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**SHARE EXCHANGE AGREEMENT**

Made as of the 25th day of January, 2021

Between

**SAIRIYO THERAPEUTICS INC.**

and

**ALL OF THE SHAREHOLDERS OF SAIRIYO THERAPEUTICS INC. NAMED ON  
SCHEDULE "A" ATTACHED HERETO**

and

**PHARMADRUG INC.**

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## SHARE EXCHANGE AGREEMENT

This Agreement is made as of the 25th day of January, 2021, between

**SAIRIYO THERAPEUTICS INC.**

a company incorporated under the laws of the Province of Ontario  
("Sairiyo")

and

**ALL OF THE SHAREHOLDERS OF SAIRIYO  
THERAPEUTICS INC. NAMED ON SCHEDULE "A"  
ATTACHED HERETO**

(the "Sairiyo Shareholders")

and

**PHARMADRUG INC.**

a corporation incorporated under the laws of Canada  
("Pharmadrug")

**WHEREAS** the Sairiyo Shareholders are the registered owners of 75,000,000 common shares of Sairiyo (each, a "**Purchased Share**" and collectively, the "**Purchased Shares**");

**AND WHEREAS** Pharmadrug is a reporting issuer in the provinces of British Columbia, Alberta, Manitoba, Ontario and Québec whose common shares are listed on the Canadian Securities Exchange (as defined below);

**AND WHEREAS** Pharmadrug, Sairiyo and the Sairiyo Shareholders wish to enter into this agreement in respect of the exchange of securities on the terms and conditions herein contained;

**AND WHEREAS** Pharmadrug intends to acquire all of the issued and outstanding Sairiyo Shares issued and outstanding at the Closing Time in exchange for the issuance of the Consideration Units (as defined below) to all of the Sairiyo Shareholders (the "**Share Exchange**");

**AND WHEREAS** following such transactions, Pharmadrug will directly own all of the Sairiyo Shares;

**NOW THEREFORE**, in consideration of the premises and the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto hereby covenant and agree as follows.

**FOR VALUE RECEIVED**, the parties agree as follows:

## ARTICLE 1 INTERPRETATION

### Section 1.1 Definitions

For all purposes of this Agreement the following capitalized terms shall have the meanings set forth in this Article 1:

"**Affiliate**" of an entity means any Person directly or indirectly controlling, controlled by or under direct or indirect common control with such entity.

"**Applicable Securities Laws**" means the securities laws, the regulations, rules, rulings and orders in the Provinces of British Columbia, Alberta, Manitoba, Ontario and Québec, the applicable policy statements issued by the securities regulators in the Provinces of British Columbia, Alberta, Manitoba, Ontario and Québec.

"**Articles**" means the certificate and articles of incorporation (as amended), constitution, operating agreement, joint venture or partnership agreement or articles or other constituting document of any Person other than an individual, each as from time to time amended or modified.

"**Business Day**" means a day, excluding Saturday and Sunday, on which banking institutions are open for business in Toronto, Ontario.

"**Canadian GAAS**" means generally accepted auditing standards determined with reference to the Handbook of the Canadian Institute of Chartered Accountants, as amended from time to time.

"**Change of Control**" means the acquisition, directly or indirectly, of beneficial ownership of voting securities that results in a holding of more than 20% of the issued and outstanding voting securities of Sairiyo by a third party, other than in connection with this Agreement or an internal corporate reorganization.

"**Closing**" means the closing of the exchange of securities between the Sairiyo Shareholders and Pharmadrug pursuant to the terms of this Agreement.

"**Closing Date**" means such date as Sairiyo and Pharmadrug shall determine.

"**Closing Time**" means 10:00 a.m. (Toronto time) on the Closing Date.

"**Consideration Share**" means the Pharmadrug Share underlying a Consideration Unit.

"**Consideration Units**" means the units of Pharmadrug each comprised of one Consideration Shares and one Consideration Warrant to be issued to holders of Sairiyo Shares pursuant to Section 2.1(1)(a).

"**Consideration Warrant**" means a common share purchase warrant of Pharmadrug underlying a Consideration Warrant with each warrant entitling the holder thereof to acquire one Pharmadrug Share at any time on or before the 18 month anniversary of the issuance thereof at a price of \$0.10 per share.

"**Consideration Warrant Shares**" means the Pharmadrug Shares issuable on exercise of the Consideration Warrants in accordance with the terms thereof.

"**Control**" in respect of a Person (including the terms "**controlled by**" and "**under common control with**") means the possession, directly or indirectly, or the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities, by contract or by other arrangement.

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

"**Distribution**" means: (a) the declaration or payment of any dividend in cash, securities or property on or in respect of any class of securities of the Person or its Subsidiaries; (b) the purchase, redemption or other retirement of any securities of the Person or its Subsidiaries, directly or indirectly; or (c) any other distribution on or in respect of any class of securities of the Person or its Subsidiaries.

"**Dollars**" and "\$" means Canadian dollars, unless otherwise specified.

"**Environmental Laws**" means all applicable Laws relating to the protection of human health and safety, the environment or natural environment (as defined in all such Laws including air, surface water, ground water, land surface, soil, and subsurface strata), or hazardous or toxic substances or wastes, pollutants or contaminants.

"**IFRS**" means International Financial Reporting Standards.

"**Income Tax Act**" means the *Income Tax Act* (Canada), as amended from time to time.

"**Indebtedness**" means all obligations, contingent (to the extent required to be reflected in financial statements prepared in accordance with IFRS) and otherwise, which in accordance with IFRS should be classified on the obligor's balance sheet as liabilities, including without limitation, in any event and whether or not so classified: (a) all debt and similar monetary obligations, whether direct or indirect; (b) all liabilities secured by any mortgage, pledge, security interest, lien, charge or other encumbrance existing on property owned or acquired subject thereto, whether or not the liability secured thereby shall have been assumed; (c) all agreements of guarantee, support, indemnification, assumption or endorsement and other contingent obligations whether direct or indirect in respect of Indebtedness or performance of others, including any obligation to supply funds to or in any manner to invest in, directly or indirectly, the debtor, to purchase Indebtedness, or to assure the owner of Indebtedness against loss, through an agreement to purchase goods, supplies or services for the purpose of enabling the debtor to make payment of the Indebtedness held by such owner or otherwise; (d) obligations to reimburse issuers of any letters of credit; and (e) capital leases.

"**Intellectual Property**" means all patents, patentable subject matter, copyrights, registered and unregistered trade-marks, service marks, domain names, trade-names, logos, commercial symbols, industrial designs (including applications for all of the foregoing and renewals, divisions, extensions and reissues, where applicable, relating thereto), inventions, licences, sublicences, trade secrets, know how, confidential and proprietary information, patterns, drawings, computer software, databases and all other intellectual property, whether registered or not, owned by, licensed to or used by a Person, where and to the extent that the loss of such ownership or license rights or rights to use would have or would be reasonably expected to have a Material Adverse Effect on such Person, in any format or medium whatsoever.

**"Laws"** mean all federal, provincial, state, municipal or local laws, rules, regulations, statutes, by-laws, ordinances, policies or orders of any federal, provincial, state, regional or local government or any subdivision thereof or any arbitrator, court, administrative or regulatory agency, commission, department, board or bureau or body or other government or authority or instrumentality or any entity or Person exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

**"Lien"** means: (a) any encumbrance, mortgage, pledge, hypothec, prior claim, lien, charge or other security interest of any kind upon any property or assets of any character, or upon the income or profits therefrom; (b) any acquisition of or agreement to have an option to acquire any property or assets upon conditional sale or other title retention agreement, device or arrangement (including a capitalized lease); or (c) any sale, assignment, pledge or other transfer for security of any accounts, general intangibles or chattel paper, with or without recourse.

**"Material Fact"** means a fact that would reasonably be expected to have a significant effect on the value of the Sairiyo Shares.

**"Material Adverse Effect"** in respect of a Person means any change, effect, event, occurrence, condition or development that would have, individually or in the aggregate, a material and adverse impact on the business, operations, results of operations, assets, capitalization or financial condition of such Person, other than any change, effect, event, occurrence or state of facts relating to the global economy or securities markets in general.

**"Material Contract"** means a contract of Sairiyo effective as at the Closing Date which is material to the operation of the Sairiyo business but does not include any written agreements entered into with employees or consultants or the employee plans or contracts entered into in the Ordinary Course of Business.

**"Ordinary Course of Business"** means activities that are routine or that occur with regularity in the ordinary course of the business of Sairiyo or Pharmadrug, as applicable, and in a manner consistent with the usual custom and past practice of Sairiyo or Pharmadrug, as applicable.

**"Permitted Liens"** means:

- (a) undetermined or inchoate Liens and charges incidental to construction, maintenance or operations or otherwise relating to the Ordinary Course of Business which have not at the time been filed pursuant to law;
- (b) Liens for taxes and assessments for the then current year, Liens for taxes and assessments not at the time overdue, Liens securing worker's compensation assessments and Liens for specified taxes and assessments which are overdue (and which have been disclosed to the other parties to this Agreement) but the validity of which is being contested at the time in good faith, if the Person shall have made on its books provision reasonably deemed by it to be adequate therefor;
- (c) cash or governmental obligations deposited in the Ordinary Course of Business in connection with contracts, bids, tenders or to secure worker's compensation, unemployment insurance, surety or appeal bonds, costs of litigation, when required

by law, public and statutory obligations, Liens or claims incidental to current construction, and mechanics', warehousemen's, carriers' and other similar Liens;

- (d) all rights reserved to or vested in any governmental body by the terms of any lease, licence, franchise, grant or permit held by it or by any statutory provision to terminate any such lease, licence, franchise, grant or permit or to require annual or periodic payments as a condition of the continuance thereof or to distrain against or to obtain a Lien on any of its property or assets in the event of failure to make such annual or other periodic payments; and
- (e) Purchase Money Obligations.

"**Person**" means an individual, partnership, corporation, association, trust, joint venture, unincorporated organization and any government, governmental department or agency or political subdivision thereof.

"**Pharmadrug Assets**" means the assets of Pharmadrug including but not limited to cash and cash equivalents.

"**Pharmadrug Financial Statements**" means the audited financial statements of Pharmadrug for the years ended July 31, 2020 and 2019 including the report of the auditors thereon, and the unaudited financial statements for the three months ended October 31, 2020 and 2019, as disclosed by Pharmadrug on SEDAR.

"**Pharmadrug Shares**" means the common shares in the capital of Pharmadrug.

"**OBCA**" means the *Business Corporations Act* (Ontario), as amended.

"**Public Record**" means all information filed by and on behalf of Pharmadrug with any Securities Commission, governmental agency, regulatory body, securities exchange or any other competent authority on or during the 24 months preceding the date hereof.

"**Purchase Money Obligations**" means Indebtedness of a debtor, reflected in the debtor's financial statements, and incurred or assumed to finance the purchase or acquisition, in whole or in part, of any tangible real or personal property or incurred to finance the cost, in whole or in part, of the construction or installation of any tangible personal property, provided, however, that such Indebtedness is incurred or assumed at the time of or within 30 days after the purchase of such property or the completion of such construction or installation, as the case may be, and includes any extension, renewal or refinancing of any such Indebtedness so long as the principal amount thereof outstanding at the date of such extension, renewal or refinancing is not increased.

"**Purchased Share**" has the meaning given to such term in the recitals to this Agreement.

"**Resulting Issuer**" means Pharmadrug upon completion of the transactions contemplated herein.

"**Sairiyo**" means Sairiyo Therapeutics Inc., a company incorporated under the laws of the Province of Ontario.

"**Sairiyo Assets**" means, collectively, the Sairiyo Intellectual Property and the Sairiyo Tangible Property.

"**Sairiyo Intellectual Property**" means all Intellectual Property owned by, licensed to or used by Sairiyo, in any format or medium whatsoever.

"**Sairiyo Shareholders**" means the holders of all the Sairiyo Shares as of the Closing Time.

"**Sairiyo Shares**" means, collectively, the issued and outstanding common shares of Sairiyo.

"**Sairiyo Tangible Property**" means all assets owned by Sairiyo other than the Sairiyo Intellectual Property.

"**Securities Commissions**" means the Ontario Securities Commission, the Alberta Securities Commission, Autorité des marchés financiers, the Manitoba Securities Commission and the British Columbia Securities Commission.

"**SEDAR**" means the System for Electronic Document Analysis and Retrieval.

"**Share Exchange**" means the share exchange of Sairiyo Shares for Pharmadrug Shares, all as provided for herein, pursuant to which Pharmadrug will directly and indirectly own all of the Sairiyo Shares.

"**Subsidiary**" shall have the same meaning as the term "subsidiary companies" in the *Securities Act* (Ontario).

"**Tax**" or "**Taxes**" means all taxes, charges, fees, levies, imposts and other assessments, including all income, sales, use, goods and services, value added, capital, capital gains, alternative net worth, transfer, profits, withholding, payroll, employer health, employer safety, workers compensation, excise, immovable property and moveable property taxes, and any other taxes, customs duties, fees, assessments or similar charges in the nature of a tax including Canada Pension Plan, Social Security and provincial plan contributions and workers compensation premiums, together with any interest, fines and penalties imposed by any governmental authority (including federal, provincial, municipal and foreign governmental authorities), and whether disputed or not.

"**Tax Returns**" has the meaning set forth in Section 3.7.

## **Section 1.2 Hereof, Herein, etc.**

The words "hereof", "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. Unless otherwise specified herein, the term "or" has the inclusive meaning represented by the term "and/or" and the term "including" is not limiting. All references as to "Sections", "Subsections", "Articles", "Schedules" and "Exhibits" shall be to Sections, Subsections, Articles, Schedules and Exhibits, respectively, of this Agreement unless otherwise specifically provided.

## **Section 1.3 Computation of Time Periods**

In the computation of periods of time from a specified date to a later specified date, unless otherwise specified herein, the words "commencing on" mean "commencing on and including",

the word "from" means "from and including" and the words "to" and "until" each means "to and including".

## **ARTICLE 2 AGREEMENT TO EXCHANGE**

### **Section 2.1 Issuance of Consideration Units**

- (1) Purchase of Sairiyo Shares from Sairiyo Shareholders:
  - (a) Subject to all of the terms and conditions hereof and in reliance on the representations and warranties set forth or referred to herein, at the Closing Time the Sairiyo Shareholders severally agree to exchange, transfer and assign all of their Purchased Shares to Pharmadrug on the basis of one Consideration Unit for each Purchased Share (the "**Exchange Ratio**").
  - (b) The exchange, transfer and assignment of Sairiyo Shares for the Consideration Units shall proceed for all, and not less than all, of the issued and outstanding Sairiyo Shares at the Closing Time.

### **Section 2.2 Purchase of Entire Interest.**

It is the understanding of the parties hereto that this Agreement shall provide for the purchase of all of the Sairiyo Shares that are owned or held by the Sairiyo Shareholders at the time of Closing, whether the same are owned as at the date hereof or are acquired after the date hereof, and Sairiyo therefore covenants and agrees with Pharmadrug that if, prior to the Closing Date, any person acquires any further shares or securities of Sairiyo or rights to acquire any shares or securities of Sairiyo, in addition to those set forth in this Agreement, then such shares or securities of Sairiyo shall be issued subject to the purchaser of such shares or securities agreeing to be bound by the terms of this Agreement. Notwithstanding the foregoing, no such additional securities shall be issued without the prior written approval of Pharmadrug.

### **Section 2.3 Closing and Delivery of Certificates**

- (a) The Closing shall take place at the Toronto offices of Fogler, Rubinoff LLP, Suite 3000, 77 King Street West, Toronto, Ontario, M5K 1G8, at the Closing Time on the Closing Date, or as Sairiyo and Pharmadrug may otherwise agree.
- (b) Subject to compliance with the terms of this Agreement, Pharmadrug shall, or shall cause its transfer agent to, deliver to each Sairiyo Shareholder at the Closing Time certificates registered in the name of such Sairiyo Shareholder (or as such Sairiyo Shareholder may direct prior to the Closing Date) representing such number of Consideration Shares and Consideration Warrants as set forth on Schedule "A".

### **Section 2.4 Effective Date**

- (a) The exchange of Sairiyo Shares for the Consideration Units shall take effect at the Closing Time.

- (b) Any Distributions received in respect of the Sairiyo Shares by the Sairiyo Shareholders from and after the Closing Time shall be held by them in trust for Pharmadrug and shall, upon receipt, be paid to Pharmadrug forthwith and Pharmadrug shall be entitled to all Distributions in respect of the Sairiyo Shares accrued or accruing to the Sairiyo Shareholders from and after the Closing Time.

## **Section 2.5 Section 85 Election**

Pharmadrug covenants and agrees to elect jointly with any Sairiyo Shareholder who is resident of Canada for the purposes of the Tax Act and who so requests under subsection 85(1) of the Tax Act in prescribed form and within the prescribed time for the purposes of the Tax Act, and shall therein agree to elect in respect of the Consideration Shares and Consideration Warrants beneficially owned by such Sairiyo Shareholder, an amount as the Sairiyo Shareholder shall direct, but within the limitations imposed under subsection 85(1) of the Tax Act, which shall be deemed to be the Sairiyo Shareholder's proceeds of disposition thereof and Pharmadrug's cost thereof. Any such election shall be prepared at the sole expense of the Sairiyo Shareholder, and the Shareholder shall provide a completed copy of the election form (Form T2057) to Pharmadrug. Subject to the election form being correct and complete and complying with the provisions of the Tax Act, the election form will be signed by Pharmadrug and returned to the Sairiyo Shareholder within 30 days after the receipt thereof by Pharmadrug for filing with the Canada Revenue Agency. Pharmadrug will not be responsible for the proper or accurate completion of any election or to check or verify the content of any election form and, except for Pharmadrug's obligation to return duly completed election forms within 30 days after the receipt thereof by Pharmadrug, Pharmadrug will not be responsible for any taxes, interest or penalties or any other costs or damages resulting from the failure by a Sairiyo Shareholder to properly and accurately complete or file the necessary election form in the form and manner and within the time prescribed by the Tax Act.

## **ARTICLE 3 REPRESENTATIONS AND WARRANTIES OF SAIRIYO**

In order to induce Pharmadrug to enter into this Agreement and to consummate the transactions contemplated by this Agreement, Sairiyo hereby represents and warrants as at the date hereof and as at the Closing Time as follows to and in favour of Pharmadrug and acknowledges that Pharmadrug is relying upon such representations and warranties in connection with the Share Exchange:

### **Section 3.1 Organization and Existence**

Sairiyo is a corporation duly incorporated, organized and validly existing under the laws of the Province of Ontario and has the corporate power to own its properties and to carry on its business as now conducted and has made all necessary filings under all applicable corporate, securities and taxation laws or any other laws to which Sairiyo is subject, except where the failure to make such filing would not have a Material Adverse Effect on Sairiyo. Sairiyo is in good standing under the laws of the Province of Ontario. Sairiyo is not in violation of its Articles or by-laws. Sairiyo has no subsidiaries. No proceedings have been instituted or are pending for the dissolution or liquidation of Sairiyo.

### **Section 3.2 Authorization**

The execution, delivery and performance by Sairiyo of this Agreement and the Share Exchange: (i) are within Sairiyo's corporate power and authority; (ii) have been, or will at the Closing Time be, duly authorized by all necessary corporate proceedings; and (iii) do not and will not conflict with or result in any breach of any provision of, or the creation of any Lien upon any of the property of Sairiyo pursuant to, the Articles of Sairiyo, any Laws, order, judgment, injunction, license or permit applicable to Sairiyo or any indenture, lease, agreement, contract, instrument or Lien, to which Sairiyo is a party or by which the property of Sairiyo may be bound or affected.

### **Section 3.3 Authorized Capital**

- (a) The authorized capital of Sairiyo consists of an unlimited number of Sairiyo Shares of which 75,000,000 Sairiyo Shares are issued and outstanding as of the date hereof, and are held by the Sairiyo Shareholders.
- (b) The Sairiyo Shares issued and outstanding as at the Closing Time have been, or will at the Closing Time be, duly authorized and validly issued and outstanding as fully paid and non-assessable shares. None of the Sairiyo Shares have been issued in violation of any Laws, Sairiyo's Articles or any agreement to which Sairiyo is a party or by which it is bound.

### **Section 3.4 No Other Agreement to Purchase**

There are no agreements, options, warrants, rights of conversion or other rights binding upon or which at any time in the future may become binding upon Sairiyo to issue any equity securities or any securities convertible or exchangeable, directly or indirectly, into any equity securities of Sairiyo. To the knowledge of Sairiyo, there are no shareholders' agreements, pooling agreements, voting trusts or other agreements or understandings with respect to the voting of the Sairiyo Shares, or any of them.

### **Section 3.5 Absence of Certain Changes**

Sairiyo has not:

- (a) split, combined or reclassified any of its securities or declared or made any Distribution;
- (b) suffered any material loss relating to litigation or, to the knowledge of Sairiyo, been threatened with litigation;
- (c) mortgaged, hypothecated or pledged any of the Sairiyo Assets, or subjected them to any Lien other than a Permitted Lien;
- (d) sold, leased, subleased, assigned or transferred any of the Sairiyo Assets;
- (e) failed to pay or satisfy when due any liability where the failure to do so would have a Material Adverse Effect on Sairiyo;

- (f) entered into or amended any employment contracts with any director, officer or senior management employee, created or amended any employee benefit plan, made any increases in the base compensation, bonuses, paid vacation time allowed or fringe benefits for its directors or officers;
- (g) suffered, in any material respect, any damage, destruction or other casualty, loss, or forfeiture of, any property or assets, whether or not covered by insurance;
- (h) other than in the Ordinary Course of Business: (i) entered into any contract, commitment or agreement under which it has outstanding Indebtedness for borrowed money or for the deferred purchase price of property; or (ii) made any loan or advance to any Person;
- (i) acquired or agreed to acquire (by tender offer, exchange offer, merger, amalgamation, acquisition of shares or assets or otherwise) any Person, corporation, partnership, joint venture or other business organization or division or acquired or agreed to acquire any material assets,;
- (j) entered into any Material Contracts regarding its business operations, including joint ventures, partnerships or other arrangements;
- (k) created any stock option or bonus plan, paid any bonuses, deferred or otherwise, or deferred any compensation to any of its directors or officers;
- (l) made any material change in accounting procedures or practices;
- (m) entered into any other material transaction, or any amendment of any contract, lease, agreement or license which is material to its business;
- (n) cancelled, waived or compromised, in any material respect, any debts or claims, including accounts payable to and receivable from its Affiliates; or
- (o) entered into any agreement or understanding to do any of the foregoing.

### **Section 3.6 Indebtedness to Directors, Officers and Others**

Sairiyo is not indebted to any director, officer, employee or consultant of Sairiyo, except for amounts due as normal compensation or reimbursement of ordinary business expenses.

### **Section 3.7 Taxes**

All returns, declarations, reports, estimates, statements, schedules or other information or documents with respect to Taxes (collectively, "**Tax Returns**") required to be filed by or with respect to Sairiyo have been filed within the prescribed time, with the appropriate tax authorities and all such Tax Returns are true, correct, and complete in all material respects. To the knowledge of Sairiyo, no Tax Return of Sairiyo is being audited by the relevant taxing authority, and there are no outstanding waivers, objections, extensions, or comparable consents regarding the application of the statute of limitations or period of reassessment with respect to any Taxes or Tax Returns that have been given or made by Sairiyo (including the time for filing of Tax Returns or

paying Taxes) and Sairiyo does not have any pending requests for any such waivers, extensions, or comparable consents. Sairiyo has not received a ruling from any taxing authority or signed an agreement with any taxing authority that could reasonably be expected to have a Material Adverse Effect on Sairiyo. To the knowledge of Sairiyo, Sairiyo does not owe any Taxes to a federal government, a provincial government, a municipal government or any other governmental authority.

### **Section 3.8 Title to Assets**

The Sairiyo Assets are owned legally and beneficially by Sairiyo with good and marketable title thereto, free and clear of all Liens whether contingent or absolute.

### **Section 3.9 Intellectual Property**

(1) Sairiyo owns or has legal right to use the Sairiyo Intellectual Property currently used in the conduct of the business of Sairiyo, and, to the knowledge of Sairiyo, the ownership or use thereof and any other intellectual property rights owned or used by Sairiyo does not infringe upon the proprietary rights of any other Persons.

(2) Sairiyo is the beneficial owner of the Intellectual Property which it purports to own free and clear of all Encumbrances, and is not a party to or bound by any contract or any other obligation whatsoever that limits or impairs its ability to sell, transfer, assign or convey, or that otherwise affects, the Intellectual Property. Sairiyo has not granted any interest in or right to use all or any portion of the Intellectual Property. To the knowledge of Sairiyo the conduct of Sairiyo's business does not infringe upon the industrial or intellectual property rights, domestic or foreign, of any other person. Sairiyo is not aware of a claim of any infringement or breach of any industrial or intellectual property rights of any other person, nor has Sairiyo received any notice that the conduct of Sairiyo's business, including the use of the Sairiyo Intellectual Property, infringes upon or breaches any industrial or intellectual property rights of any other person, and the Sairiyo Shareholders do not have any knowledge of any infringement or violation of any of Sairiyo's rights in the Sairiyo Intellectual Property.

### **Section 3.10 Material Contracts**

All Material Contracts of Sairiyo are set out in Schedule 3.10, and are valid, binding and in full force and effect as to Sairiyo, and the other parties thereto (to Sairiyo's knowledge) and Sairiyo is not in breach or violation of, or default under, the terms of any such contract, agreement, plan, lease or commitment, except where such breach, violation or default would not have a Material Adverse Effect on Sairiyo, and no event has occurred which constitutes or, with the lapse of time or the giving of notice, or both, would constitute, such a breach, violation or default by Sairiyo or, to the knowledge of Sairiyo, by the other parties thereto.

### **Section 3.11 Compliance with Law**

Sairiyo is not in default under, or in violation of, and has not violated (and failed to cure) any law including, without limitation, laws relating to the issuance or sale of securities, privacy and intellectual property, or any licenses, franchises, permits, authorizations or concessions granted by, or any judgment, decree, writ, injunction or order of, any governmental or regulatory authority, applicable to its business or any of its properties or assets, except where such default or violation

would not have a Material Adverse Effect on Sairiyo. Sairiyo has not received any notification alleging any violations of any of the foregoing with respect to which adequate corrective action has not been taken.

### **Section 3.12 Regulatory Approval**

No consents, registrations, approvals, permits, waivers or authorizations are required to be obtained by Sairiyo from, any governmental or regulatory authority in connection with the execution and delivery of this Agreement by Sairiyo and the consummation of the transactions contemplated herein by Sairiyo, where the failure to make or obtain any or all of which would reasonably be likely to have a Material Adverse Effect on the consolidated financial condition of Sairiyo, or could prevent, materially delay or materially burden the transactions contemplated herein.

### **Section 3.13 Licences and Permits**

Sairiyo is duly licensed, registered and qualified, in all material respects, and possesses all material certificates, authorizations, permits or licences issued by the appropriate regulatory authorities in the jurisdictions necessary to enable its business to be carried on as now conducted and to enable its property and assets to be owned, leased and operated as they are now, and all such licences, registrations and qualifications are in good standing, in all material respects and none of such licenses, registrations or qualifications contains any burdensome term, provision, condition or limitation which has or is likely to have any Material Adverse Effect on the business of Sairiyo, as now conducted. The loss of any such licenses, registrations or qualifications would not have any Material Adverse Effect on the business of Sairiyo, as now conducted.

### **Section 3.14 Employees**

There are no agreements, written or oral, between Sairiyo and any other party relating to payment, remuneration or compensation for work performed or services provided or payment related to a Change of Control or other event in respect of Sairiyo. Sairiyo is in compliance in all material respects with all Laws respecting employment and employment practices, terms and conditions of employment, pay equity and wages and has not and is not engaged in any unfair labour practice. Sairiyo has never been a party to or bound by any collective agreement and is not currently conducting negotiations with any labour union or employee association.

### **Section 3.15 Litigation**

There is no material suit, claim (including warranty claims), action, proceeding, investigation in existence or, to the knowledge of Sairiyo, pending or threatened against or affecting Sairiyo, or any of its assets or properties, or any officer or director thereof in his capacity as an officer or director thereof.

### **Section 3.16 Employee Benefit Plans**

Sairiyo does not have any employee benefit plans (or any plan which may be in any way regarded as an employee benefit plan) of any nature whatsoever nor has it ever had any such plans.

### **Section 3.17 Insurance**

The insurance policies of Sairiyo (if any) are valid and enforceable and in full force and effect, are underwritten by unaffiliated and reputable insurers, are sufficient for all applicable requirements of Laws and provide insurance in such amounts and against such risks as is customary for corporations engaged in businesses similar to that carried on by Sairiyo. Sairiyo is not in default in any material respect with respect to the payment of any premium or compliance with any of the provisions contained in any such insurance policy and has not failed to give any notice or present any claim within the appropriate time therefor. To the knowledge of Sairiyo, there are no circumstances under which Sairiyo would be required to or, in order to maintain its coverage, should give any notice to the insurers under any such insurance policy which has not been given. Sairiyo has not received notice from any of the insurers regarding cancellation of such insurance policy.

### **Section 3.18 Corporate Documents, Books and Records**

The minute book of Sairiyo provided to Pharmadrug contains complete and accurate records in all material respects of all meetings and consents in lieu of meetings of the board of directors and shareholders of Sairiyo since incorporation. Except as reflected in such corporate records, there are no material minutes of meetings or consents in lieu of meetings of the board of directors or of the shareholders of Sairiyo.

### **Section 3.19 No Limitations**

There is no non-competition, exclusivity or other similar agreement, commitment or understanding in place, whether written or oral, to which Sairiyo is a party or is otherwise bound that would now or hereafter, in any material respect, limit the business, use of assets or operations of Sairiyo, as currently conducted.

### **Section 3.20 Regulatory Compliance**

Sairiyo is in compliance with all regulatory orders, directives and decisions that have application to Sairiyo except where such non-compliance would not have a Material Adverse Effect on Sairiyo and Sairiyo has not received notice from any governmental or regulatory authority that Sairiyo is not in compliance with any such regulatory orders, directives or decisions.

### **Section 3.21 Environmental Laws**

- (a) All facilities and operations of Sairiyo are, in all material respects, presently in compliance with all applicable Environmental Laws.
- (b) Sairiyo has not been charged with or convicted of any offence for non-compliance with Environmental Laws and there are no judgments, orders, notices, proceedings or investigations of any nature relating to any breach or alleged breach of Environmental Laws by Sairiyo.
- (c) Sairiyo has not used any of the Sairiyo Assets to produce, generate, manufacture, treat, store, handle, transport or dispose of any hazardous substances except in compliance with Environmental Laws.

### **Section 3.22 Enforceability**

The execution and delivery by Sairiyo of this Agreement and any other agreement contemplated by this Agreement will result in legally binding obligations of Sairiyo enforceable against Sairiyo in accordance with the terms and provisions hereof and thereof subject, however, to limitations with respect to enforcement imposed by law in connection with bankruptcy or similar proceedings and to the extent that equitable remedies such as specific performance and injunction are in the discretion of the court from which they are sought.

### **Section 3.23 Conduct of Business in the Ordinary Course**

Since its date of incorporation, the business of Sairiyo has been conducted in the Ordinary Course of Business.

### **Section 3.24 Sufficiency of Sairiyo Assets**

The Sairiyo Assets include all rights and property (other than working capital) necessary and sufficient to enable it to carry on its business after the Closing substantially in the same manner as it was conducted prior to the Closing. The Sairiyo Assets are in good operating condition, subject to normal wear and tear, and reasonably fit and usable for the purposes for which they are being used. Except in the Ordinary Course of Business, all of the Sairiyo Assets are in the possession of Sairiyo.

### **Section 3.25 Privacy Matters**

Sairiyo has conducted and is conducting its business in compliance in all material respects with all applicable Laws concerning privacy and the protection of personal information.

### **Section 3.26 Brokers**

Sairiyo has not has engaged any broker or other agent in connection with the Share Exchange and no commission, fee or other remuneration shall be payable by Sairiyo to any broker or agent who purports or may purport to act or have acted for Sairiyo in connection with the Share Exchange.

### **Section 3.27 Full Disclosure**

This Agreement: (i) does not contain any untrue statement of a Material Fact in respect of Sairiyo or the affairs, operations or condition of Sairiyo; and (ii) does not omit any statement of a Material Fact necessary in order to make the statements in respect of Sairiyo or the affairs, operations or condition of Sairiyo contained herein not misleading.

### **Section 3.28 Financial Information**

There are no material liabilities, contingent, contractual or otherwise, of Sairiyo as of the date hereof.

### **Section 3.29 Non-Arm's Length Transactions**

- (a) Sairiyo has not made any payment or loan to, or has borrowed any monies from or is otherwise indebted to, any officer, director, employee, shareholder or any other Person with whom Sairiyo is not dealing at arm's length (within the meaning of the Income Tax Act) or any Affiliate of any of the foregoing; and
- (b) Sairiyo is not a party to any contract or agreement with any officer, director, employee, shareholder or any other Person with whom Sairiyo is not dealing at arm's length (within the meaning of the Income Tax Act) or any Affiliate of any of the foregoing.

### **Section 3.30 Third Party Approvals**

No consents, registrations, approvals, permits, waivers or authorizations are required to be obtained by Sairiyo from, any third party in connection with the execution and delivery of this Agreement by Sairiyo and the consummation of the transactions contemplated herein by Sairiyo, the failure to make or obtain any or all of which is reasonably likely to have a Material Adverse Effect on the consolidated financial condition of Sairiyo, or could prevent, materially delay or materially burden the transactions contemplated herein.

### **Section 3.31 Survival of Representations and Warranties**

The representations and warranties of Sairiyo contained in this Agreement shall survive the execution and delivery of this Agreement and shall terminate on the earlier of (i) the termination date of this Agreement in accordance with its terms and (ii) the Closing Date.

## **ARTICLE 4 REPRESENTATIONS AND WARRANTIES OF THE SAIRIYO SHAREHOLDERS**

Each Sairiyo Shareholder severally represents and warrants to Pharmadrug as follows (as to itself and not any other Sairiyo Shareholder):

### **Section 4.1 Capacity**

The Sairiyo Shareholder has the power and authority to own or hold the Purchased Shares. The Sairiyo Shareholder has the power and authority to enter into this Agreement and to perform its obligations hereunder.

### **Section 4.2 Execution and Delivery**

This Agreement and any other agreement contemplated by this Agreement has been duly executed and delivered by the Sairiyo Shareholder and will result in legally binding obligations of the Sairiyo Shareholder enforceable against it in accordance with the respective terms and provisions hereof and thereof subject, however, to limitations with respect to enforcement imposed by law in connection with bankruptcy or similar proceedings and to the extent that equitable remedies such as specific performance and injunction are in the discretion of the court from which they are sought.

### **Section 4.3 Corporate Action**

The execution and delivery of this Agreement and such other agreements and instruments and the consummation of the transaction have been duly authorized by all necessary corporate action on the part of each corporate Sairiyo Shareholder, as may be required.

### **Section 4.4 No Violation**

The execution and delivery of this Agreement, the transfer of the Purchased Shares held by it, as applicable, and the performance, observance or compliance with the terms of this Agreement by the Sairiyo Shareholder will not violate, constitute a default under, conflict with, or give rise to any requirement for a waiver or consent under:

- (a) any provision of law or any order of any court or other governmental agency applicable to the Sairiyo Shareholder;
- (b) the Articles of the Sairiyo Shareholder, if applicable;
- (c) any provision of any agreement, instrument or other obligation to which the Sairiyo Shareholder is a party or by which the Sairiyo Shareholder is bound; or
- (d) any applicable judgment, writ, decree, order or Laws applicable to the Sairiyo Shareholder.

### **Section 4.5 Litigation**

There is no pending suit, action, legal proceeding, litigation or governmental investigation of any sort or, to the knowledge of the Sairiyo Shareholder after due inquiry, threatened or contemplated, which would:

- (a) in any manner restrain or prevent the Sairiyo Shareholder from effectually or legally exchanging the Purchased Shares held by it in accordance with this Agreement;
- (b) cause any Lien to be attached to the Purchased Shares held by it;
- (c) divest title to the Purchased Shares held by it; or
- (d) make Pharmadrug or Sairiyo liable for damages in connection with the transaction contemplated herein.

### **Section 4.6 Ownership**

The Sairiyo Shareholder is the registered owner of those Purchased Shares set forth opposite its name on Schedule "A" hereto, free and clear of any Liens. The Sairiyo Shareholder has good and marketable title to the Purchased Shares, free of all mortgages, charges, liens, pledges, claims, security interests and agreements and other encumbrances of whatsoever nature and no person or entity has any agreement or option or right capable of becoming an agreement or option for the purchase from the Sairiyo Shareholder of any of the Purchased Shares held by it, and the Sairiyo Shareholder has good right, full power and absolute authority to sell, transfer and assign all of the

Purchased Shares held by it to Pharmadrug for the purpose and in the manner as provided for in this Agreement and the Purchased Shares held by it constitute all of the Sairiyo Shares owned or controlled, directly or indirectly, by the Sairiyo Shareholder. The Purchased Shares held by the Sairiyo Shareholder are not subject to any shareholder, pooling, escrow or similar agreements.

#### **Section 4.7 Finders Fees**

The Sairiyo Shareholder has not entered into any agreement that would entitle any person to any valid claim against Pharmadrug for a broker's commission, finder's fee, or any like payment in respect of the exchange of the Sairiyo Shares or any other matters contemplated by this Agreement and, in the event that any Person acting or purporting to act for such Sairiyo Shareholder establishes a claim for any fee from Pharmadrug, such Sairiyo Shareholder covenants to indemnify and hold harmless Pharmadrug with respect thereto and with respect to all costs reasonably incurred in the defence thereof.

#### **Section 4.8 Survival of Representations and Warranties**

The representations and warranties of each Sairiyo Shareholder contained in this Agreement shall survive the execution and delivery of this Agreement.

### **ARTICLE 5 REPRESENTATIONS AND WARRANTIES OF PHARMADRUG**

Pharmadrug hereby represents and warrants as follows to and in favour of Sairiyo and all the Sairiyo Shareholders as at the Closing Time and Pharmadrug acknowledges that Sairiyo and such Sairiyo Shareholders are relying upon such representations and warranties in connection with the Share Exchange (references herein to Pharmadrug include, where applicable, Pharmadrug's subsidiaries and affiliates):

#### **Section 5.1 Organization and Existence**

Pharmadrug is a corporation duly incorporated, organized and validly existing under the laws of the province of Ontario and has the corporate power to own its properties and to carry on its business as now conducted and has made all necessary filings under all applicable corporate, securities and taxation laws or any other laws to which Pharmadrug is subject, except where the failure to make such filing would not have a Material Adverse Effect on Pharmadrug. Pharmadrug is in good standing under the OBCA. Pharmadrug is not in violation of its Articles or by-laws. Pharmadrug has the following subsidiaries Aura Health Corp., Green Global Properties Inc., Pharmadrug Production GmbH and Interrobang Ltd.. No proceedings have been instituted or are pending for the dissolution or liquidation of Pharmadrug.

#### **Section 5.2 Authorization**

- (a) The execution, delivery and performance by Pharmadrug of this Agreement and the Share Exchange: (i) are within its corporate power and authority; (ii) have been, or will be duly authorized by all necessary corporate proceedings; and (iii) do not and will not conflict with or result in any breach of any provision of, or the creation of any Lien upon any of the property of Pharmadrug pursuant to its Articles or by-laws of Pharmadrug, any applicable Laws, order, judgment, injunction, license or permit applicable to Pharmadrug or any indenture, lease, agreement, contract,

instrument or Lien, to which Pharmadrug is a party or by which the property of Pharmadrug may be bound or affected.

- (b) The Consideration Shares, when delivered to the Sairiyo Shareholders in accordance with the terms of this Agreement, will be validly issued and outstanding as fully paid and non-assessable Pharmadrug Shares.
- (c) The Consideration Warrants have been, or prior to the Closing Time will be, duly and validly authorized for issuance and created by Pharmadrug and, upon receipt of payment therefor by Pharmadrug pursuant to this Agreement, the Consideration Warrants will be validly issued.
- (d) The Warrant Shares have been, or prior to the Closing Time shall be, duly and validly authorized and allotted for issuance by Pharmadrug and, upon valid exercise of the Warrants in accordance with their terms, the Warrant Shares will be validly issued as fully paid and non-assessable Pharmadrug Shares, provided that Pharmadrug has received the exercise price thereof.
- (e) The form of the certificate representing the Warrants will be duly approved by the directors of the Pharmadrug prior to issuance and comply with applicable laws, including any applicable rules and policies of the CSE.

### **Section 5.3 Consents**

The execution, delivery and performance by Pharmadrug of this Agreement does not and will not require the authorization, approval or consent of, or any filing with, any governmental authority or agency or any other Person, except those required by Applicable Securities Laws.

### **Section 5.4 Authorized and Issued Capital**

- (a) The authorized capital of Pharmadrug consists of an unlimited number of Pharmadrug Shares of which 247,587,183 are issued and outstanding as at the date hereof.
- (b) There are no agreements, options, warrants, rights of conversion or other rights binding upon or which at any time in the future may become binding upon Pharmadrug to issue any shares or any securities convertible or exchangeable, directly or indirectly, into any Pharmadrug Shares other than as publicly disclosed. There are no shareholders' agreements, pooling agreements, voting trusts or other agreements or understandings with respect to the voting of Pharmadrug Shares, or any of them.
- (c) The Pharmadrug Shares issued and outstanding as at the Closing Time have been, or will at the Closing Time be, duly authorized and validly issued and outstanding as fully paid and non-assessable shares. None of the Pharmadrug Shares have been issued in violation of any applicable Laws, the policies of the CSE, Pharmadrug's Articles or by-laws or any agreement to which Pharmadrug is a party or by which it is bound.

### **Section 5.5 No Material Adverse Change**

Since October 31, 2020, other than as disclosed in public filings or press releases, to the knowledge of Pharmadrug, there has occurred no change in the business, operations, results of operations, assets, capitalization or condition (financial or otherwise) of Pharmadrug, whether or not in the Ordinary Course of Business, whether separately or in the aggregate with other occurrences or developments, and whether insured against or not, which would reasonably be expected to have a Material Adverse Effect on Pharmadrug.

### **Section 5.6 Reporting Issuer**

Pharmadrug is a reporting issuer under the securities legislation of the provinces of British Columbia, Alberta, Manitoba, Quebec and Ontario and is not in default of such legislation or any regulation thereunder. No order has been issued ceasing or suspending trading or prohibiting the issue of the Pharmadrug Shares and no proceedings for such are pending or, to the knowledge of Pharmadrug, threatened.

### **Section 5.7 CSE Listing**

The Pharmadrug Shares are listed and posted for trading on the CSE.

### **Section 5.8 Reports and Pharmadrug Financial Statements**

- (a) The Pharmadrug Financial Statements were prepared in accordance with IFRS on a consistent basis for each period included in the Pharmadrug Financial Statements; each of the balance sheets included in such Pharmadrug Financial Statements fairly presents the financial condition of Pharmadrug as at the close of business on the date thereof, and each of the statement of operations and deficit included in the Pharmadrug Financial Statements fairly presents the results of operations of Pharmadrug for the fiscal period then ended.
- (b) The audited Pharmadrug Financial Statements were audited in accordance with Canadian GAAS.
- (c) There were no material liabilities, contingent, contractual or otherwise, of Pharmadrug as of October 31, 2020, other than those disclosed in the Pharmadrug Financial Statements and the notes thereto.
- (d) There is no pending disagreement between Pharmadrug and its auditors which could materially affect the financial condition of Pharmadrug.

### **Section 5.9 Absence of Certain Changes**

Other than as contemplated herein or disclosed publicly, since October 31, 2020, Pharmadrug has not:

- (a) issued, sold, or agreed to issue in a material amount, sell, pledge, hypothecate, lease, dispose of or encumber any Pharmadrug Shares or other corporate securities or any right, option or warrant with respect thereto;

- (b) amended or proposed to amend its Articles or by-laws;
- (c) split, combined or reclassified any of its securities or declared or made any Distribution;
- (d) suffered any material loss relating to litigation or, to the knowledge of Pharmadrug, been threatened with litigation;
- (e) entered into or amended any employment contracts with any director, officer or senior management employee, created or amended any employee benefit plan, made any increases in the base compensation, bonuses, paid vacation time allowed or fringe benefits for its directors or officers;
- (f) suffered damage, destruction or other casualty, loss, or forfeiture of, any property or assets, whether or not covered by insurance;
- (g) other than in the Ordinary Course of Business: (i) entered into any contract, commitment or agreement under which it has outstanding Indebtedness for borrowed money or for the deferred purchase price of property; or (ii) made any loan or advance to any Person;
- (h) acquired or agreed to acquire (by tender offer, exchange offer, merger, amalgamation, acquisition of shares or assets or otherwise) any Person, corporation, partnership, joint venture or other business organization or division or acquired or agreed to acquire any material assets;
- (i) entered into any material contracts regarding its business operations, including joint ventures, partnerships or other arrangements;
- (j) created any stock option or bonus plan, paid any bonuses, deferred or otherwise, or deferred any compensation to any of its directors or officers other than such payments made in the Ordinary Course of Business;
- (k) made any material change in accounting procedures or practices;
- (l) entered into any other material transaction, or any amendment of any contract, lease, agreement or license which is material to its business;
- (m) cancelled, waived or compromised any debts or claims, including accounts payable to and receivable from its Affiliates;
- (n) failed to pay or satisfy when due any liability of Pharmadrug where such failure would have a Material Adverse Effect on Pharmadrug; or
- (o) entered into any agreement or understanding to do any of the foregoing.

#### **Section 5.10 Corporate Documents, Books and Records**

Complete and correct copies of the Articles and by-laws, and of all amendments thereto, of Pharmadrug have been previously delivered to Sairiyo. The minute books of Pharmadrug provided

to Sairiyo contain complete and accurate records in all material respects of all meetings and consents in lieu of meetings of the board of directors (and its committees) and shareholders of Pharmadrug since incorporation. Except as reflected in such minute books, there are no minutes of meetings or consents in lieu of meetings of the board of directors (or its committees) or of the shareholders of Pharmadrug.

### **Section 5.11 Indebtedness and Liens**

Other than in the Ordinary Course of Business, as publicly disclosed or in connection with the transactions contemplated hereby, since October 31, 2020, Pharmadrug has not incurred any: (i) Indebtedness; or (ii) Liens upon any of the Pharmadrug Assets.

### **Section 5.12 Indebtedness to Officers, Directors and Others**

Other than as publicly disclosed, Pharmadrug is not indebted to:

- (i) any director, officer or shareholder of Pharmadrug; or
- (ii) any corporation controlled, directly or indirectly, by any one or more of those Persons referred to in subsection Section 5.12(i) hereof.

### **Section 5.13 Taxes**

- (a) All Tax Returns required to be filed by or with respect to Pharmadrug have been filed, with the appropriate tax authorities and all such Tax Returns are true, correct, and complete in all material respects. No Tax Return of Pharmadrug is being audited by the relevant taxing authority, and there are no outstanding waivers, objections, extensions, or comparable consents regarding the application of the statute of limitations or period of reassessment with respect to any Taxes or Tax Returns that have been given or made by Pharmadrug (including the time for filing of Tax Returns or paying Taxes) and Pharmadrug has no pending requests for any such waivers, extensions, or comparable consents. Pharmadrug has not received a ruling from any taxing authority or signed an agreement with any taxing authority that could reasonably be expected to have a Material Adverse Effect on Pharmadrug. Other than as publicly disclosed, Pharmadrug does not owe any Taxes to the federal government, a provincial government, a state government, a municipal government or any other governmental authority.
- (b) Pharmadrug has established on its books and records reserves which are adequate for payment of all taxes not yet due and payable and there are no liens for taxes on the assets of Pharmadrug except for taxes not yet due, and there are no audits of any of the tax returns of Pharmadrug which are known by Pharmadrug's management to be pending, and there are no claims which have been or may be asserted relating to any such tax returns which, if determined adversely, would result in the assertion by any governmental agency of any deficiency which would have a Material Adverse Effect on the properties business or assets of Pharmadrug

#### **Section 5.14 Material Contracts**

All material contracts of Pharmadrug are valid, binding and in full force and effect as to Pharmadrug, and the other parties thereto (to Pharmadrug's knowledge) and Pharmadrug is not in breach or violation of, or default under, the terms of any such contract, agreement, plan, lease or commitment, except where such breach, violation or default would not have a Material Adverse Effect on Pharmadrug, and no event has occurred which constitutes or, with the lapse of time or the giving of notice, or both, would constitute, such a breach, violation or default by Pharmadrug or, to Pharmadrug's knowledge, by the other parties thereto.

#### **Section 5.15 Necessary Licenses and Permits**

Pharmadrug has all necessary and required licenses, permits, consents, concessions and other authorizations of governmental, regulatory or administrative agencies or authorities, whether foreign, federal, provincial, or local, required to own and lease its properties and assets and to conduct its business as now conducted, except where the failure to hold the foregoing would not have a Material Adverse Effect on Pharmadrug. Pharmadrug is not in default, nor has it received any notice of any claim or default with respect to any such license, permit, consent, concession or authorization. No registrations, filings, applications, notices, transfers, consents, approvals, audits, qualifications, waivers or other action of any kind is required by virtue of the execution and delivery of this Agreement, or of the consummation of the transactions contemplated hereby: (a) to avoid the loss of any license, permit, consent, concession or other authorization or any asset, property or right pursuant to the terms thereof, or the violation or breach of any law applicable thereto, or (b) to enable Pharmadrug to hold and enjoy the same immediately after the Closing Date in the conduct of its business as conducted prior to the Closing Date.

#### **Section 5.16 Environmental Laws**

- (a) All facilities and operations of Pharmadrug are, in all material respects, presently in compliance with all applicable Environmental Laws.
- (b) Pharmadrug has not been charged with or convicted of any offence for non-compliance with Environmental Laws and there are no judgments, orders, notices, proceedings or investigations of any nature relating to any breach or alleged breach of Environmental Laws by Pharmadrug.
- (c) Pharmadrug has not used any of the Pharmadrug Assets to produce, generate, manufacture, treat, store, handle, transport or dispose of any hazardous substances except in compliance with Environmental Laws.

#### **Section 5.17 Compliance with Law**

Pharmadrug is not in default under, or in violation of, and has not violated (and failed to cure) any law including, without limitation, laws relating to the issuance or sale of securities, privacy and intellectual property, or any licenses, franchises, permits, authorizations or concessions granted by, or any judgment, decree, writ, injunction or order of, any governmental or regulatory authority, applicable to its business or any of its properties or assets, except where such default or violation would not have a Material Adverse Effect on Pharmadrug. Pharmadrug has not received any

notification alleging any material violations of any of the foregoing with respect to which adequate corrective action has not been taken.

#### **Section 5.18 Brokers**

Pharmadrug has not engaged any broker or other agent in connection with the Share Exchange and no commission, fee or other remuneration shall be payable by Sairiyo to any broker or agent who purports or may purport to act or have acted for Sairiyo in connection with the Share Exchange.

#### **Section 5.19 Employees**

There are no agreements, written or oral, between Pharmadrug and any other party relating to payment, remuneration or compensation for work performed or services provided or payment relating to a Change of Control or other event in respect of Pharmadrug.

#### **Section 5.20 Litigation**

There is no suit, claim, action, proceeding or investigation in existence or, to the knowledge of Pharmadrug, pending or threatened against or affecting Pharmadrug, or any of its assets or properties, or any officer or director thereof in his capacity as an officer or director thereof.

#### **Section 5.21 Employee Benefit Plans**

Except for those benefit plans disclosed in Pharmadrug's public filings, Pharmadrug does not have any employee benefit plans (or any plan which may be in any way regarded as an employee benefit plan) of any nature whatsoever nor has it ever had any such plans.

#### **Section 5.22 No Limitations**

There is no non-competition, exclusivity or other similar agreement, commitment or understanding in place, whether written or oral, to which Pharmadrug is a party or is otherwise bound that would now or hereafter, in any way limit the business, use of assets or operations of Pharmadrug in a manner that would have a Material Adverse Effect on Pharmadrug.

#### **Section 5.23 Insurance**

Except where the failure to do so would not constitute a Material Adverse Effect and except as disclosed in writing to Sairiyo, Pharmadrug has its property insured against loss or damage by all insurable hazards or risks on a replacement cost basis and such insurance coverage will be continued in full force and effect; to the best of the knowledge of Pharmadrug, Pharmadrug is not in default with respect to any of the provisions contained in any such insurance policy and has not failed to give any notice or present any claim under any such insurance policy in due and timely fashion

#### **Section 5.24 Regulatory Compliance**

Pharmadrug is in compliance with all regulatory orders, directives and decisions that have application to Pharmadrug except where such non-compliance would not have a Material Adverse Effect on Pharmadrug and Pharmadrug has not received notice from any governmental or

regulatory authority that Pharmadrug is not in compliance with any such regulatory orders, directives or decisions.

### **Section 5.25 Public Filings**

All information filed with the securities commissions, including without limitation, the documents and any other information filed with any securities commissions in compliance, or intended compliance, with any Applicable Securities Laws complied in all material respects with Applicable Securities Laws at the time they were filed, and Pharmadrug has not filed any confidential filings with any securities authorities which continue to be confidential.

### **Section 5.26 Transfer Agent**

Capital Transfer Agency is Pharmadrug's duly appointed registrar and transfer agent.

### **Section 5.27 No Material Fact or Material Change**

There is no "material fact" or "material change" (as those terms are defined in Applicable Securities Laws) in the affairs of Pharmadrug that has not been generally disclosed to the public.

### **Section 5.28 Non-Arm's Length Transactions**

Except as disclosed in the Pharmadrug Financial Statements or in this Agreement:

- (a) Pharmadrug has not made any payment or loan to, or borrowed any monies from or is otherwise indebted to, any officer, director, employee, shareholder or any other Person with whom Pharmadrug is not dealing at arm's length (within the meaning of the Income Tax Act) or any Affiliate of any of the foregoing; and
- (b) Pharmadrug is not a party to any contract or agreement with any officer, director, employee, shareholder or any other Person with whom Pharmadrug is not dealing at arm's length (within the meaning of the Income Tax Act) or any Affiliate of any of the foregoing.

### **Section 5.29 Enforceability**

The execution and delivery by Pharmadrug of this Agreement and any other agreement contemplated by this Agreement will result in legally binding obligations of Pharmadrug enforceable against Pharmadrug in accordance with the respective terms and provisions hereof and thereof subject, however, to limitations with respect to enforcement imposed by law in connection with bankruptcy or similar proceedings and to the extent that equitable remedies such as specific performance and injunction are in the discretion of the court from which they are sought.

### **Section 5.30 Survival of Representations and Warranties**

The representations and warranties of Pharmadrug contained in this Agreement shall survive the execution and delivery of this Agreement and shall terminate on the earlier of (i) the termination date of this Agreement in accordance with its terms and (ii) the Closing Date.

## ARTICLE 6 COVENANTS

### Section 6.1 Filings

Pharmadrug and Sairiyo shall prepare and file, or cause to be filed, any filings required under any applicable laws or rules and policies of the CSE or other regulatory bodies relating to the Share Exchange. Pharmadrug covenants and agrees to take, in a timely manner, all commercially reasonable actions and steps necessary in order that, effective as at the Closing Date: (i) the Pharmadrug Shares, including for greater certainty, the Consideration Shares and Consideration Warrant Shares issuable pursuant to the Share Exchange, be listed and posted for trading on the CSE; (ii) the distribution of Consideration Units to the Sairiyo Shareholders is exempt from the prospectus and registration requirements of Applicable Securities Laws.

### Section 6.2 Additional Agreements

Each of the parties hereto agrees to use its commercially reasonable efforts to take, or cause to be taken, all action and to do, or cause to be done, all things necessary, proper or advisable to consummate and make effective as promptly as practicable the transactions contemplated by this Agreement and to cooperate with each other in connection with the foregoing, including using commercially reasonable efforts to:

- (a) obtain all necessary waivers, consents and approvals from other parties to material agreements, leases and other contracts or agreements;
- (b) obtain all necessary consents, approvals, and authorizations as are required to be obtained under any federal, provincial or foreign law or regulations;
- (c) defend all lawsuits or other legal proceedings challenging this Agreement or the consummation of the transactions contemplated hereby;
- (d) cause to be lifted or rescinded any injunction or restraining order or other remedy adversely affecting the ability of the parties to consummate the transactions contemplated hereby;
- (e) effect all necessary registrations and other filings and submissions of information requested by governmental authorities;
- (f) comply with all provisions of this Agreement; and
- (g) provide such officers' certificates as may be reasonably requested by the other parties hereto in respect of the representations, warranties and covenants of a party hereto.

### Section 6.3 Access to Information

- (a) Upon reasonable notice, Sairiyo shall afford to Pharmadrug's directors, officers, counsel, accountants and other authorized representatives and advisers complete access (or, where necessary, the provision of the information requested), during normal business hours and at such other time or times as the parties may reasonably

request, from the date hereof and until the earlier of the Closing Date and the termination of this Agreement, to its properties, books, contracts and records as well as to management personnel of Sairiyo as Pharmadrug may require or may reasonably request.

- (b) Upon reasonable notice, Pharmadrug shall afford to Sairiyo's directors, officers, counsel, accountants and other authorized representatives and advisers complete access (or, where necessary, the provision of the information requested), during normal business hours and at such other time or times as the parties may reasonably request, from the date hereof and until the earlier of the Closing Date and the termination of this Agreement, to its properties, books, contracts and records as well as to management personnel of Pharmadrug as Sairiyo may require or may reasonably request.

#### **Section 6.4 Conduct of Business of Sairiyo**

Sairiyo covenants and agrees that, during the period from the date of this Agreement until the earlier of the Closing Date and the date this Agreement is terminated in accordance with its terms, unless Pharmadrug shall otherwise consent in writing (such consents not to be unreasonably withheld or delayed), except as required by law or as otherwise expressly permitted or specifically contemplated by this Agreement:

- (a) Sairiyo shall use all commercially reasonable efforts to maintain and preserve its business, the Sairiyo Assets and business relationships;
- (b) Sairiyo shall notify Pharmadrug of any Material Adverse Effect on its business; and
- (c) Sairiyo shall not directly or indirectly:
  - (i) take any action which may interfere with or be inconsistent with the successful completion of the transactions contemplated herein or take any action or fail to take any action which may result in a condition precedent to the transactions described herein not being satisfied;
  - (ii) except as disclosed herein, pledge, hypothecate, lease, dispose of or encumber any Sairiyo Shares or other securities or any right, option or warrant with respect thereto;
  - (iii) amend or propose to amend its Articles, unless such amendment is required to give effect to the transactions contemplated herein, or with the consent of Pharmadrug, such consent not to be unreasonably withheld;
  - (iv) split, combine or reclassify any of its securities or declare or make any Distribution or distribute any of its properties or assets to any Person;
  - (v) other than in the Ordinary Course of Business, enter into or amend any employment contracts with any director, officer or senior management employee, create or amend any employee benefit plan, make any increases

in the base compensation, bonuses, paid vacation time allowed or fringe benefits for its directors, officers, employees or consultants;

- (vi) acquire or agree to acquire (by tender offer, exchange offer, merger, amalgamation, acquisition of shares or assets or otherwise) any Person, partnership or other business organization or division or acquire or agree to acquire any material assets;
- (vii) other than in the Ordinary Course of Business create any option or bonus plan, pay any bonuses, deferred or otherwise, or defer any compensation to any of its directors, officers or employees;
- (viii) make any material change in accounting procedures or practices;
- (ix) mortgage, pledge or hypothecate any of the Sairiyo Assets, or subject them to any Lien, except Permitted Liens;
- (x) except in the Ordinary Course of Business, enter into any agreement or arrangement granting any rights to purchase or lease any of the Sairiyo Assets or requiring the consent of any Person to the transfer, assignment or lease of any of the Sairiyo Assets;
- (xi) dispose of or permit to lapse any rights to the use of any Sairiyo Intellectual Property;
- (xii) except in the Ordinary Course of Business, sell, lease, sublease, assign or transfer (by tender offer, exchange offer, merger, amalgamation, sale of shares or assets or otherwise) any of the Sairiyo Assets, or cancel, waive or compromise any debts or claims, including accounts payable to and receivable from Affiliates;
- (xiii) enter into any other material transaction or any amendment of any contract, lease, agreement, license or sublicense which is material to its business;
- (xiv) settle any outstanding claim, dispute, litigation matter, or tax dispute;
- (xv) transfer any assets to the Sairiyo Shareholders or any of their Subsidiaries or Affiliates or assume any Indebtedness from the Sairiyo Shareholders or any of their Subsidiaries or Affiliates or enter into any other related party transactions;
- (xvi) issue from treasury any Sairiyo Shares or otherwise grant or issue any options, warrants or other securities convertible into Sairiyo Shares without the prior approval of Pharmadrug; or
- (xvii) enter into any agreement or understanding to do any of the foregoing.

## **Section 6.5 General Covenants of Pharmadrug**

Pharmadrug covenants and agrees that during the period from the date of this Agreement until the earlier of the Closing Date and the date this Agreement is terminated in accordance with its terms, unless Sairiyo, otherwise consents in writing (such consent not to be unreasonably withheld or delayed):

- (a) the business of Pharmadrug shall be conducted in the ordinary course and Pharmadrug shall use its commercially reasonable efforts to maintain and preserve its business, assets and business relationships, except as may be otherwise required by law or pursuant to the terms of this Agreement;
- (b) Pharmadrug shall notify Sairiyo of any Material Adverse Effect on its business;
- (c) Pharmadrug shall at all times comply with all applicable policies of the CSE and all Applicable Securities Laws;
- (d) subject to applicable law (including the time limits imposed thereunder), Pharmadrug shall obtain prior approval of Sairiyo as to the content and form of any press release or other public disclosure relating to the Share Exchange;
- (e) Pharmadrug shall not directly or indirectly:
  - (i) take any action which may interfere with or be inconsistent with the successful completion of the transactions contemplated herein or take any action or fail to take any action which may result in a condition precedent to the transactions described herein not being satisfied;
  - (ii) pledge, hypothecate, lease, dispose of or encumber any Pharmadrug Shares or other securities of Pharmadrug or any right, option or warrant with respect thereto;
  - (iii) amend or propose to amend its Articles or by-laws except as contemplated by this Agreement;
  - (iv) split, combine or reclassify any of its securities or declare or make any Distribution, or distribute any of its property or assets to any Person;
  - (v) other than in the Ordinary Course of Business, enter into or amend any employment contracts with any director, officer or senior management employee, create or amend any employee benefit plan, make any increases in the base compensation, bonuses, paid vacation time allowed or fringe benefits for its directors, officers, employees or consultants;
  - (vi) make any capital expenditures, additions or improvements or commitments for the same, except in the Ordinary Course of Business or in connection with the transactions contemplated herein;

- (vii) enter into any contract, commitment or agreement under which it would incur indebtedness for borrowed money or for the deferred purchase price of property (other than such property acquired in the Ordinary Course of Business consistent with past practice), or would have the right or obligation to incur any such indebtedness or obligation, or make any loan or advance to any Person;
  - (viii) other than as contemplated herein, acquire or agree to acquire (by tender offer, exchange offer, merger, amalgamation, acquisition of shares or assets or otherwise) any Person, partnership, joint venture or other business organization or division or acquire or agree to acquire any material assets;
  - (ix) make any material change in accounting procedures or practices;
  - (x) engage in any business that is outside of the business that is being currently conducted by Pharmadrug, whether as a partner, joint venture participant or otherwise;
  - (xi) enter into any other material transaction, or any amendment of any contract, lease, agreement, license or sublicense which is material to its business;
  - (xii) settle any outstanding claim, dispute, litigation matter, or tax dispute; or
  - (xiii) enter into any agreement or understanding to do any of the foregoing.
- (f) Pharmadrug shall take all requisite action to complete the Share Exchange;
  - (g) upon Pharmadrug receiving notification or other information from any regulatory authority or body concerning the transactions contemplated hereunder, such information shall be promptly disclosed in writing to the counsel for Sairiyo;
  - (h) in consultation with Sairiyo and its counsel, forthwith use its commercially reasonable efforts to obtain all necessary regulatory approvals for listing of the Consideration Shares and Consideration Warrant Shares issued or issuable pursuant to this Agreement on the CSE upon the Closing and assist in making all submissions, preparing all press releases and making all notifications required with respect to this transaction and the issuance of shares as contemplated hereunder; and
  - (i) to file, duly and timely, all Tax Returns required to be filed by it and to pay promptly all taxes, assessments and governmental charges which are claimed by any governmental authority to be due and owing and not to enter into any agreement, waiver or other arrangement providing for an extension of time with respect to the filing of any tax return or the payment or assessment of any tax, governmental charge or deficiency.

## **Section 6.6 Covenants of the Sairiyo Shareholders**

Each of the Sairiyo Shareholders covenant and agree that during the period from the date of this Agreement until the earlier of the Closing Date and the date this Agreement is terminated in accordance with its terms, unless Pharmadrug otherwise consents in writing (such consent not to be unreasonably withheld or delayed), the Purchased Shares shall not be sold, pledged, hypothecated, leased, disposed of or encumbered in any way.

## **Section 6.7 Standstill**

From the date of the acceptance of this Agreement until completion of the transactions contemplated herein or the earlier termination hereof, Sairiyo, the Sairiyo Shareholders and Pharmadrug will not, directly or indirectly, solicit, initiate, assist, facilitate, promote or encourage proposals or offers from, entertain or enter into discussions or negotiations with, or provide information relating to its securities or assets, business, operations, affairs or financial condition to any persons in connection with the acquisition or distribution of any securities of Sairiyo, or Pharmadrug, or any amalgamation, merger, consolidation, arrangement, restructuring, refinancing, sale of any material assets of Sairiyo or Pharmadrug, unless such action, matter or transaction is part of the transactions contemplated in this Agreement or is satisfactory to, and is approved in writing in advance by the other party hereto or is necessary to carry on the normal course of business.

## **ARTICLE 7 CONDITIONS TO OBLIGATION TO CLOSE**

### **Section 7.1 Pharmadrug's Closing Conditions**

Pharmadrug's obligation to issue Pharmadrug Shares in exchange for the Sairiyo Shares on the Closing Date pursuant to Article 2 is subject to compliance by Sairiyo and the Sairiyo Shareholders with their agreements herein contained and to the satisfaction, on or prior to the Closing Date, of the following conditions:

- (a) ***Constating Documents and Certificate of Corporate Existence.*** Pharmadrug shall have received from Sairiyo: (i) a copy, certified by one duly authorized officer of Sairiyo to be true and complete as of the Closing Date, of the Articles of Sairiyo; and (ii) a certificate of good standing dated not more than three days prior to the Closing Date, as to Sairiyo's corporate good standing or qualification to carry on business, as the case may be, in its jurisdiction of incorporation or organization, as applicable.
- (b) ***Required Approvals.*** Sairiyo shall have obtained the approval of the board of directors of Sairiyo, and any other necessary approvals for this Agreement and the Share Exchange.
- (c) ***Proof of Corporate Action.*** Pharmadrug shall have received from Sairiyo a copy, certified by a duly authorized officer thereof to be true and complete as of the Closing Date, of the records of all corporate action taken to authorize the execution, delivery and performance of this Agreement.

- (d) ***Incumbency Certificates.*** Pharmadrug shall have received from Sairiyo an incumbency certificate, dated the Closing Date, signed by a duly authorized officer thereof and giving the name and bearing a specimen signature of each individual who shall be authorized to sign, in the name and on behalf of Sairiyo, this Agreement and any other ancillary documents.
- (e) ***Representations and Warranties.*** The representations and warranties of Sairiyo and the Sairiyo Shareholders contained herein shall be true and correct in all material respects, on and as of the Closing Date with the same force and effect as if such representations and warranties were made at such time, and Pharmadrug shall have received on the Closing Date in respect of the representations and warranties of Sairiyo, certificates to this effect, signed by one authorized officer of Sairiyo, and if applicable, Sairiyo shall include with such certificates a description of each Material Contract (as described in Section 3.10 herein) entered into by Sairiyo between the date of this Agreement and the Closing Date and a representation substantially equivalent to Section 3.10 in respect of each such Material Contract, provided that each such Material Contract entered into between the date of this Agreement and the Closing Date shall not breach, be in conflict with or otherwise contravene Section 6.4.
- (f) ***Covenants.*** All of the terms, covenants and conditions of this Agreement to be complied with or performed by Sairiyo at or before the Closing Date shall have been complied with or performed and Pharmadrug shall have received on the Closing Date certificates to this effect signed by authorized officers of Sairiyo.
- (g) ***Regulatory and Other Consents.*** There shall have been obtained from all appropriate federal, provincial, municipal or other governmental or administrative bodies such licences, permits, consents, approvals, certificates, registrations and authorizations as are required to be obtained by each Sairiyo Shareholder to permit the transfer of the Sairiyo Shares in each case and the exchange of the Sairiyo Shares for Pharmadrug Shares. Additionally, all required approvals, consents, authorizations and waivers relating to the consummation of the transactions contemplated by this Agreement shall have been obtained from the CSE and the securities regulatory authorities in Ontario, Quebec, British Columbia, Manitoba and Alberta, including the acceptance, by the CSE of the transactions contemplated in this Agreement.
- (h) ***No Action or Proceeding.*** No *bona fide* legal or regulatory action or proceeding shall be pending or threatened by any person to enjoin, restrict or prohibit the exchange by the Sairiyo Shareholders of the Sairiyo Shares for Pharmadrug Shares or the right of Sairiyo or Pharmadrug from and after the Closing Time to conduct, expand and develop the business of Sairiyo.
- (i) ***No Material Adverse Change.*** No change shall have occurred in the business, affairs, financial condition or operations of Sairiyo between the date hereof and the Closing Date which would have a Material Adverse Effect.
- (j) ***CSE Approval.*** The CSE shall have, if required, approved the Share Exchange and agreed to list the Pharmadrug Shares (including the Consideration Shares,

Consideration Warrant Shares and other Pharmadrug shares that may be issuable on the exercise of securities convertible into Pharmadrug Shares) on the CSE and all other matters contemplated herein, as required.

- (k) **General.** All instruments and corporate proceedings in connection with the transactions contemplated by this Agreement shall be satisfactory in form and substance to Pharmadrug and its counsel, acting reasonably, and Pharmadrug shall have received copies of all documents, including, without limitation, all documentation required to be delivered to Pharmadrug at or before the Closing Time in accordance with this Agreement, records of corporate or other proceedings and consents which Pharmadrug may have reasonably requested in connection therewith.
- (l) **Entire Interest.** All of the issued and outstanding Sairiyo Shares at the Closing Time shall be delivered or such rights shall be transferred to Pharmadrug at the time of Closing.
- (m) **Due Diligence Review.** Pharmadrug, acting reasonably, being satisfied with the results of its due diligence investigations into Sairiyo.

The agreements, certificates, documents, other evidence of compliance and opinions described in this Section 7.1 shall be in form and substance satisfactory to Pharmadrug, acting reasonably, and shall, except as otherwise provided, be delivered to Pharmadrug at the Closing; provided, however, any one or more of the foregoing conditions may be waived in writing by Pharmadrug.

## **Section 7.2 Sairiyo Shareholders' Closing Conditions**

The obligations of the Sairiyo Shareholders to transfer and assign to Pharmadrug the Purchased Shares in exchange for the Consideration Units pursuant to Article 2 is subject to compliance by Pharmadrug with its agreements herein contained and to the satisfaction, on or before the Closing Date of the following conditions, unless waived by Sairiyo on behalf of the Sairiyo Shareholders:

- (a) **Constating Documents and Certificate of Corporate Existence.** Sairiyo shall have received from Pharmadrug: (i) a copy, certified by a duly authorized officer of Pharmadrug to be true and complete as of the Closing Date, of the Articles of Pharmadrug; (ii) a copy, certified by a duly authorized officer of Pharmadrug, to be true and complete as of the Closing Date, of the by-laws of Pharmadrug; and (iii) a certificate of good standing dated not more than three days prior to the Closing Date, as to Pharmadrug's and its subsidiaries' corporate good standing or qualification to carry on business, as the case may be, in its jurisdiction of incorporation or organization, as applicable and evidence of "no default" in respect of the securities legislation of each jurisdiction in which Pharmadrug is a reporting issuer.
- (b) **Required Approvals.** Pharmadrug shall have obtained the requisite approval of the board of directors of Pharmadrug and any other necessary approvals for this Agreement.

- (c) ***Proof of Corporate Action.*** Sairiyo shall have received from Pharmadrug copies, certified by a duly authorized officer thereof to be true and complete as of the Closing Date, of the records of all corporate action taken to authorize the execution, delivery and performance of this Agreement.
- (d) ***Incumbency Certificate.*** Sairiyo shall have received from Pharmadrug an incumbency certificate, dated the Closing Date, signed by a duly authorized officer thereof and giving the name and bearing a specimen signature of each individual who shall be authorized to sign, in the name and on behalf of Pharmadrug, this Agreement and any other ancillary documents.
- (e) ***Representations and Warranties.*** The representations and warranties of Pharmadrug contained herein shall be true and correct in all material respects on and as of the Closing Date with the same force and effect, as if such representations and warranties were made at such time, and Sairiyo shall have received on the Closing Date a certificate to this effect signed by an authorized officer of Pharmadrug.
- (f) ***Covenants.*** All of the terms, covenants and conditions of this Agreement to be complied with or performed by Pharmadrug at or before the Closing Date shall have been complied with or performed and Sairiyo shall have received on the Closing Date certificates to this effect signed by an authorized officer of Pharmadrug.
- (g) ***Regulatory Consents.*** All required approvals, consents, authorizations and waivers relating to the consummation of the transactions contemplated by this Agreement shall have been obtained from the CSE and the securities regulatory authorities in British Columbia, Alberta, Manitoba, Ontario and Quebec.
- (h) ***No Action or Proceeding.*** No bona fide legal or regulatory action or proceeding shall be pending or threatened by any person to enjoin, restrict or prohibit the exchange by the Sairiyo Shareholders of the Sairiyo Shares for Pharmadrug Shares.
- (i) ***No Material Adverse Change.*** No change shall have occurred in the business, affairs, financial condition or operations of Pharmadrug between the date hereof and the Closing Date which would have a Material Adverse Effect.
- (j) ***Other Certificates.*** Sairiyo shall have received certificates addressed to Sairiyo and the Sairiyo Shareholders, dated the Closing Date, signed by two executive officers of Pharmadrug not in their personal capacities, certifying that such individuals are not aware of any facts or any facts or matters that are inconsistent with the representations and warranties being given by Pharmadrug pursuant to this Agreement.
- (k) ***General.*** All instruments and corporate proceedings in connection with the transactions contemplated by this Agreement shall be satisfactory in form and substance to Sairiyo and its counsel, acting reasonably, and Sairiyo shall have received copies of all documents as provided for herein, including, without limitation, records of corporate or other proceedings and consents which Sairiyo may have reasonably requested in connection therewith.

- (1) ***Due Diligence Review.*** Sairiyo, acting reasonably, being satisfied with the results of its due diligence investigations into Pharmadrug.

The agreements, certificates, documents and other evidence of compliance described in this Section 7.2 shall be in form and substance satisfactory to Sairiyo, acting reasonably, and shall, except as otherwise provided, be delivered to Sairiyo at the Closing; provided, however, any one or more of the foregoing conditions may be waived in writing by Sairiyo.

## **ARTICLE 8 CONFIDENTIALITY**

### **Section 8.1 Confidentiality**

- (a) All information regarding the business of Sairiyo including but without limitation, financial information that Sairiyo provides to Pharmadrug during its due diligence investigation of Sairiyo will be kept in strict confidence by Pharmadrug and will not be used, dealt with, exploited or commercialized by Pharmadrug or disclosed to any third party (other than Pharmadrug's professional accounting and legal advisors) without Sairiyo's prior written consent. If the Transaction contemplated by this Agreement does not proceed for any reason, then upon receipt of a written request from Sairiyo, Pharmadrug will immediately return to Sairiyo (or as directed by Sairiyo) all information received regarding Sairiyo's business.
- (b) All information regarding the business of Pharmadrug including but without limitation, financial information that Pharmadrug provides to Sairiyo or the Sairiyo Shareholders during its due diligence investigation of Pharmadrug will be kept in strict confidence by Sairiyo and the Sairiyo Shareholders and will not be used, dealt with, exploited or commercialized by Sairiyo or the Sairiyo Shareholders or disclosed to any third party (other than Sairiyo's or the Sairiyo Shareholders' professional accounting and legal advisors) without Pharmadrug's prior written consent. If the Transaction contemplated by this Agreement does not proceed for any reason, then upon receipt of a written request from Pharmadrug, Sairiyo and the Sairiyo Shareholders will immediately return to Pharmadrug (or as directed by Pharmadrug) all information received regarding Pharmadrug's business.
- (c) Upon request, each party will provide an affidavit to the other that all documents, including all copies thereof, were returned to the other party or as directed by the other party in accordance with this Section 8.1.
- (d) Notwithstanding anything to the contrary in this Agreement, the provisions of this Section 8.1 will survive termination of this Agreement.

## **ARTICLE 9 TERMINATION**

### **Section 9.1 Termination**

This Agreement may be terminated by written notice given by the terminating party to the other party hereto, at any time prior to the Closing:

- (a) by mutual written consent;

- (b) by either Sairiyo or Pharmadrug, if there has been a misrepresentation, breach or non-performance by the breaching party of any representation, warranty, covenant or obligation contained in this Agreement, which could reasonably be expected to have a Material Adverse Effect on the terminating party, provided the breaching party has been given notice of, and thirty (30) days to cure, any such misrepresentation, breach or non-performance;
- (c) by either Sairiyo or Pharmadrug, if a condition for the terminating party's benefit has not been satisfied or waived; or
- (d) by either Sairiyo or Pharmadrug, if the Closing has not occurred on or before March 1, 2021 or such later date as may be agreed to by Sairiyo and Pharmadrug (provided, that the right to terminate this Agreement under this sub-section (d) shall not be available to any party whose failure to fulfill any of its obligations under this Agreement has been the cause of or resulted in the failure to consummate the transactions contemplated hereby by such date).

### **Section 9.2 Effect of Termination**

In the event of the termination of this Agreement as provided in Section 9.1, this Agreement shall forthwith have no further force or effect and there shall be no obligation on the part of the parties hereunder except with respect to: (i) Section 9.1 and Article 10, which will survive such termination, and (ii) a breach arising from the fraud or wilful misconduct of any party.

### **Section 9.3 Waivers and Extensions**

At any time prior to the Closing Time, each of the parties hereto may (a) extend the time for the performance of any of the obligations or other acts of another party hereto, (b) waive any inaccuracies in the representations and warranties contained herein or in any document delivered pursuant hereto or (c) waive compliance with any of the agreements or conditions contained herein. Any such extension or waiver shall be valid if set forth in an instrument in writing signed by the party to be bound thereby. The Sairiyo Shareholders hereby delegate the rights in (a), (b) and (c) to Sairiyo to exercise on their behalf in Sairiyo's sole discretion.

## **ARTICLE 10 TRANSACTION COSTS**

### **Section 10.1 Transaction Costs of Sairiyo and the Sairiyo Shareholders**

In the event of the termination of this Agreement pursuant to Section 9.1 hereof, all costs of the Share Exchange incurred by Sairiyo, the Sairiyo Shareholders and Pharmadrug, as the case may be, in connection with this Agreement, including legal fees, financial advisor fees and all disbursements by such parties and their advisors shall be borne and paid by the party incurring the costs.

## ARTICLE 11 NOTICES

### Section 11.1 Notices

Any demand, notice or communication to be made or given under or pursuant to this Agreement is to be in writing, except as otherwise expressly permitted or required under this Agreement, and may be made or given by personal delivery, by registered mail or by transmittal by facsimile machine addressed to the respective parties as follows:

If to Pharmadrug, then to the following address:

77 King Street West, Suite 2905  
Toronto, Ontario M5K 1H1

Attention: Daniel Cohen, President  
Email: [rdcohen@pharmadrug.co](mailto:rdcohen@pharmadrug.co)

or at such other address as Pharmadrug shall have specified by notice actually received by the addressor.

If to Sairiyo or the Sairiyo Shareholders then to the following address:

82 Richmond Street East  
Toronto, Ontario M5C 1P1

Attention: General Counsel  
E-mail: [sairiyothera@gmail.com](mailto:sairiyothera@gmail.com)

or at such other address as Sairiyo shall have specified by notice actually received by the addressor,

or to such other mailing or e-mail address as any party may from time to time notify the others of in accordance with this paragraph. Any demand, notice or communication made or given by personal delivery is conclusively deemed to have been given on the day of actual delivery thereof, or, if made or given by registered mail, on the fifth Business Day following the deposit thereof in the mail or, if made or given by e-mail transmission, on the first Business Day following the transmittal thereof. If the party making or giving such demand, notice or communication knows or ought reasonably to know, of difficulties with the postal system which might affect the delivery of mail, any such demand, notice or communication is not to be mailed but is to be made or given by personal delivery or by e-mail transmission.

## ARTICLE 12 MISCELLANEOUS

### Section 12.1 Power of Attorney

The Sairiyo Shareholders hereby severally and irrevocably appoint Sairiyo as their agent and attorney to take any action that is required or to execute and deliver any documents on their behalf, including without limitation, for the purposes of all Closing matters and deliveries of documents and do and cause to be done all such acts and things as may be necessary or desirable in connection with the Share Exchange and the transactions contemplated in this Agreement. Such appointment

is coupled with an interest and is irrevocable. Without limiting the generality of the foregoing, Sairiyo may, on behalf of itself and the Sairiyo Shareholders, extend the Time of Closing or Closing Date, modify or waive such conditions as are contemplated herein, negotiate, settle and deliver the final forms of this Agreement and any other documents that are necessary or desirable to give effect to the Share Exchange and the transactions contemplated in this Agreement. The Sairiyo Shareholders hereby acknowledge and agree that any decision or exercise of discretion required to be made by Sairiyo under this Agreement shall be final and binding upon the Sairiyo Shareholders so long as such decision or exercise of discretion was made bona fide. Pharmadrug shall have no duty to enquire into the validity of any document executed or other taken by Sairiyo on behalf of the Sairiyo Shareholders pursuant to this Section 12.1.

### **Section 12.2 Amendments and Waivers**

Except as otherwise expressly provided herein, any term of this Agreement may be amended and the observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively) if, but only if, such amendment or waiver is in writing and is signed, in the case of an amendment, by each of Sairiyo (on behalf of itself and the Sairiyo Shareholders) and Pharmadrug, or in the case of a waiver, by the party against whom the waiver is to be effective. Any amendment or waiver effected in accordance with this Section 12.1 shall be binding upon the Sairiyo Shareholders, Sairiyo and Pharmadrug pursuant to this Agreement.

### **Section 12.3 Consent to Jurisdiction**

Each of the Sairiyo Shareholders, Sairiyo and Pharmadrug hereby agrees to submit to the non-exclusive jurisdiction of the courts in and of the Province of Ontario and to the courts to which an appeal of the decisions of such courts may be taken, and consents that service of process with respect to all courts in and of the Province of Ontario may be made by registered mail to it at the address set forth in Article 11.

### **Section 12.4 Governing Law**

This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein without giving effect to any choice or conflict of law provision or rule that would cause the application of the domestic substantive laws of any other jurisdiction, and shall bind and inure to the benefit of the parties hereto and their respective successors and assigns.

### **Section 12.5 Further Assurances**

Sairiyo, the Sairiyo Shareholders and Pharmadrug, upon the request of any other party hereto, whether before or after the Closing, shall do, execute, acknowledge and deliver or cause to be done, executed, acknowledged or delivered all such further acts, deeds, documents, assignments, transfers, conveyances, powers of attorney and assurances as may be reasonably necessary or desirable to effect complete consummation of the Share Exchange.

### **Section 12.6 Time**

Time is of the essence of this Agreement.

### **Section 12.7 Assignment**

This Agreement may not be assigned by any of the parties hereto without the prior written consent of Sairiyo and Pharmadrug, such consents not to be unreasonably withheld or delayed.

### **Section 12.8 Public Announcement; Disclosure**

Sairiyo and the Sairiyo Shareholders shall not make any public announcement concerning this Agreement or the matters contemplated herein, their discussions or any other memoranda, letters or agreements between the parties relating to the matters contemplated herein without the prior consent of Pharmadrug, which consent shall not be unreasonably withheld, and Pharmadrug shall not make any public announcement concerning this Agreement or the matters contemplated herein, its discussions or any other memoranda, letters or agreements between the parties relating to the matters contemplated herein without the prior consent of Sairiyo, which consent shall not be unreasonably withheld, provided that no party shall be prevented from making any disclosure which is required to be made by law or any rules of a stock exchange or similar organization to which it is bound.

### **Section 12.9 Independent Legal Advice.**

Each of the Sairiyo Shareholders acknowledges and agrees that Sairiyo, Pharmadrug, and their respective counsel have given them adequate opportunity to seek, and have recommended that they seek and obtain, independent legal advice with respect to the subject matter of this Agreement and for the purpose of ensuring their rights and interests are protected. Each of the other parties represents and warrants to Psyched, Pharmadrug and their respective counsel that they have sought independent legal advice or consciously chosen not to do so with full knowledge of the risks associated with not obtaining such independent legal advice..

### **Section 12.10 Personal Information**

Each of the Sairiyo Shareholders hereby consents to the disclosure of his or her personal information in connection with the transactions contemplated by this Agreement, including without limitation the Share Exchange, and acknowledges and consents to the fact that Sairiyo and Pharmadrug are collecting the personal information (as that term is defined under applicable privacy legislation, including the *Personal Information Protection and Electronic Documents Act* (Canada) and any other applicable similar, replacement or supplemental provincial or federal legislation or laws in effect in Canada from time to time) of the Sairiyo Shareholder for the purposes of completing this Agreement and the transactions contemplated hereby. Each Sairiyo Shareholder acknowledges and consents to Sairiyo and Pharmadrug retaining such personal information for as long as permitted or required by law or business practices. Each Sairiyo Shareholder further acknowledges and consents to the fact that Sairiyo and Pharmadrug may be required by applicable securities legislation or the rules and policies of the CSE to provide regulatory authorities with any personal information provided by the Sairiyo in this Agreement and each Sairiyo Shareholder further consents to the public disclosure of such information by electronic filing or by any other means.

### **Section 12.11 Construction**

The language used in this Agreement will be deemed to be the language chosen by the parties to express their mutual intent, and no rule of strict construction will be applied against any party.

### **Section 12.12 Severability**

Each of the provisions contained in this Agreement is distinct and severable and a declaration of invalidity, illegality or unenforceability of any such provision or part thereof by a court of competent jurisdiction shall not affect the validity or enforceability of any other provisions of this Agreement or of such provisions or part thereof in any other jurisdiction.

### **Section 12.13 Schedules and Exhibits.**

The schedules and exhibits are attached hereto and form part of this Agreement and are incorporated herein.

### **Section 12.14 Entire Agreement, Counterparts, Section Headings**

This Agreement, and the Schedules hereto, sets forth the entire understanding of the parties hereto with respect to the transactions contemplated hereby and supersedes any prior written or oral understandings with respect thereto. This Agreement may be executed by facsimile or electronic mail and in one or more counterparts thereof, each of which shall be deemed an original but all of which together shall constitute one and the same instrument. The headings in this Agreement are for convenience of reference only and shall not alter or otherwise affect the meaning hereof.

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

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

The parties have executed this Agreement.

**SAIRIYO THERAPEUTICS INC.**

Per: "Sairiyo Therapeutics Inc."  
Authorized Signing Officer

**PHARMADRUG INC.**

Per: "Pharmadrug Inc."  
Authorized Signing Officer

**1407535 ONTARIO LTD.**

Per: "1407535 Ontario Ltd."  
Authorized Signing Officer

\_\_\_\_\_  
Witness [Redacted; personal information]  
[Redacted; personal information]

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Witness [Redacted; personal information]  
[Redacted; personal information]

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Witness *[Redacted; personal information]*  
[Redacted; personal information]

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Witness *[Redacted; personal information]*  
[Redacted; personal information]

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Witness *[Redacted; personal information]*  
[Redacted; personal information]

**Schedule "A"**  
**Sairiyo Shareholders**

Name of Shareholder	Number of Sairiyo Shares Held	Number of Consideration Shares and Consideration Warrants to be Received
[Redacted; personal information]	12,625,000	12,625,000
[Redacted; personal information]	16,125,000	16,125,000
[Redacted; personal information]	15,750,000	15,750,000
[Redacted; personal information]	12,250,000	12,250,000
[Redacted; personal information]	11,625,000	11,625,000
[Redacted; personal information]	6,625,000	6,625,000
<b>TOTAL:</b>	<b>75,000,000</b>	<b>75,000,000</b>

**Schedule 3.10 – Material Contracts**

1. License agreement dated December 30, 2020 between [Redacted; sensitive information], and Sairyo Therapeutics Inc.
2. Consulting Agreement dated January 6, 2021 entered into between [Redacted; sensitive information] and Sairyo Therapeutics Inc.