

GAIA GROW CORP.

– and –

CANNGROUP DEVELOPMENT CORP.

SALE OF MATERIAL AGREEMENT

March 1, 2020

SALE OF MATERIAL AGREEMENT

THIS SALE OF MATERIAL AGREEMENT is made as of the 1st day of March, 2020 (the “**Execution Date**”)

BETWEEN:

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

- and –

CANNGROUP DEVELOPMENT CORP., a corporation existing under the laws of the Province of British Columbia (the “**Buyer**” and together with Seller the “**Parties**” and each a “**Party**”)

WHEREAS Seller is engaged in the growth, cultivation, production and sale of industrial hemp pursuant to the *Industrial Hemp Regulations* (Canada);

AND WHEREAS Buyer is engaged, *inter alia*, in the business of the processing and sale of cannabis and cannabis-related products from time to time pursuant to the *Cannabis Act* (Canada), and Buyer is desirous of buying Material (as defined herein), and Seller is desirous of selling Material, subject to the terms of this Agreement;

AND WHEREAS Buyer desires to process the Material into cannabidiol (“**CBD**”) crude oil and distillate at its ethanol extraction lab and shall sell the processed Material to third-parties at prevailing market prices.

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:

1. Sale of Material.

Seller shall sell to Buyer, and Buyer shall purchase from Seller, milled hemp material with a CBD content of not less than 5% as a feedstock for the production of CBD crude oil and distillate (the “**Material**”) in the quantities and at the Prices (as defined herein) and upon the terms and conditions set forth in this Agreement.

2. Delivery.

Seller shall deliver the Materials to Buyer’s facility located at 56 Hadow Road in Enderby, British Columbia (the “**Delivery Point**”) using Seller’s standard methods for packaging and shipping such Materials. All Prices are DAP Delivery Point, INCOTERMS® (2010). Seller shall deliver 1,000 kilograms (“**kgs**”) of Material to the Buyer on or about March 4, 2020 and shall deliver 1,000 kg of Material per week thereafter to the Delivery Point until an aggregate of 15,000 kgs of Material have been delivered to Buyer or until this Agreement is terminated.

3. Non-delivery.

Seller shall not be liable for any non-delivery of Materials unless Buyer gives written notice to Seller of the non-delivery within two business days of the date when the Materials would in the ordinary course of events have been received. Any liability of Seller for non-delivery of the Materials shall be limited to delivering the Materials within a reasonable time or adjusting the invoice respecting such Materials to reflect the actual quantity delivered.

4. Quantity.

Unless this Agreement is terminated pursuant to Section 14, Seller shall deliver 1,000 kilograms of Material to Buyer per week starting on or about March 4, 2020, and thereafter shall deliver 1,000 kgs of Material each successive week until an aggregate of 15,000 kgs of Material have been delivered to Buyer. For the purpose of this Section 4, it is understood that 1,000 kgs of Material will produce approximately 50 kgs of CBD distillate. If 1,000 kgs of Material does not produce roughly 50 kgs of CBD distillate, the Parties agree to renegotiate the quantity of Material delivered per week, which shall not reduce or increase the aggregate amount of Material delivered pursuant to this Agreement.

If Seller delivers to Buyer a quantity of Materials of up to 10% more or less than the then-agreed-upon quantity in a given two-week period, Buyer shall not be entitled to object to or reject the Materials or any portion of them by reason of the surplus or shortfall and shall pay for such Materials the price set forth in this Agreement adjusted pro rata.

5. Title and Risk of Loss.

Title and risk of loss passes to Buyer upon delivery of the Material to the Delivery Point.

6. Price.

Buyer shall purchase the Materials from Seller at a price of C\$110 per kilogram of Material (the “**Price**”), subject to the discount provisions set out in Section 7. Buyer reserves the right to renegotiation of the Price in the event that the prevailing market value per kilogram of 90% CBD distillate falls below C\$6,000. Upon delivery of the first load of Materials, Buyer shall pay Seller a down-payment of C\$5000.

7. Sale of Finished Product.

All Material sold to the Buyer pursuant to this Agreement shall be processed by the Buyer into CBD crude oil or CBD concentrates (“**Finished Product**”) at its facility in accordance with applicable law. All Finished Products shall be sold to purchasers who are authorized to purchase the Finished Products pursuant to the *Cannabis Act* (Canada) and the regulations thereunder (“**Licensed Purchasers**”). The Licensed Purchasers of the Finished Product are to be located by the Seller, who shall broker a sale transaction for the Finished Products at prevailing market prices in accordance with applicable law and at no cost to the Buyer. Seller shall identify Licensed Purchasers within 10 days of being notified by the Buyer that Finished Product is available for sale. If Seller fails to locate and identify a Licensed Purchaser for Finished Product within 10 days of being notified that Finished Product is available, Buyer reserves the right to procure a Licensed Purchaser and to sell the Finished Product to such Licensed Purchaser at prevailing market prices. In such circumstance, Buyer shall be entitled to a credit equal to 5% of the Price paid for the Material that was used to produce the Finished Product sold to a Licensed Purchaser sourced by the Buyer pursuant to this Section 7. The 5% credit will be applied to the next delivery of Material from the Seller to the Buyer.

Prices are exclusive of all sales tax, goods and services tax, sales tax, valued added tax, use and excise taxes (if applicable), and any other similar taxes, duties and charges of any kind imposed by any governmental authority on any amounts payable by Buyer. Buyer shall be responsible for all such charges, costs and taxes; provided that, Buyer shall not be responsible for any taxes imposed on, or with respect to, Seller’s income, revenues, gross receipts, personnel or real or personal property or other assets.

8. Payment Terms.

Buyer shall pay all invoiced amounts due to Seller within 60 (sixty) days from the date of Seller’s invoice. Buyer shall make all payments hereunder by wire transfer and in Canadian dollars. Buyer shall pay interest on all late payments at the rate of 1.0 % per month (or 12.0% per annum) calculated daily and compounded

monthly. Buyer shall reimburse Seller for all costs necessarily incurred in collecting any late payments, including reasonable legal fees.

9. No Set-off.

Buyer shall not, and acknowledges that it will have no right, under this Agreement, any other agreement, document or Law, to withhold, offset, recoup or debit any amounts owed (or to become due and owing) to Seller or any of its affiliates, whether under this Agreement or otherwise, against any other amount owed (or to become due and owing) to it by Seller or its affiliates, whether relating to Seller's or its affiliates' breach or non-performance of this Agreement or any other agreement between Buyer and Seller or any of its affiliates, or otherwise.

10. Warranties.

SELLER MAKES NO CONDITION OR WARRANTY WHATSOEVER WITH RESPECT TO THE MATERIALS, INCLUDING ANY (a) CONDITION OR WARRANTY OF MERCHANTABILITY; OR (b) CONDITION OR WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE; (c) CONDITION OR WARRANTY OF TITLE; WHETHER EXPRESS OR IMPLIED BY LAW, COURSE OF DEALING, COURSE OF PERFORMANCE, USAGE OF TRADE OR OTHERWISE.

NOTWITHSTANDING THE ABOVE, SELLER WARRANTS THAT ALL MATERIAL SHALL BE COMPLIANT WITH APPLICABLE LAW, INCLUDING CHEMICAL CONTENT, AND SHALL CONTAIN A MINIMUM OF 5% CBD BY WEIGHT. IN THE EVENT THAT MATERIAL HAS A TETRAHYDROCANNABINOL ("THC") CONTENT ABOVE THE STATUTORY LIMIT, THE SELLER SHALL PROVIDE MATERIAL THAT IS COMPLIANT WITH APPLICABLE LAW OR SHALL PAY THE COST OF REMEDIATION OF MATERIAL, AT THE SELLERS OPTION. IN THE EVENT THAT THE MATERIAL IS LESS THAN 5% CBD BY WEIGHT, SELLER AGREES TO PROVIDE UP TO AN ADDITIONAL 15% MATERIAL WITHOUT CHARGE TO BUYER.

11. Limitation of Liability.

IN NO EVENT SHALL SELLER'S AGGREGATE LIABILITY TO BUYER 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 TOTAL OF THE AMOUNTS PAID TO SELLER FOR THE MATERIALS SOLD HEREUNDER.

12. Compliance with Law.

Buyer is in compliance with and shall comply with all applicable laws, regulations and ordinances. Buyer has and shall maintain in effect all the licenses, permissions, authorizations, consents and permits that it needs to carry out its obligations under this Agreement.

13. Indemnification.

Each Party ("**Indemnifying Party**") shall indemnify, defend and hold harmless the other Party and its officers, directors, employees, agents, affiliates, successors and permitted assigns (collectively, the "**Indemnified Party**") against any and all losses, damages, liabilities, deficiencies, claims, actions, judgments, settlements, interest, awards, penalties, fines, costs, or expenses of whatever kind, including legal fees, fees and the costs of enforcing any right to indemnification under this Agreement and the cost of pursuing any insurance providers, incurred by Indemnified Party arising out of or resulting from any claim of a third party arising out of or occurring in connection with the negligence, wilful misconduct or

breach of this Agreement by the Indemnifying Party. The Indemnifying Party shall not enter into any settlement without Indemnified Party's prior written consent.

14. Termination.

In addition to any remedies that may be provided in this Agreement, Seller may terminate this Agreement with immediate effect upon written notice to Buyer, if Buyer: (i) fails to pay any amount when due under this Agreement and such failure continues for thirty (30) days after Buyer's receipt of written notice of non-payment; (ii) has not otherwise performed or complied with any of these terms of this Agreement, in whole or in part; or (iii) becomes insolvent, makes an assignment into bankruptcy or commences or has commenced against it proceedings relating to bankruptcy, receivership, reorganization or assignment for the benefit of creditors.

In addition to any remedies that may be provided in this Agreement, Buyer may terminate this Agreement with immediate effect if: (i) Buyer determines, in its sole discretion, that the quality of Material delivered to Buyer on the first delivery date (and only the first delivery date) is unsatisfactory for any reason; and (ii) provides Seller with notice of such termination prior to Seller's second delivery of Material to the Buyer.

15. Confidential Information.

All non-public, confidential or proprietary information of Seller, including, but not limited to, specifications, samples, patterns, designs, plans, drawings, documents, data, business operations, customer lists, pricing, discounts or rebates, disclosed by Seller to Buyer, whether disclosed orally or disclosed or accessed in written, electronic or other form or media, and whether or not marked, designated or otherwise identified as "confidential," in connection with this Agreement is confidential, solely for the use of performing this Agreement and may not be disclosed or copied unless authorized by Seller in writing. Upon Seller's request, Buyer shall promptly return all documents and other materials received from Seller. Seller shall be entitled to injunctive relief for any violation of this Section 15. This Section 15 shall not apply to information that is: (a) in the public domain; (b) known to Buyer at the time of disclosure; or (c) rightfully obtained by Buyer on a non-confidential basis from a third party.

16. Entire Agreement.

This Agreement, including and together with any related exhibits, schedules, attachments and appendices, constitutes the sole and entire agreement of the Parties with respect to the subject matter contained herein, and supersedes all prior and contemporaneous understandings, agreements, representations, conditions and warranties, both written and oral, regarding such subject matter.

17. Survival.

Subject to the limitations and other provisions of this Agreement: (a) the representations and warranties of the Parties contained herein shall survive the expiration or earlier termination of this Agreement; and (b) Sections 10, 11, 13, 15, 18-27 (inclusive) and 31 of this Agreement, as well as any other provision that, in order to give proper effect to its intent, should survive such expiration or termination, shall survive the expiration or earlier termination of this Agreement.

18. 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 Seller, at:

Gaia Grow Corp.
Suite 303, 750 West Pender Street
Vancouver, British Columbia
V6C 2T7

Attention: Frederick Pels, Chief Executive Officer
Email: fred@greenroommed.ca

with a copy to:

Cassels Brock & Blackwell LLP
Suite 2200, 885 West Georgia Street
Vancouver, British Columbia
V6C 3E8

Attention: Sam Cole
Email: scole@cassels.com

(b) if to Buyer, at:

CannGroup Development Corp.
#480, 3104-30th Avenue
Vernon, BC V1T 9M9
Attention: Marlin Tobias
Email: marlin@canngroupcorp.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.

19. Severability.

If any term or provision of this Agreement is invalid, illegal or unenforceable in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other term or provision of this Agreement or invalidate or render unenforceable such term or provision in any other jurisdiction.

20. Amendments.

No amendment to or modification of this Agreement is effective unless it is in writing, identified as an amendment to this Agreement and signed by each Party.

21. Waiver.

No waiver by any party of any of the provisions of this Agreement shall be effective unless explicitly set forth in writing and signed by the party so waiving. Except as otherwise set forth in this Agreement, no failure to exercise, or delay in exercising, any rights, remedy, power or privilege arising from this Agreement shall operate or be construed as a waiver thereof, nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.

22. Cumulative Remedies.

All rights and remedies provided in this Agreement are cumulative and not exclusive, and the exercise by either Party of any right or remedy does not preclude the exercise of any other rights or remedies that may now or subsequently be available at law, in equity, by statute, in any other agreement between the Parties or otherwise. Notwithstanding the previous sentence, the Parties intend that Buyer's rights under Section 11 are Buyer's exclusive remedies for the events specified therein.

23. Assignment.

Each Party shall not assign, transfer, delegate or subcontract any of its rights or obligations under this Agreement without the prior written consent of the other Party. Any purported assignment or delegation in violation of this Section 23 shall be null and void. No assignment or delegation shall relieve a Party of any of its obligations hereunder.

24. Successors and Assigns.

This Agreement is binding on and enures to the benefit of the Parties to this Agreement and their respective permitted successors and permitted assigns.

25. No Third-Party Beneficiaries.

Subject to the next sentence, this Agreement benefits solely the Parties to this Agreement and their respective permitted successors and assigns, and nothing in this Agreement, express or implied, confers on any other Person any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement. The Parties hereby designate the Indemnified Party as third-party beneficiaries of Section 13, having the right to enforce Section 13.

26. Choice of Law.

This Agreement, including all exhibits, schedules, attachments and appendices attached to this Agreement and thereto are governed by, and construed in accordance with, the laws of the Province of Alberta, and the federal laws of Canada applicable therein without regard to the conflict of laws provisions thereof to the extent such principles or rules would require or permit the application of the laws of any jurisdiction other than those of the Province of Alberta.

27. Forum Selection.

Each Party irrevocably and unconditionally agrees that it will not commence any action, litigation or proceeding of any kind whatsoever against the other Party in any way arising from or relating to this Agreement, including all exhibits, schedules, attachments and appendices attached to this Agreement, and all contemplated transactions, in any forum other than in the courts of the Province of Alberta, and any appellate court from any thereof. Each Party irrevocably and unconditionally submits to the exclusive jurisdiction of such court and agrees to bring any such action, litigation or proceeding only in the courts of the Province of Alberta. Each Party agrees that a final judgment in any such action, litigation or proceeding is conclusive and may be enforced in other jurisdictions by action on the judgment or in any other manner provided by law.

28. Counterparts.

This Agreement may be executed in counterparts, each of which is deemed an original, but all of which together are deemed to be one and the same agreement. Notwithstanding anything to the contrary in Section 19, a signed copy of this Agreement delivered by facsimile, email or other means of electronic transmission is deemed to have the same legal effect as delivery of an original signed copy of this Agreement.

29. Force Majeure.

Any delay or failure of Seller to perform its obligations under this Agreement will be excused to the extent that the delay or failure was caused directly by an event beyond Seller's control, without Seller's fault or negligence and that by its nature could not have been foreseen by Seller or, if it could have been foreseen, was unavoidable (which events may include natural disasters, embargoes, explosions, riots, wars, acts of terrorism, strikes, labour stoppages or slowdowns or other industrial disturbances, and shortage of adequate power or transportation facilities).

30. Relationship of the Parties.

The relationship between the Parties is that of independent contractors. Nothing contained in this Agreement shall be construed as creating any agency, partnership, franchise, business opportunity, joint venture or other form of joint enterprise, employment or fiduciary relationship between the Parties, and neither Party shall have authority to contract for or bind the other Party in any manner whatsoever. No relationship of exclusivity shall be construed from this Agreement.

31. Publicity.

Neither Party will issue any press release about any aspect of this Agreement without the consent of the other Party. In addition, neither Party shall have the right to disclose the existence of this Agreement or relationship under any circumstances, except in confidence to its auditors or legal or other professional advisors, without the prior consent of the other Party.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first written above by their respective officers thereunto duly authorized.

GAIA GROW CORP.

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

CANNGROUP DEVELOPMENT CORP.

By: /signed/ "Marlin Tobias"
Name: Marlin Tobias
Title: President