

GAIA GROW CORP.

– and –

ENAGON INC.

OFFTAKE AGREEMENT

April 3, 2020

OFFTAKE AGREEMENT

THIS MILLED HEMP OFFTAKE AGREEMENT is made as of April 3, 2020 (the “**Execution Date**”)

BETWEEN:

GAIA GROW CORP., a corporation existing under the laws of the Province of British Columbia (“**Gaia**”)

- and -

ENAGON INC., a corporation existing under the laws of the Province of Alberta (the “**Company**”)

WHEREAS the Company has historically cultivated Industrial Hemp pursuant to the License held by Gaia, and now has its own License to produce Industrial Hemp;

AND WHEREAS the Company is also engaged in (a) the separation of Industrial Hemp plants into various component parts, such as stalks, seeds, branches, leaves and flower; and (b) the milling of the Industrial Hemp flower and leaves;

AND WHEREAS Gaia is engaged, *inter alia*, in the business of the cultivation of Industrial Hemp and the sale of Industrial Hemp fibre to fibre producers and milled Industrial Hemp buds and leaves to licenced processors of cannabis under the *Cannabis Act* (Canada) from time to time, and Gaia is desirous of buying and the Company is desirous of selling 100% of the Milled Hemp produced at the Company’s milling facility located at 41101 Range Road 263, Lacombe County, Alberta, subject to the terms of this Agreement;

AND WHEREAS capitalized terms when used in these preambles and not otherwise defined in the preambles shall have the respective meanings ascribed thereto in Section 1.1;

NOW THEREFORE THIS AGREEMENT WITNESSES THAT for good and valuable consideration (the receipt and sufficiency of which are hereby conclusively acknowledged), the Parties hereby agree as follows:

ARTICLE 1 INTERPRETATION

1.1 Defined Terms

In this Agreement, the following terms shall have the respective meanings set out below and grammatical variations of such terms shall have the corresponding meanings:

- (a) “**Affected Party**” has the meaning set out in Section 6.1;
- (b) “**Affiliate**” has the meaning set out in the *Canada Business Corporations Act*;
- (c) “**Agreement**”, “**this Agreement**”, “**herein**”, “**hereby**”, “**hereof**”, “**hereunder**” and similar expressions mean or refer to this Agreement and any and all agreements in writing between the Parties amending this Agreement or supplemental or ancillary hereto and, unless the context otherwise requires, the expressions “**Article**”, “**Section**” or “**Schedule**” followed by a number or letter mean and refer to the specified Article or Section of, or Schedule to, this Agreement;

(d) “**Applicable Law**” means (a) any domestic or foreign statute, law (including common and civil law), treaty, code, ordinance, rule, regulation or by-law (zoning or otherwise); (b) any judgement, order, writ, injunction, decision, ruling, decree or award; (c) any regulatory policy, practice, protocol, guideline or directive; or (d) any franchise, licence, qualification, authorization, consent, exemption, waiver, right, permit or other approval, in each case, of any Governmental Authority and having the force of law, binding on or affecting the Party referred to in the context in which the term is used or binding on or affecting the property of such Party, all of the foregoing as may exist as of the Effective Date or as may be implemented, revised or modified from time to time after the Effective Date;

(e) “**Bankruptcy Proceeding**” means, in respect of any Person:

- (i) if a Person commits an act of bankruptcy or a petition or other process for the bankruptcy of the Person is filed or instituted and remains undismissed or unstayed for a period of 30 days or any of the relief sought in such proceeding (including the appointment of a receiver, trustee, custodian or other similar official for it or any substantial part of its property) shall occur;
- (ii) if any proposal is made or any petition is filed by or against the Person under any law having for its purpose the extension of time for payment, composition or compromise of the liabilities of the Person or other reorganization or arrangement respecting its liabilities and such proposal or petition is not stayed or dismissed within 20 days or if the Person gives notice of its intention to make or file any such proposal or petition including an application to any court to stay or suspend any proceedings of creditors pending the making or filing of any such proposal or petition;
- (iii) if any receiver, administrator, or manager of the property, assets or undertaking of the Person or a substantial part thereof is appointed, whether privately, pursuant to any statute, or by or under any judgment or order of any court;
- (iv) if any proceedings are taken to enforce any Encumbrance affecting the assets of the Person or if a distress or any similar process be levied or enforced against such assets and such proceedings are not dismissed or stayed within 20 days after the commencement thereof;
- (v) the admission in writing by the Person of its inability to pay its debts generally as they become due; or
- (vi) the making by the Person of a general assignment for the benefit of its creditors;

(f) “**Business Day**” means any day other than a Saturday or Sunday or any other day which shall be a statutory or civic holiday or day on which banking institutions are closed in the City of Vancouver, British Columbia or Calgary, Alberta;

(g) “**CBD**” means cannabidiol;

(h) “**Change of Control**” means the occurrence of any one or more of the following events:

- (i) a consolidation, reorganization, amalgamation, merger, acquisition or other business combination (or a plan of arrangement in connection with any of the foregoing), other than solely involving the Company and any one or more of its

Affiliates, with respect to which all or substantially all of the persons who were the beneficial owners of the issued and outstanding shares and other securities the Company immediately prior to such consolidation, reorganization, amalgamation, merger, acquisition, business combination or plan of arrangement do not, following the completion of such consolidation, reorganization, amalgamation, merger, acquisition, business combination or plan of arrangement, beneficially own, directly or indirectly, more than 50% of the resulting voting rights (on a fully-diluted basis) of the Company or its successor;

- (ii) the sale, exchange or other disposition to a person other than an Affiliate of the Company of all, or substantially all, of the Company's assets;
- (iii) a resolution is adopted to wind-up, dissolve or liquidate the Company;
- (iv) a change in the composition of the board of directors of the Company, which occurs at a single meeting of the shareholders or upon the execution of a shareholders' resolution, such that individuals who are members of the board of directors immediately prior to such meeting or resolution cease to constitute a majority of the board of directors, without the board of directors, as constituted immediately prior to such meeting or resolution, having approved of such change; or
- (v) any person, entity or group of persons or entities acting jointly or in concert (an "**Acquiror**") acquires or acquires control (including, without limitation, the right to vote or direct the voting) of Voting Securities of the Company, which, when added to the Voting Securities owned of record or beneficially by the Acquiror or which the Acquiror has the right to vote or in respect of which the Acquiror has the right to direct the voting, would entitle the Acquiror and/or associates and/or Affiliates of the Acquiror to cast or to direct the casting of 20% or more of the votes attached to all of the Company's outstanding Voting Securities which may be cast to elect directors of the Company or the successor corporation (regardless of whether a meeting has been called to elect directors);

For the purposes of the foregoing, "**Voting Securities**" means any shares entitled to vote for the election of directors and shall include any security, whether or not issued by the Company, which are not shares entitled to vote for the election of directors but are convertible into or exchangeable for shares which are entitled to vote for the election of directors including any options or rights to purchase such shares or securities;

- (i) "**Company**" has the meaning set out in the recitals to this Agreement;
- (j) "**Confidential Information**" means the terms of this Agreement and any other information and intellectual property concerning any matters affecting or relating to the business, operations, assets, results or prospects of the Parties, including information regarding plans, budgets, costs, processes, results of experimentation and other data, except to the extent that such information has already been publicly released by a Party as allowed herein or that the Party providing such information can demonstrate was previously publicly released by a Person who did not do so in violation or contravention of any duty or agreement;

(k) “**Deliver**” means delivery by the Company of the Offtake Hemp to the premises of Gaia or as directed by Gaia, and “**Delivery**” and “**Delivered**” have comparable meanings;

(l) “**Dispute**” has the meaning set out in Article 13.1 ;

(m) “**Dispute Resolution Procedures**” has the meaning set out in Article 13;

(n) “**Encumbrances**” means any lien, charge, hypothec, pledge, mortgage, title retention agreement, covenant, condition, lease, license, security interest of any nature, claim, exception, reservation, easement, encroachment, right of occupation, right-of-way, right-of-entry, matter capable of registration against title, option, assignment, right of pre-emption, royalty, right, privilege or any other encumbrance or title defect of any nature whatsoever, regardless of form, whether or not registered or registrable and whether or not consensual or arising by any Applicable Law, and includes any contract to create any of the foregoing;

(o) “**Excise Tax**” or “**Excise Taxes**” means any sales taxes, excise taxes, goods and services taxes, harmonized sales taxes, value added taxes, transactional taxes and similar Taxes (other than income or capital gains taxes).

(p) “**Execution Date**” has the meaning set out in the recitals to this Agreement;

(q) “**EXW**” means Ex Works with the full meaning set out in Incoterms;

(r) “**Force Majeure Event**” means an unforeseeable and irresistible event beyond the reasonable control of the applicable Party and not due to the act or omission by such Party and which notwithstanding the exercise of reasonable diligence of the Party, the Party is unable to prevent or provide against (but does not include a failure by a Party to fund or pay) that prevents or delays it from conducting the activities and performing the obligations contemplated by this Agreement, provided that the affected Party makes a good faith effort to resolve or avoid such delay; such events shall include, but not be limited to any fire or other casualty, acts of God, war, civil commotion, strike, lockout, picketing or other industrial disturbances, insurrection, terrorism, riots, any change in Applicable Laws or action or inaction of any Governmental Authorities;

(s) “**Gaia**” has the meaning set out in the recitals to this Agreement;

(t) “**Governmental Authorities**” means any municipal, regional, provincial or federal governments and their agencies, authorities, branches, departments, commissions or boards, having or claiming jurisdiction over the Company and/or the Company’s assets, and “**Governmental Authority**” shall mean any one of the Governmental Authorities as the context requires;

(u) “**Incoterms**” means the Incoterms 2010, ICC Rules for the Use of Domestic and International Trade Terms, published by the International Chamber of Commerce or as may be updated from time to time;

(v) “**Indemnified Person**” has the meaning set out in Section 10.1;

(w) “**Indemnifier**” has the meaning set out in Section 10.1;

(x) “**Industrial Hemp**” means a cannabis plant — or any part of that plant — in which the concentration of delta-9-tetrahydrocannabinol (THC) is 0.3% weight per weight (w/w) or less in the flowering heads and leaves;

- (y) **“Invoice”** has the meaning set out in Section 8.1(a);
- (z) **“License”** means a license to cultivate and sell Industrial Hemp, grain, flowering heads, leaves or branches pursuant to the *Industrial Hemp Regulations*;
- (aa) **“Losses”** means damages, fines, penalties, deficiencies, losses, liabilities, including settlements and judgments, costs and expenses of any kind, character or description (including payments, refunds and delivery of additional goods and/or services, interest, reasonable fees and expenses of legal counsel, or other professionals);
- (bb) **“Mediation Termination”** has the meaning set out in Section 13.1(b);
- (cc) **“Milled Hemp”** means separated and milled Industrial Hemp, such that the stalks, branches, seeds, leaves and buds of the Industrial Hemp are separated from each other, with the stalks and branches baled, the seeds separated and barreled and the buds and leaves milled and put into barrels or super-sacks for transportation and storage;
- (dd) **“Offtake Hemp”** has the meaning set out in Section 3.1(b);
- (ee) **“Parties”** means Gaia and the Company collectively, and **“Party”** means either of them as the context requires;
- (ff) **“Person”** means any individual, corporation or other body corporate, partnership, trustee, trust or unincorporated association, joint venture, syndicate, sole proprietorship, other form of business enterprise, executor, administrator or other legal representatives, regulatory body or agency or Governmental Authority, however designated or constituted;
- (gg) **“Product Quality Notice”** has the meaning set out in Section 4.2(b);
- (hh) **“Property”** means the real property located at 41101 Range Road 263, Lacombe County, Alberta. If the operations of the Company are expanded or relocated to any other real property, all references to “Property” in this Agreement shall be deemed to include such additional real property;
- (ii) **“Purchase Price”** has the meaning set out in 3.1(c);
- (jj) **“Revenue”** means gross revenue;
- (kk) **“Shipment”** means each discrete shipment of Offtake Hemp Delivered by the Company to Gaia or as directed by Gaia; and
- (ll) **“Tax”** or **“Taxes”** means any federal, provincial, territorial, state or local income, goods and services, harmonized sales, value added, corporation, transfer, licence, payroll, excise, sales, use, capital, withholding or other tax, levy, duty, assessment, reassessment or other charge of any kind whatsoever, whether direct or indirect, including any interest and penalty or other addition to or on any of the foregoing, whether disputed or not, imposed by a Governmental Authority, and for greater certainty includes Canada Pension Plan and employment insurance premiums.

1.2 **Rules of Construction**

In this Agreement:

- (a) the terms “Agreement”, “this Agreement”, “the Agreement”, “hereto”, “hereof”, “herein”, “hereby”, “hereunder” and similar expressions refer to this Agreement in its entirety and not to any particular provision hereof;
- (b) references to an “Article”, “Section” or “Schedule” followed by a number or letter refer to the specified Article or Section of or Schedule to this Agreement;
- (c) the division of this Agreement into Articles and Sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement;
- (d) words importing the singular number only shall include the plural and vice versa and words importing the masculine gender shall include the feminine and neuter genders and vice versa;
- (e) unless otherwise indicated, any reference to a statute, regulation or rule shall be construed to be a reference thereto as the same may from time to time be amended, re-enacted or replaced, and any reference to a statute shall include any regulations or rules made thereunder;
- (f) the words “include”, “includes” and “including” mean “include”, “includes” or “including”, in each case, “without limitation”;
- (g) reference to any agreement or other instrument in writing means such agreement or other instrument in writing as amended, modified, replaced or supplemented from time to time;
- (h) unless otherwise indicated, time periods within which a payment is to be made or any other action is to be taken hereunder shall be calculated excluding the day on which the period commences and including the day on which the period ends; and
- (i) whenever any payment to be made or action to be taken hereunder is required to be made or taken on a day other than a Business Day, such payment shall be made or action taken on the next following Business Day.

1.3 **Currency**

Unless otherwise indicated, all dollar amounts in this Agreement are expressed in Canadian dollars.

1.4 **Schedules**

The following Schedule is attached to and form an integral part of this Agreement:

Schedule A - Product Specifications

ARTICLE 2
LICENSE REQUIREMENTS

2.1 **License**

The Company's obligation to sell Offtake Hemp hereunder is subject, *inter alia*, to Gaia maintaining a License.

ARTICLE 3
SALE OF OFFTAKE HEMP

3.1 **Purchase and Sale of Offtake Hemp**

(a) Subject to Applicable Law, the Company's obligations sell Offtake Hemp under this Agreement shall commence on the Execution Date.

(b) Beginning on the Execution Date, the Company shall sell to Gaia, and Gaia shall purchase from the Company, all of the Milled Hemp produced at the Property (the "**Offtake Hemp**") during the term of this Agreement, subject to the provisions of Article 4, in accordance with the terms of this Agreement.

(c) The Company shall be responsible for all costs and expenses related to the production of Milled Hemp and the Delivery of the Offtake Hemp to Gaia.

(d) Gaia shall be responsible for the following costs:

- (i) sale of all Offtake Hemp to third parties so that all Industrial Hemp fibre is sold to fibre producers (or such other interested third parties) and milled leaves and flowers are sold to licenced processors of cannabis under the *Cannabis Act* (Canada);
- (ii) final quality assurance in advance of shipment to its customers;
- (iii) storage costs after the time of Delivery;
- (iv) fulfillment and shipping to its customers; and
- (v) purchase of all third-party biomass to be milled into Offtake Hemp.

(e) The purchase price (the "**Purchase Price**") payable by Gaia to the Company for Offtake Hemp included in each Shipment shall be equal to:

- (i) if the Offtake Hemp was cultivated by the Company pursuant to Gaia's License, Gaia shall retain 70% of the Revenue generated from the sale of the Offtake Hemp and pay to the Company the remaining 30% of the Revenue;
- (ii) if the Offtake Hemp was cultivated by the Company pursuant to the Company's License, Gaia shall retain 30% of the Revenue generated from the sale of the Offtake Hemp and pay to the Company the remaining 70% of the Revenue; and
- (iii) if the Offtake Hemp was cultivated by a third party, Gaia shall retain 50% of the Revenue generated from the sale of the Offtake Hemp and shall pay to the Company the remaining 50% of the Revenue.

ARTICLE 4
QUALITY OF OFFTAKE HEMP

4.1 **Quality of Offtake Hemp**

- (a) The Company warrants to Gaia that the Offtake Hemp contained in any Shipment will:
 - (i) be free from any Encumbrance;
 - (ii) comply with the product specifications set out in Schedule A;
 - (iii) be of merchantable quality and free from any and all defects; and
 - (iv) be fit and safe for use.

- (b) Once the Offtake Hemp contained in any Shipment is available and ready to be Delivered, the Company shall immediately notify Gaia in writing via email of all information that would be reasonably necessary to be obtained by a purchaser, including without limitation the following:
 - (i) a breakdown of the Offtake Hemp, including which Industrial Hemp was supplied by the Company and which was supplied by the Company or a third party, and the weight of the same;
 - (ii) the lot number for the Offtake Hemp;
 - (iii) the packaging date and expiry date (or a statement that no expiry date has been determined) for the Offtake Hemp; and
 - (iv) the quantity of the CBD in the Milled Hemp.

4.2 **Non-Conforming Product**

- (a) Gaia may determine that it will not purchase all or part of the Shipment if Gaia deems any such part, acting reasonably fails to comply with the product specifications in Schedule A.

- (b) Within 10 Business Days after receipt by Gaia of a Shipment, Gaia shall have the right to conduct testing of the Offtake Hemp and to send the Company written notification (the “**Product Quality Notice**”), that in its reasonable discretion, the Offtake Hemp does not comply with the quality specifications set out in Schedule A. The Company shall have the option to re-work the Shipment to comply with the specifications in Schedule A. All costs associated with the Company’s re-work of the Shipment shall be borne by the Company inclusive of all transportation costs.

- (c) The Company has the right under this Agreement to Dispute Gaia’s determination that the Offtake Hemp does not comply with the specifications in Schedule A hereto through the Dispute Resolution Procedures set out in Article 13. Under the Dispute Resolution Procedures, the losing Party will be required to pay for all costs involved in settling the Dispute.

ARTICLE 5
DELIVERY

5.1 **Delivery**

(a) The Company warrants to Gaia that it shall ensure that all Offtake Hemp will be Delivered in compliance with all Applicable Law.

(b) The Company shall Deliver all Offtake Hemp by Shipment on a EXW (Company's Property).

ARTICLE 6
FORCE MAJEURE

6.1 **Force Majeure**

If after the occurrence of a Force Majeure Event, a Party affected (the "**Affected Party**") remains unable to carry out an obligation under this Agreement solely due to a Force Majeure Event, then the Affected Party must give to the other Party prompt written notice (a "**FM Notice**") within a period of three (3) Business Days after it has become aware of the occurrence of the Force Majeure Event with all particulars of the Force Majeure Event and, so far as is known, the probable extent to which the Affected Party shall be able to perform or be delayed in performing its obligations. The other Party may give notice to the Affected Party of the extent to which the other Party's ability to comply with its obligations shall be affected by the Affected Party's inability to comply with its obligations. The relevant obligations of the Affected Party and the other Party, so far as they are affected by the Force Majeure Event (including by the inability of the Affected Party to perform its obligations due to the Force Majeure Event), shall be suspended during, but no longer than, the continuance of the Force Majeure Event. The suspension of performance shall be of no greater scope and no longer duration than is reasonably necessitated by the Force Majeure Event. However, the non-performance of any obligation of either Party that was required to be completed prior to the occurrence of the Force Majeure Event shall not be excused as a result of such subsequent Force Majeure Event. The Affected Party must use all reasonable efforts to overcome or remove the Force Majeure Event as quickly as possible and shall furnish timely regular reports of progress to the other Party. The Party claiming Force Majeure Event shall give further notice to the other Party immediately upon it becoming aware that such Force Majeure Event has ceased to have effect.

6.2 **Consultation in the Event of Hardship**

The provisions of this Agreement are intended by the Parties to operate fairly over the term of this Agreement. The Parties recognize that it is impracticable to make provision for every contingency which may arise during the term of this Agreement. In the future, should circumstances arise which were unforeseeable at the time this Agreement was made and which actually cause severe economic hardship to either of the Parties from the continued operation of this Agreement in accordance with its terms (even if the same does not constitute a Force Majeure Event), the affected Party may so notify the other Party, following which the Parties shall agree to promptly consult together and review the provisions of this Agreement and consider possible modifications thereof which might lessen such severe economic hardship. Neither Party is obliged by this Section to agree to any modification of this Agreement, and no modification of this Agreement shall be made except by agreement of the Parties in writing. In any event, no amendment of this Agreement shall be made except by mutual agreement of the Parties in writing and regardless of this provision, no such economic hardship shall be cause for termination of this Agreement or relieve any Party from its obligations under this Agreement.

ARTICLE 7
RISK, TITLE AND INSURANCE

7.1 **Passing of Risk and Title**

Title to and all risk of loss of or damage to each Shipment shall remain with the Company until, and shall pass to Gaia upon receipt of the Offtake Hemp. Subject to Article 4, Gaia shall be committed to purchase, pay for and accept delivery of the Offtake Hemp. The Company shall notify Gaia in writing at such time as it has caused a Shipment to be sent to Gaia or to a location as directed by Gaia.

7.2 **Company Warranties**

The Company warrants to Gaia with respect to each Shipment that at the time of transfer in accordance with Section 7.1, it will have and will deliver to Gaia or as directed by Gaia at such time, all rights to the Offtake Hemp comprising such Shipment, free and clear of all Encumbrances.

7.3 **Insurance**

The Company and Gaia shall self-insure.

ARTICLE 8
INVOICING; PAYMENT AND BOOKS AND RECORDS

8.1 **Invoices**

(a) Gaia shall provide the Company with a breakdown of the total Revenue generated from the sale of all Offtake Hemp produced from Industrial Hemp supplied by the Company or a third party and the Company shall provide Gaia with an invoice (the “**Invoice**”) setting out the amount owed based on the Purchase Price. Gaia shall pay the Invoice within 30 days after the Invoice is received by Gaia, unless a Product Quality Notice is delivered.

(b) All payments made by the Parties to each other under this Agreement shall be made in Canadian dollars in immediately available and freely transferable funds by means of electronic transfer to the account designated by the recipient Party, and all amounts referred to herein shall be plus all applicable Excise Taxes, if applicable.

8.2 **Taxes**

Subject to Section 8.1(b), the Company and Gaia shall not have any responsibility for any Taxes imposed on the other Party by any Governmental Authority.

ARTICLE 9
REPRESENTATIONS AND WARRANTIES; COVENANTS

9.1 **Representations and Warranties**

Each Party hereby represents and warrants to the other Party that at the date of signing this Agreement the following representations and warranties are true and correct in all material respects:

(a) **Organization; Status; Formation and Organization Documents**. Such Party is duly formed and organized and validly subsisting under the laws of its respective jurisdiction of incorporation and is

qualified to do business and has all requisite corporate power and authority to execute, deliver and perform its obligations under this Agreement.

(b) No Conflicts. The execution and delivery of this Agreement, the performance by the Party of its obligations hereunder and the consummation of the transactions contemplated by this Agreement do not and will not conflict with, or result (with or without notice or the lapse of time) in a breach or violation of, or constitute a default under, any of the terms or provisions of: (i) the constating documents of the Party; (ii) the resolutions of the Party's shareholders or directors (or any committee thereof) which are in effect; (iii) any judgment, writ, injunction, degree or order of a court, arbitrator or Governmental Authority that is binding on the Party; (iv) any contract or agreement to which the Party is subject or by which the Party is bound; or (v) Applicable Law.

(c) Enforceability. This Agreement has been duly executed and delivered by such Party and is a valid and binding obligation of such Party enforceable against it, in accordance with its terms, except as the enforcement thereof may be limited by bankruptcy, insolvency or other laws of general application affecting the enforcement of creditors' rights and subject to the qualification that specific performance and injunction, being equitable remedies, may only be granted in the discretion of a court of competent jurisdiction.

9.2 **Covenants**

(a) The Company hereby covenants to Gaia, and acknowledges that Gaia is relying on such covenants in connection with entering into this Agreement, that:

- (i) the Company shall remain a corporation validly subsisting under the laws of the Province of Alberta;
- (ii) the Company shall carry on its business, perform all operations and activities in connection with its business in a commercially reasonable manner and in compliance in all material respects with all Applicable Laws, in accordance with all material terms of any permits, certificates, licences, approvals, consents and other authorizations required to be obtained from Governmental Authorities and in a manner not materially inconsistent with accepted practice for comparable businesses in Canada;
- (iii) the Company shall maintain and shall continue to maintain a system of internal accounting controls sufficient to provide reasonable assurances that: (A) transactions are executed in accordance with management's general or specific authorization; and (B) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain accountability for assets;
- (iv) the Company shall maintain all permits, certificates, licences, approvals, consents and other authorizations required to be obtained from the appropriate Governmental Authorities necessary to conduct its business; and
- (v) the Company shall Deliver to Gaia Milled Hemp in an amount equal to 100% of the Milled Hemp produced at or from the Property in accordance with the provisions of Article 3 and Article 4.

ARTICLE 10
INDEMNIFICATION

10.1 **General Mutual Indemnification**

(a) Each Party (the “**Indemnifier**”) indemnifies and agrees to save harmless the other Party and each of their Affiliates and each of their directors, officers and employees (the “**Indemnified Persons**”), from and against any and all Losses suffered or incurred by the Indemnified Persons or (if applicable) any of their Affiliates, and its and their directors, officers and employees as a result of, on account of or by reason of any and all actions, causes of action, proceedings, claims or demands to the extent relating to, arising from or in connection with:

(b) a breach or non-fulfillment of any of Indemnifier's representations, warranties, conditions or covenants set forth in this Agreement;

(c) the negligence, wilful misconduct, fraud or dishonesty of the Indemnifier in connection with the performance of its obligations under this Agreement; or

(d) any failure by Indemnifier to comply with any Applicable Law.

10.2 **Third-Party Claim Indemnification Procedures**

If any Indemnified Person seeks indemnification hereunder in respect of any third-party claim, it shall promptly notify the Indemnifier in writing of any such claim and cooperate with the Indemnifier at the Indemnifier's sole cost and expense. The Indemnifier shall immediately take control of the defence and investigation of such claim and shall employ counsel of its choice to handle and defend the same, at the Indemnifier's sole cost and expense. The Indemnifier shall not settle any such claim in a manner that adversely affects the rights of the Indemnified Person without the Indemnified Person's prior written consent, which shall not be unreasonably withheld or delayed. The Indemnified Person's failure to perform any obligations under this Section 10.2 shall not relieve the Indemnifier of its obligations under this Section 10.2 except to the extent that the Indemnifier can demonstrate that it has been materially prejudiced as a result of such failure. The Indemnified Person may participate in and observe the proceedings at its own cost and expense.

ARTICLE 11LIMITATION OF LIABILITY

11.1 **Limitation of Liability.**

(a) **EXCEPT AS OTHERWISE PROVIDED IN SECTION 11.2, IN NO EVENT WILL EITHER PARTY BE LIABLE TO THE OTHER OR TO ANY THIRD PARTY FOR ANY LOSS OF USE, REVENUE OR PROFIT OR LOSS OF DATA OR FOR ANY CONSEQUENTIAL, INCIDENTAL, INDIRECT, EXEMPLARY, SPECIAL, AGGRAVATED OR PUNITIVE DAMAGES WHETHER ARISING OUT OF BREACH OF CONTRACT, TORT (INCLUDING NEGLIGENCE) OR OTHERWISE, REGARDLESS OF WHETHER SUCH DAMAGE WAS FORESEEABLE AND WHETHER OR NOT SUCH PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.**

(b) **EXCEPT AS OTHERWISE PROVIDED IN SECTION 11.2, IN NO EVENT WILL EITHER PARTY'S LIABILITY ARISING OUT OF OR RELATED TO THIS AGREEMENT, WHETHER ARISING OUT OF OR RELATED TO BREACH OF CONTRACT, TORT (INCLUDING NEGLIGENCE) OR OTHERWISE, EXCEED THE AGGREGATE AMOUNTS**

PAID OR PAYABLE TO THE PROCESSOR IN THE 12 MONTH PERIOD PRECEDING THE EVENT GIVING RISE TO THE CLAIM.

11.2 Exclusions.

The exclusions and limitations in Section 11.1(a) and Section 11.1(b) shall not apply to:

- (a) a party's indemnification obligations under Article 10;
- (b) damages or other liabilities arising out of or relating to a party's gross negligence, wilful misconduct or intentional acts; or
- (c) death or bodily injury or damage to real or tangible personal property resulting from a party's negligent acts or omissions.

ARTICLE 12
CONFIDENTIALITY; PUBLIC ANNOUNCEMENTS

12.1 Confidentiality and Public Announcements

- (a) The Receiving Party agrees:
 - (i) not to disclose or otherwise make available Confidential Information of the Disclosing Party to any third party without the prior written consent of the Disclosing Party; provided, however, that the Receiving Party may disclose the Confidential Information of the Disclosing Party to its and its Affiliates' officers, directors, employees, consultants and legal advisors who have a "need to know", who have been apprised of this restriction and who are themselves bound by nondisclosure obligations at least as restrictive as those set forth in this Section 12.1;
 - (ii) to use the Confidential Information of the Disclosing Party only for the purposes of performing its obligations under the Agreement or, in the case of Customer, to make use of the Services and Deliverables; and
 - (iii) to immediately notify the Disclosing Party in the event it becomes aware of any loss or disclosure of any of the Confidential Information of Disclosing Party.
- (b) If the Receiving Party becomes legally compelled to disclose any Confidential Information, the Receiving Party shall provide:
 - (i) prompt written notice of such requirement so that the Disclosing Party may seek, at its sole cost and expense, a protective order or other remedy; and
 - (ii) reasonable assistance, at the Disclosing Party's sole cost and expense, in opposing such disclosure or seeking a protective order or other limitations on disclosure.

If, after providing such notice and assistance as required herein, the Receiving Party remains required by Law to disclose any Confidential Information, the Receiving Party shall disclose no more than that portion of the Confidential Information which, on

the advice of the Receiving Party's legal counsel, the Receiving Party is legally required to disclose.

(c) Each Party acknowledges that a breach by a Party of this Section 12.1 may cause the non-breaching Party irreparable damages, for which an award of damages would not be adequate compensation and agrees that, in the event of such breach or threatened breach, the non-breaching Party will be entitled to seek equitable relief, including a restraining order, injunctive relief, specific performance and any other relief that may be available from any court, in addition to any other remedy to which the non-breaching Party may be entitled at law or in equity. Such remedies shall not be deemed to be exclusive but shall be in addition to all other remedies available at law or in equity, subject to any express exclusions or limitations in this Agreement to the contrary.

(d) Except as required by Applicable Law (including the rules of any applicable stock exchange), neither Party shall issue or release any announcement, statement, press release or other publicity or marketing materials relating to this Agreement, or otherwise use the other Party's trademarks, service marks, trade names, logos, symbols or brand names, in each case, without the prior written consent of the other Party, which shall not be unreasonably withheld or delayed.

12.2 **Duration of Confidentiality**

The provisions of this Article 12 shall apply indefinitely.

ARTICLE 13 **DISPUTE RESOLUTION**

13.1 **Dispute Resolution and Escalation**

Any disagreement that arises between the Parties with respect to any issue or matter in connection with this Agreement (a “**Dispute**”) will be subject to the following dispute resolution procedures (the “**Dispute Resolution Procedures**”):

(a) Any Party may provide notice of a Dispute to the other Party and the Parties shall attempt to resolve any Dispute informally by meeting as often, for a duration and as promptly as the Parties deem necessary to discuss the Dispute and negotiate in good faith in an attempt to resolve the Dispute.

(b) If the Parties cannot resolve the Dispute within 10 Business Days of delivery of notice of Dispute, the Dispute will be referred to non-binding mediation. Each Party will work with the other to select an acceptable mediator and the appropriate rules of mediation, and to work with the mediator to resolve the Dispute. The mediations process shall continue until the Dispute is resolved or until either the mediator makes a finding that there is no possibility of settlement through the mediation or one of the Parties elects not to continue the mediation (“**Mediation Termination**”). The place of mediation shall be Calgary, Alberta and the language of the mediation shall be English.

(c) In the event of Mediation Termination, either Party may at any time thereafter, by written notice to the other Party, require that such Dispute be resolved on an expedited basis by arbitration before a mutually agreed upon single arbitrator. In the event that the Parties cannot agree on the appointment of an arbitrator, one will be appointed pursuant to the ADRIC Arbitration Rules (as amended, superseded or replaced from time to time) of the ADR Institute of Canada Inc.

(d) The arbitration will be conducted in Calgary, Alberta pursuant to the ADRIC Arbitration Rules (as amended, superseded or replaced from time to time) of the ADR Institute of Canada Inc. The

arbitrator will issue an arbitral award within 15 Business Days following the date the matter was arbitrated, and any arbitral award will be final, conclusive and binding upon the Parties.

(e) Each Party shall bear its own costs of the arbitration including one-half of the fees and expenses of the arbitrator unless agreed otherwise as part of the arbitrated resolution. All non-legal costs of the arbitration shall be divided equally between the Parties involved in the Dispute.

(f) Notwithstanding anything to the contrary in this Article 13, nothing in this Agreement shall prevent any Party from applying to a court of competent jurisdiction for interim and/or interlocutory relief or other interim and/or interlocutory equitable relief pending final disposition of any Dispute.

13.2 **Restrictions**

A Party shall not have the right to initiate any Dispute Resolution Procedures in the event that, and for so long as, the Party is a defaulting Party.

ARTICLE 14 **TERM AND TERMINATION**

14.1 **Term**

The term of this Agreement shall commence as of the Execution Date and shall continue thereafter, unless sooner terminated pursuant to Section 14.2, for an initial term of two (2) years and shall renew for subsequent twelve (12) month renewal terms unless either Party provides notice of non-renewal to the other Party not less than sixty (60) days prior to the expiry of the initial term or renewal term, in which case this Agreement shall expire at the end of the initial term or current renewal term, as the case may be. Notwithstanding the foregoing, if Gaia enters into a lease agreement for a facility that is used, or can be used, by the Processor to mill Industrial Hemp, the end date of the term shall be extended to match the end of the lease term. The initial term of this Agreement together with all renewal terms as well as any extension related to the lease term noted above, is collectively referred to as the “**Term**”.

14.2 **Automatic Termination**

This Agreement shall immediately terminate upon written agreement of the Parties.

14.3 **Gaia’s Right to Terminate**

Gaia may terminate this Agreement upon 10 Business Days prior written notice to the Parties, if:

(a) the Company is in breach or default of any material representation, warranty, covenant or obligations in any material respect under this Agreement that causes or is reasonably expected to cause material financial harm to Gaia and the Company fails to cure such breach or default within 30 days after written notice from Gaia where such fault is capable of being cured within such period, and where not capable of being cured within such period, the Company fails to take reasonable steps to cure such breach or such breach is not cured within such longer period as is reasonable;

(b) the Company is subject to a Bankruptcy Proceeding; or

(c) the Company is subject to a Change of Control.

14.4 **Company Right to Terminate**

The Company may terminate this Agreement upon 10 Business Days prior written notice to the Parties, if:

- (a) Gaia is subject to a Bankruptcy Proceeding;
- (b) Gaia fails to pay an Invoice within 20 Business Days of it being due for payment and Gaia fails to cure such failure to pay within 20 Business Days after written notice from the Company of such failure to pay, unless such Invoice is the subject of a Notice of Dispute; or
- (c) Gaia is in breach or default of any material representation, warranty, covenant or obligations in any material respect under this Agreement that causes or is reasonably expected to cause material financial harm to the Company and Gaia fails to cure such breach or default within 30 days after written notice from the Company, where such fault is capable of being cured within such period, and where not capable of being cured within such period, Gaia fails to take steps to cure such breach within such longer period as is reasonable or such breach is not cured within such reasonable time thereafter.

14.5 **Effect of Termination**

(a) If this Agreement is terminated under either Section 14.2, 14.3 or 14.4 then all rights and obligations under this Agreement (other than Sections 8.1, 8.2 and 13.1 and Article 10 and Article 12 and any rights and obligations that have accrued before the date of termination) shall terminate on that date, provided that

- (i) upon termination of this Agreement (howsoever occasioned) Gaia shall promptly pay to the Company those amounts due and payable under Article 8 in respect of Shipments made to Gaia prior to the date of termination and any other amounts due and payable hereunder; and
- (ii) if this Agreement is terminated by Gaia, Gaia shall be entitled to all losses suffered or incurred as a result of or in connection with such termination and the event giving rise to termination, including the reasonably expected Offtake Hemp that would have been delivered by the Company to Gaia hereunder, but for the occurrence of the event or circumstances giving rise to the termination.

(b) Any and all losses payable in accordance with this Section shall be based on an assumption that the operations are owned and operated by a Person that has the financial, operational and technical capability of a prudent owner and operator, and based on such other reasonable assumptions and forecasts as may be necessary to make such calculation.

ARTICLE 15
GENERAL PROVISIONS

15.1 **Notices**

Any notice, certificate, consent, determination or other communication required or permitted to be given or made under this Agreement shall be in writing and shall be given in writing and shall be given by actual delivery or by email to its address, address set out below, addressed to the recipient as follows:

(a) if to Gaia, at:

Suite 303, 750 West Pender Street
Vancouver, British Columbia
V6C 2T7
Attention: Frederick Pels
Email: fp@gaiagrow.com

with a copy to:

Cassels Brock & Blackwell LLP
Suite 2200, 885 West Georgia Street
Vancouver, British Columbia

Attention: Sam Cole
Email: samcole@cassels.com

(b) if to the Company, at:

Enagon Inc.
RR4 Site 5 Box 21
Lacombe, Alberta
T4L2N4

Attention: Spencer Franklin Evernden
Email: enagoninc@gmail.com

or to such other address or email address or individual as may be designated by notice given by any party to the others. Any notice, certificate, consent, determination or other communication shall be effective, if delivered or emailed at or prior to 5:00 p.m. on any Business Day, when so delivered or emailed or, if delivered or emailed at any other time, on the next Business Day.

15.2 **Assignment, Successors, etc.**

This Agreement shall enure to the benefit of and be binding upon the Parties hereto and their respective successors and permitted assigns. Neither Party may assign, transfer or delegate any or all of its rights or obligations under this Agreement, without the prior written consent of the other Party, which consent shall not be unreasonably withheld or delayed; provided that, upon prior written notice to the other Party, either Party may assign the Agreement to an Affiliate of such party or to a successor of all or substantially all of the assets of such party through merger, reorganization, consolidation or acquisition. No assignment shall relieve the assigning Party of any of its obligations hereunder. Any attempted assignment, transfer or other conveyance in violation of the foregoing shall be null and void.

15.3 **Entire Agreement**

This Agreement, together with the Shareholders Agreement and the Transaction Documents, including all Schedules annexed hereto which form an integral part hereof and any amendment to it constitute the entire agreement between the Parties and supersedes all prior agreements, understandings, negotiations and discussions, whether written or oral, with respect to the subject matter hereof, save and except for the Shareholders Agreement and the Transaction Documents. There are no

conditions, covenants, agreements, representations, warranties or other provisions, express or implied, collateral, statutory or otherwise, relating to the subject matter hereof except as provided in this Agreement, the Shareholders Agreement or the Transaction Documents.

15.4 **Further Assurances**

Each of the Parties to this Agreement shall from time to time and at all times do all such further acts and execute and deliver all further agreements and documents as shall be reasonably required in order fully to perform and carry out the terms of this Agreement.

15.5 **Amendment and Waivers**

No amendment or waiver of any provision of this Agreement shall be binding on a Party unless consented to in writing by such Party. No failure or delay to exercise, or other relaxation or indulgence granted in relation to, any power, right or remedy under this Agreement shall operate as a waiver of it or impair or prejudice it nor shall any single or partial exercise or waiver of any power, right or remedy preclude its further exercise or the exercise of any other power, right or remedy. The failure of any Party to insist upon strict adherence to any provision of this Agreement on any occasion shall not be considered a waiver or deprive that Party of the right thereafter to insist upon strict adherence to such provision or any other provision of this Agreement. No purported waiver shall be effective as against any Party unless consented to in writing by such Party. The waiver by any Party of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent or other breach.

15.6 **Severability**

Every provision of this Agreement is intended to be several, and accordingly, if any provision of this Agreement is determined to be invalid, illegal or unenforceable in any respect, all other provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any Party hereto. To the extent that any provision is found to be invalid, illegal or unenforceable, the Parties shall act in good faith to substitute for such provision, to the extent possible, a new provision with content and purpose as close as possible to the provision so determined to be invalid, illegal or unenforceable.

15.7 **Time of Essence**

Time shall be of the essence of this Agreement.

15.8 **Remedies; Specific Performance**

Except as otherwise provided herein, any and all remedies herein expressly conferred upon a Party will be deemed cumulative with and not exclusive of any other remedy conferred hereby, or by law or equity upon such Party, and the exercise by a Party of any one remedy will not preclude the exercise of any other remedy. The Parties hereby agree that irreparable damage would occur in the event that any provision of this Agreement is not performed in accordance with its specific terms or is otherwise breached, and that money damages or other legal remedies would not be an adequate remedy for any such damages. Accordingly, the Parties acknowledge and hereby agree that notwithstanding the mediation and arbitration provisions set out above, in the event of any breach or threatened breach by any Party of any of its covenants or obligations set out in this Agreement, the other Party shall be entitled to injunctive relief to prevent or restrain breaches or threatened breaches of this Agreement by the other, and to specifically enforce the terms and provisions of this Agreement to prevent breaches or threatened breaches of, or to enforce compliance with, the covenants and obligations of the other under this Agreement. Each of the Parties

hereby agrees not to raise any objections to the availability of the equitable remedy of specific performance to prevent or restrain breaches or threatened breaches of this Agreement by it, and to specifically enforce the terms and provisions of this Agreement to prevent breaches or threatened breaches of, or to enforce compliance with, the covenants and obligations of the other Party under this Agreement.

15.9 **Contra Proferentem Rule**

Unless otherwise expressly defined in this Agreement, the words used in this Agreement bear their natural meaning. The Parties have had equal opportunity to take legal advice and the *contra proferentem* rule does not apply to the interpretation of this Agreement. Save as otherwise provided in is this Agreement, each Party shall be responsible for and shall bear all its own fees and expenses with respect to the preparation and negotiation of this Agreement.

15.10 **No Partnership**

Nothing in this Agreement, specifically, shall be construed to create, expressly or by implication, a joint venture, commercial partnership or other partnership relationship between the Parties.

15.11 **Counterparts**

This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which taken together shall be deemed to constitute one and the same instrument. Counterparts may be executed either in original or electronic form, and the Parties adopt any signatures received by means of electronic communication as original signatures of the Parties.

15.12 **Independent Legal Advice**

The Company acknowledges that Gaia has advised the Company to obtain independent legal advice regarding this Agreement and has provided the Company with a reasonable opportunity to obtain independent legal advice regarding this Agreement, and that the Company has reviewed and understands its terms.

15.13 **Governing Law**

This Agreement will be governed by and construed in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein.

15.14 **English Language**

It is the express wish of the Parties that this Agreement and any related documents be drawn up and executed in English. Il est la volonté expresse des Parties que cette convention et tous les documents s'y rattachant soient rédigés et signés en anglais.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF the Parties hereto have executed this Agreement as of the Execution Date.

GAIA GROW CORP.

By: /signed/ "Frederick Pels"
Frederick Pels
Chief Executive Officer

ENAGON INC.

By: /signed/ "Gary Evernden"
Name: Gary Evernden
Title: President

SCHEDULE A
PRODUCT SPECIFICATIONS

All Offtake Hemp must meet the following standards:

- Minimum 3.5% CBD content by volume; and
- Compliant with all Health Canada regulations.