, *ipso facto*, be deemed to be amended accordingly and the Company shall take all necessary action so as to comply with such provisions as so amended.

5.7 Notice of Special Matters

The Company shall give notice to the Creditor, in the manner provided in Section 7.7(a), of its intention to fix a record date for any event mentioned in Section 5.5 which may give rise to an adjustment in the Common Shares which may be acquired pursuant to this Article Five, and, in each case, such notice shall specify the particulars of such event and the record date and the effective date for such event; provided that the Company shall only be required to specify in such notice such particulars of such event as shall have been fixed and determined on the date on which such notice is given. Such notice shall be given not less than 14 days prior to such applicable record date.

5.8 Partial Conversion

Upon the Creditor exercising the right of conversion in respect of only a part of the Debenture and surrendering such Debenture to the Company, the Company shall (i) cancel the same and shall without charge forthwith certify and deliver to the Creditor a new Debenture in an aggregate principal amount equal to the unconverted part of the principal amount and any accrued and outstanding interest of the Debenture so surrendered, or (ii) return this Debenture with a notation made on the grid attached hereto as Schedule A with respect to the aggregate principal amount so converted and the unconverted part of the principal amount still outstanding, which notation shall be signed by an officer of the Company.

5.9 Resale Restriction

The Common Shares issuable upon exercise of the conversion rights set forth in this Article Five shall not be subject to any statutory hold period or other resale restriction other than as set forth in Section 2.5 of National Instrument 45-102 – *Resale of Securities*.

5.10 U.S. Securities Matters

The conversion rights provided for in this Article Five may not be exercised by or for a U.S. Person (as that term is defined in Regulation S of the U.S. Securities Act of 1933 (the “**1933 Act**”) or any person in the United State unless an registration statement with respect thereto is in effect under the 1933 Act and any applicable state securities laws, or there is an available exemption from the registration requirements of the 1933 Act and any applicable state securities laws and the holder has furnished an opinion of counsel reasonably satisfactory to the Company as to the availability of such registration exemptions.

ARTICLE SIX
EVENTS OF DEFAULT

6.1 Events of Default.

The occurrence of any of the following events shall constitute an “Event of Default” under this Debenture:

- (a) if a default occurs, which continues after the passage of any applicable cure period, under any agreement or instrument evidencing indebtedness of the Company in excess of \$50,000;
- (b) if default occurs in payment when due of any principal or other amounts payable under this Debenture or any other Transaction Document;
- (c) if default occurs in observance of Section 3.2 of this Debenture;
- (d) if default occurs in performance of any other covenant of the Company in favour of the Creditor under this Debenture (excluding Section 3.2 hereof) or any other Transaction Document, and remains unremedied for a period of ten (10) days or is not otherwise waived;
- (e) if a default occurs in respect of any material agreement to which the Company or any of its subsidiaries is a party to and any applicable cure period in respect thereof expires or such default is not otherwise waived;
- (f) if the Company or any of its subsidiaries is notified by the State of California that the State of California has revoked or suspended its license (as applicable) to cultivate, process or sell Cannabis;
- (g) if the Company or any Material Subsidiary commits an act of bankruptcy or a petition or other process for the bankruptcy of the Company or any Material Subsidiary is filed or instituted and remains undismissed or unstayed for a period of thirty (30) days or any of the relief sought in such proceeding (including the appointment of a receiver, trustee, custodian or other similar official for it or any substantial part of its property) shall occur;
- (h) if any action or proceeding is launched or taken to terminate the corporate existence of the Company or any Material Subsidiary, whether by winding-up, surrender of charter or otherwise;
- (i) if the Company or any Material Subsidiary ceases to carry on its business or makes or proposes to make any sale of its assets in bulk or any sale of its assets out of the usual course of its business;
- (j) if any proposal is made or any petition is filed by or against the Company or any Material Subsidiary under any law having for its purpose the extension of time for payment, composition or compromise of the liabilities of the Company or any Material Subsidiary or other reorganization or arrangement respecting its liabilities and such

proposal or petition is not stayed or dismissed within twenty (20) days or if the Company or any Material Subsidiary gives notice of its intention to make or file any such proposal or petition including an application to any court to stay or suspend any proceedings of creditors pending the making or filing of any such proposal or petition;

- (k) if any receiver, administrator, or manager of the property, assets or undertaking of the Company or any Material Subsidiary or a substantial part thereof is appointed, whether privately, pursuant to any statute, or by or under any judgment or order of any court;
- (l) if any proceedings are taken to enforce any Encumbrance affecting the assets of the Company or any Material Subsidiary or if a distress or any similar process be levied or enforced against such assets and such proceedings are not dismissed or stayed within twenty (20) days after the commencement thereof;
- (m) the admission in writing by the Company or any Material Subsidiary of its inability to pay its debts generally as they become due;
- (n) the making by the Company or any Material Subsidiary of a general assignment for the benefit of its creditors;
- (o) there is a Change of Control; or
- (p) the Cannabis Act is repealed and not replaced with similar legislation.

Upon the occurrence and during the continuance of an Event of Default, following written notice from the Creditor to the Company, all Obligations shall become forthwith due and payable and the Creditor shall have all rights and remedies available to it at law or equity, including the right to commence legal action and proceedings (including enforcement proceedings) that the Lender, in its sole discretion, deems expedient.

6.2 Rights of the Creditor

The Creditor, without exonerating in whole or in part the Company, may grant time, renewals, extensions, indulgences, releases and discharges to, may take securities from and give the same and any or all existing securities up to, may abstain from taking securities from or from perfecting securities of, may accept compositions from, and may otherwise deal with the Company and all other Persons and securities as the Creditor may see fit.

Nothing herein shall obligate the Creditor to extend or amend any credit to the Company or to any other Person.

ARTICLE SEVEN **GENERAL**

7.1 Waiver.

No act or omission by the Creditor in any manner whatever shall extend to or be taken to affect any provision hereof or any subsequent breach or default or the rights resulting therefrom save

only an express waiver in writing. No waiver of any of the provisions of this Debenture shall be deemed to constitute a waiver of any other provisions (whether or not similar), nor shall such waiver constitute a waiver or continuing waiver unless expressly provided in writing duly executed by the party to be bound thereby. A waiver of default shall not extend to, or be taken in any manner whatsoever to affect the rights of the Creditor with respect to any subsequent default, whether similar or not. The Company waives every defence based upon any or all indulgences that may be granted to the Creditor.

7.2 No Merger or Novation.

Neither the taking of any judgment nor the exercise of any power of seizure or sale shall operate to extinguish the liability of the Company to pay the moneys owing hereby nor shall the same operate as a merger of any covenant herein contained or of any other Obligation, nor shall the acceptance of any payment or security constitute or create any novation.

7.3 Confidentiality.

- (a) All Confidential Information shall be treated as confidential by the Parties and shall not be disclosed to any other Person other than in circumstances where a Party has an obligation to disclose such information in accordance with Applicable Law, in which case, such disclosure shall only be made after consultation with the other Parties (if reasonably practicable and permitted by Applicable Law) provided that any public disclosure of such information shall always omit or redact the Redacted Information (the “**Redaction Requirement**”).
- (b) In the event that Applicable Law requires a Party to disclose Redacted Information, such disclosure shall only be made after consultation with the other Party and the Parties shall mutually agree on the applicable disclosure of the Redacted Information, each acting reasonably.
- (c) Notwithstanding the foregoing, each of the Parties acknowledges and agrees that:
 - (i) each of the Creditor and the Company may disclose Confidential Information, subject to the Redaction Requirement, to:
 - A. a person providing financing or funding to the Company or the Creditor, as applicable;
 - B. any prospective purchaser of the Creditor’s interest under this Debenture, together with such prospective purchaser’s financiers, consultants and advisors (financial and legal),

so long as, in each case, prior to receiving any such information the recipient enters into a confidentiality agreement with the disclosing Party pursuant to which the recipient provides a confidentiality undertaking in favour of the Company and the Creditor to maintain the confidentiality of the Confidential Information in a manner consistent with this Debenture;

- (ii) each of the Parties may disclose Confidential Information to their respective directors, officers and employees (and the directors, officers and employees of their respective Affiliates) and the directors, officers, partners or employees of any financial, accounting, legal and professional advisors of such Party and its Affiliates, as well as any contractors and subcontractors of such Party, provided that each of such individuals to whom Confidential Information is disclosed is advised of the confidentiality of such information and is directed to abide by the terms and conditions of this Section 7.3;

The provisions of this Section 7.3 shall survive the discharge of the Obligations and shall apply indefinitely.

7.4 Amalgamation.

The Company acknowledges that if it amalgamates with any other company, corporation or corporations (a) the term "Company", where used herein shall extend to and include each of the amalgamating companies or corporations and the amalgamated entity, and (b) the term, "Obligations", where used herein shall extend to and include the Obligations of each of the amalgamating entities and the amalgamated entity.

7.5 Creditor May Remedy Default.

If the Company fails to do anything hereby required to be done by it, the Creditor may, but shall not be obliged to, do all or any such things, and all sums thereby expended by the Creditor shall form part of the Obligations, shall forthwith be payable by the Company, shall be secured by the Security Documents and shall have the benefit of the Encumbrances created thereby, but no such performance by the Creditor shall be deemed to relieve the Company from any default or Event of Default hereunder.

7.6 Discharge and Satisfaction.

Upon payment or satisfaction in full by the Company to the Creditor of all moneys owing hereunder, these presents shall cease and become null and void, but the Creditor shall at the request and expense of the Company, execute and deliver to the Company a full release and discharge.

7.7 Notices.

All notices, requests, demands or other communications (collectively, "**Notices**") by the terms hereof required or permitted to be given by one Party to the other Party, or to any other Person shall be given by e-mail as the primary and required form of notice with return receipt confirmed and, as a supplemental form of notice only, in writing by personal delivery or by registered mail, postage prepaid, to such other party at:

- (a) to the Creditor at:

Cannabis Growth Opportunity Corporation
240 Richmond Street West, Suite 4164
Toronto, Ontario

M5V 1V6

Attention: Sean Conacher
Email: sconacher@gcocorp.com

(b) to the Company at:

Core One Labs Inc.
1130 Pender Street West, Suite 820
Vancouver, British Columbia
V6E 4A4

Attention: Brad Eckenweiler
Email: brade@cannastrips.com

or at such other address as may be given by such Party to the other Party hereto in writing from time to time. All such Notices shall be deemed to have been received when delivered or transmitted, or, if mailed, seventy-two (72) hours after 12:01 a.m. on the day following the day of the mailing thereof. If any Notice shall have been mailed and if regular mail service shall be interrupted by strikes or other irregularities, such Notice shall be deemed to have been received seventy-two (72) hours after 12:01 a.m. on the day following the resumption of normal mail service, provided that during the period that regular mail service shall be interrupted, all Notices shall be given by Personal delivery, by facsimile transmission or by e-mail.

7.8 Invalidity of any Provisions.

Any provision of this Debenture which is prohibited by the laws of any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition without invalidating the remaining terms and provisions hereof or thereof and no such invalidity shall affect the obligation of the Company to repay the Obligations. This Debenture and all its provisions shall enure to the benefit of the Creditor, its successors and permitted assigns and shall be binding upon the Company, its successors and assigns. Presentment, notice of dishonour, protest and notice of protest hereof are hereby waived.

7.9 Amendments.

This Debenture may only be amended by written agreement signed by each of the Parties hereto.

7.10 Entire Agreement.

This Debenture sets forth the entire understanding of the Parties with respect to the subject matter hereof and supersedes all existing agreements between them concerning such subject matter.

7.11 Assignments.

The Company may not assign, transfer or deliver all or any part of its rights or obligations hereunder without the prior written consent of the Creditor. The Creditor may, at any time, without the Company's consent, assign, transfer or deliver all or any part of its rights and obligations hereunder.

7.12 No Notice of Trust.

The Creditor or its legal representative will be regarded as exclusively entitled to the benefit of this Debenture and all persons may act accordingly and the Company shall not be bound to enter in the register notice of any trust or, except as by some court of competent jurisdiction ordered, to recognize any trust or equity affecting the title to this Debenture.

7.13 Further Assurances.

The Company shall, and shall cause each of its subsidiaries to, at the Company's expense and upon request of the Creditor, duly execute and deliver, or cause to be duly executed and delivered, to the Creditor such further instruments and do and cause to be done such further acts as may be necessary or proper in the reasonable opinion of the Creditor to carry out more effectively the provisions and purposes of this Debenture and the other Transaction Documents.

7.14 Expenses.

Whether or not the transactions contemplated by this Debenture shall be consummated, each Party shall pay its own out of pocket expenses, including the reasonable fees and disbursements of any expert or advisers (including, without limitation, lawyers) incurred in connection with the preparation, negotiation, execution, administration or interpretation of the Debenture, and any amendment, modification or waiver of any of the provisions thereof. The Company shall pay all costs and expenses (including legal fees) incurred by the Creditor, or its agents on its behalf, in connection with the protection and enforcement of the rights of the Creditor provided for in this Debenture and the other Transaction Documents. All statements, reports, certificates, opinions, appraisals and other documents or information required to be furnished to the Creditor by the Company under this Debenture shall be supplied by the Company without cost to the Creditor.

7.15 Payments without Deduction.

All payments to be made by the Company under this Debenture (whether on account of principal, interest, fees, costs or any other amount) shall be made in Canadian dollars and shall be made in freely transferable, immediately available funds and without set-off, withholding or deduction of any kind whatsoever, except to the extent required by Applicable Law.

7.16 Execution.

This Debenture may be executed in any number of counterparts, all of which when taken together shall constitute one agreement. Any signatory hereto may deliver an executed copy of this agreement by facsimile, electronic mail or electronic signature to the Creditor provided that in such event the Company shall promptly deliver to the Creditor an originally executed copy of this Debenture. Notwithstanding the foregoing, transmission of an executed signature page by facsimile, email or other electronic means is as effective as a manually executed counterpart of this Debenture.

[Signature Page to Follow]

IN WITNESS WHEREOF the Company has caused this Debenture to be executed as of the date first written above.

CORE ONE LABS INC.

/s/ Brad Eckenweiler

Per: _____

Name: Brad Eckenweiler

Title: Chief Executive Officer

I have authority to bind the Company.

**SCHEDULE B
LOCATION OF ASSETS AND BUSINESS**

Name	Addresses
Core One Labs Inc.	Head Office: 1130 Pender Street West, Suite 820 Vancouver, British Columbia V6E 4A4 Registered Office: c/o Camlex Management Inc. 595 Howe Street, Suite 704 Vancouver, British Columbia V6C 2T5
Canna Delivery Systems Inc.	Head Office: 1130 Pender Street West, Suite 820 Vancouver, British Columbia V6E 4A4 Registered Office: 1130 Pender Street West, Suite 820 Vancouver, British Columbia V6E 4A4
Optimus Prime Design Corp.	Head Office: 1130 Pender Street West, Suite 820 Vancouver, British Columbia V6E 4A4 Registered Office: c/o Camlex Management Inc. 595 Howe Street, Suite 704 Vancouver, British Columbia V6C 2T5
LDS Agrotech Inc.	Registered and Head Office: 2060 Placentia Ave Ste A4 Costa Mesa, CA 92627-3498 Business Office: 9501 Commerce Way Adelanto, CA 92301
LDS Scientific Inc.	Registered and Head Office: 2060 Placentia Ave Ste A4 Costa Mesa, CA 92627-3498 Business Office: 9501 Commerce Way Adelanto, CA 92301
Reveur Holdings Inc.	Registered and Head Office: 2060 Placentia Ave Ste A4 Costa Mesa, CA 92627-3498 Business Office: 9501 Commerce Way Adelanto, CA 92301
LDS Development Corporation	Registered and Head Office: 2060 Placentia Ave Ste A4 Costa Mesa, CA 92627-3498 Business Office: 9501 Commerce Way Adelanto, CA 92301
Lifestyle Capital Corporation	Registered and Head Office: 2060 Placentia Ave Ste A4 Costa Mesa, CA 92627-3498 Business Office: 9501 Commerce Way Adelanto, CA 92301
Omni Distribution Inc.	Registered and Head Office: 2060 Placentia Ave Ste A4 Costa Mesa, CA 92627-3498 Business Office: 9501 Commerce Way Adelanto, CA 92301
CSPA Group, Inc.	Registered and Head Office: 2060 Placentia Ave Ste A4 Costa Mesa, CA 92627-3498 Business Office: 9501 Commerce Way Adelanto, CA 92301
Core Isogenics Inc.	Registered and Head Office: 2060 Placentia Ave Ste A4 Costa Mesa, CA 92627-3498 Business Office: 9501 Commerce Way Adelanto, CA 92301

Agrotech LLC	Registered and Head Office: 2060 Placentia Ave Ste A4 Costa Mesa, CA 92627-3498 Assets: GreenWave Farms, Site C. Yolo County, CA
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**SCHEDULE C
LEGAL PROCEEDINGS**

None.

EXHIBIT A
FORM OF NOTICE OF REQUEST FOR ADVANCE

TO: Cannabis Growth Opportunity Corporation (the “**Creditor**”)

DATE: [●]

1. This Notice of Request for Advance is delivered to you under Section 2.2(b) of the convertible debenture dated March ●, 2020 among, *inter alios*, Core One Labs Inc. (the “**Company**”) and the Creditor (as amended, supplemented, restated, replaced, or otherwise modified from time to time, the “**Debenture**”).
2. Capitalized terms used in this request and not otherwise defined have the meanings given to them in the Debenture.
3. The Company hereby requests an advance as follows:
Date of advance: [insert date]
Amount in CDN \$: [insert amount]
4. Please remit funds to:

[insert remittance instructions]
5. All of the Company’s representations and warranties in the Debenture are true and correct as at the date of this request as though made on and as of the date of this request.
6. All of the Company’s covenants contained in Article Three of the Debenture, together with all of the conditions precedent to the advances hereby requested and all other terms contained in the Debenture to be complied with by the Company that have not been properly waived in writing by or on behalf of the Creditor, have been fully complied with.
7. No default or Event of Default has occurred and is continuing nor will any such event occur as a result of the aforementioned advances.

[Signature page follows]

Dated as of the date first written above.

CORE ONE LABS INC.

By: _____
Name:
Title:

By: _____
Name:
Title: