



**NOTICE OF MEETING**

**OF 10% CONVERTIBLE DEBENTURES DUE NOVEMBER 16, 2021**

**OF**

**GOLDEN LEAF HOLDINGS LTD.**

**TO BE HELD ON JANUARY 21, 2021**

## GOLDEN LEAF HOLDINGS LTD.

### NOTICE OF MEETING OF DEBENTUREHOLDERS

**NOTICE IS HEREBY GIVEN THAT** a meeting (the “**Meeting**”) of the holders (the “**Debentureholders**”) of the 10% convertible debentures due November 16, 2021 (the “**Debentures**”) of Golden Leaf Holdings Ltd. (“**Golden Leaf**” or the “**Corporation**”) issued pursuant to an indenture dated as of November 16, 2018 (as the same has otherwise been amended or may be amended, modified, restated, supplemented or replaced from time to time, the “**Indenture**”) will be held on Thursday, January 21, 2021 at 12:00 (noon) (Toronto time) and can be accessed through the following link: [www.agmconnect.com/goldendeb2021](http://www.agmconnect.com/goldendeb2021) for the following purposes:

1. To consider, and if deemed advisable, approve an Extraordinary Resolution to, among other things:
  - a. extend the maturity date of the Debentures from November 16, 2021 to November 16, 2022;
  - b. reduce the conversion price of the Debentures to US\$0.06 per common share of the Corporation (each, a “**Common Share**”); and
  - c. pay to each holder of Debentures a restructuring fee equal to 2% of the principal amount of the Debentures held by such holder, to be paid in the form of Common Shares.
2. To transact such other business as may properly come before the Meeting or any adjournment or postponement thereof.

#### **Your vote is important.**

This notice is accompanied by either a form of proxy for registered Debentureholders or a voting instruction form for non-registered Debentureholders (collectively, the “**Meeting Materials**”).

Debentureholders are invited to attend the Meeting virtually through the platform of AGM Connect by going to [www.agmconnect.com/goldendeb2021](http://www.agmconnect.com/goldendeb2021) or may be represented by proxy. Registered Debentureholders who are unable to attend the Meeting virtually are requested to complete, date and sign the form of proxy and send it to the Corporate Secretary of the Corporation, c/o the trustee under the Indenture, Capital Transfer Agency, ULC, 390 Bay Street, Suite 920, Toronto, ON M5H 2Y2. Electronic voting is also available for this Meeting through [www.capitaltransferagency.com](http://www.capitaltransferagency.com). Votes cast electronically are in all respects equivalent to, and will be treated in, the exact same manner as, votes cast via a paper form of proxy. Further details on the electronic voting process are provided in the form of proxy. Non-registered Debentureholders who receive the Meeting Materials either directly from the Corporation or through their broker or other intermediary should complete and send the voting instruction form in accordance with the instructions provided.

The board of directors of the Corporation has, by resolution, fixed the close of business on December 21, 2020 as the record date for the determination of the registered holders of debentures entitled to receive notice of, and to vote at, the Meeting and any adjournment or postponement thereof. The board of directors of the Corporation has, by resolution, fixed 12:00 (noon) (Toronto time) on January 19, 2021, or no later than 48 hours (excluding Saturdays, Sundays and holidays) before the time of any adjournment(s) or postponement(s) of the Meeting, as the time before which proxies to be used or acted upon at the Meeting or any adjournment or postponement thereof must be deposited with the trustee for the Debentures.

**DATED** at Toronto, Ontario, this 21<sup>st</sup> day of December, 2020.

#### **BY ORDER OF THE BOARD**

*“John Varghese”*

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John Varghese  
Executive Chairman

## GENERAL MATTERS

### General

This Notice is furnished in connection with the solicitation of proxies by and on behalf of the management of the Corporation for use at the Meeting. Other than as set forth herein, no person has been authorized to give any information or make any representation in connection with the Amendments or any other matters to be considered at the Meeting other than those contained in this Notice and, if given or made, any such information or representation must not be relied upon as having been authorized.

In light of the ongoing public health crisis related to the COVID-19 outbreak, and in order to comply with the measures imposed by the federal and provincial governments, the Meeting will be conducted in a virtual format. The Corporation is strongly encouraging Debentureholders and others not to attend the Meeting in person. In light of COVID-19, Debentureholders are urged to vote on the matters in advance of the Meeting by proxy and to participate in the Meeting by way of the live webcast that will be available at [www.agmconnect.com/goldendebts2021](http://www.agmconnect.com/goldendebts2021).

Except as otherwise stated, the information contained in this Notice is given as of December 21, 2020.

The form of proxy forwarded to Debentureholders with the Notice confers discretionary authority upon the proxy nominees with respect to amendments or variations of matters identified in the Notice or other matters which may properly come before the Meeting.

This Notice does not constitute an offer to sell, or a solicitation of an offer to purchase, Debentures in connection with the Amendments, or the solicitation of a proxy, in any jurisdiction, to or from any person to whom it is unlawful to make such offer, solicitation of an offer or proxy solicitation in such jurisdiction. The delivery of this Notice does not under any circumstances imply or represent that there has been no change in the information set forth herein since the date of this Notice.

Debentureholders should not construe the contents of this Notice as legal, tax or financial advice and should consult with their own professional advisors in considering the relevant legal, tax, financial or other matters contained in this Notice.

### Forward-Looking Information

This Notice may contain “forward-looking information” within the meaning of applicable securities laws in Canada and “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, as amended (collectively referred to herein as “**forward-looking statements**”). All statements other than statements of present or historical fact are forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as “will”, “expects”, “anticipates”, “intends”, “plans”, “believes”, “seeks”, “estimates”, “may”, “project”, “should” and variations of such words and similar expressions are intended to identify forward-looking statements. Specifically, and without limiting the generality of the foregoing, all statements included in this Notice that address activities, events or developments that the Corporation expects or anticipates will or may occur in the future, including, but not limited to, statements with respect to the Amendments; timing of completion of the Amendments; satisfaction of the conditions to the Amendments becoming effective; the anticipated benefits of the Amendments; the treatment of Debentureholders under tax laws; and the Corporation’s future plans and expectations relating to its business, may constitute forward-looking statements and necessarily involve known and unknown risks and uncertainties, most of which are beyond the Corporation’s control. These risks may cause actual financial and operating results, performance, levels of activity and achievements to differ materially from those expressed in, or implied by, such forward-looking statements.

Although the Corporation believes that the expectations represented in such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. Such risks and uncertainties include, but are not limited to, the risk that the Amendments may not be effected when planned, or at all.

Although the forward-looking statements contained in this Notice are based upon assumptions which management of the Corporation believes to be reasonable, the Corporation cannot assure Debentureholders that actual results will be consistent with these forward-looking statements.

Management of the Corporation has included the above summary of assumptions and risks related to forward-looking statements provided in this Notice in order to provide Debentureholders with a more complete perspective in respect of the Amendments and such information may not be appropriate for other purposes. The Corporation's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits that the Corporation will derive therefrom.

The Corporation gives no assurance, nor makes any representations or warranties, that the expectations conveyed by the forward-looking statements will prove to be correct and actual results may differ materially from those anticipated in the forward-looking statements. Accordingly, readers should not place undue reliance on forward-looking statements in this Notice. All of the forward-looking statements made in this Notice are qualified by these cautionary statements. The Corporation undertakes no obligation to publicly update or revise any forward-looking statements to reflect new information, subsequent events or otherwise, unless so required by applicable securities laws.

#### **Notice to Debentureholders in the United States**

**You should be aware that the Amendments may have tax consequences both in the United States and in Canada. Tax considerations applicable to Debentureholders subject to United States federal taxation have not been included in this Notice, and such Debentureholders should consult their own tax advisors to determine the particular consequences to them of participating in the solicitation being made hereunder. For a summary of the applicable tax considerations under Canadian law, see "*Certain Canadian Federal Tax Considerations for Debentureholders*".**

**THIS TRANSACTION HAS NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE "SEC"), ANY UNITED STATES FEDERAL OR STATE SECURITIES ADMINISTRATOR, OR ANY SECURITIES REGULATORY AUTHORITY IN CANADA, NOR HAS THE SEC, ANY UNITED STATES FEDERAL OR STATE SECURITIES ADMINISTRATOR, OR ANY SECURITIES REGULATORY AUTHORITY IN CANADA PASSED UPON THE ACCURACY OR ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE.**

## THE MEETING

The Corporation and Capital Transfer Agency, ULC, as Trustee (the “**Trustee**”) have entered into an indenture dated as of November 16, 2018 (as the same has otherwise been amended or may be amended, modified, restated, supplemented or replaced from time to time, the “**Indenture**”) pursuant to which the Corporation has issued convertible debentures with the designation of “Unsecured Subordinated Debentures due November 16, 2021” (the “**Debentures**”).

This document has been prepared in connection with the solicitation of proxies by or on behalf of the management of Golden Leaf Holdings Ltd. (“**Golden Leaf**” or the “**Corporation**”) for use at the meeting (the “**Meeting**”) of holders (collectively, the “**Debentureholders**”) of Debentures to be held on Thursday, January 21, 2021, at the time and place and for the purposes set forth above and any adjournment or postponement thereof.

### Solicitation of Proxies

**The enclosed proxy is being solicited by the management of the Corporation for use at the Meeting.** Proxies may be solicited by mail, telephone, email, facsimile or other electronic means. Proxies may be solicited personally by directors or regular employees of the Corporation. These persons will receive no compensation for such solicitation other than their regular fees or salaries. The Corporation may also, upon request, reimburse brokers and other persons holding shares as nominees for their reasonable costs incurred in sending proxy material to beneficial owners of Debentures. The Corporation may also retain agents to assist in soliciting proxies, who may be paid a fee for such services. The cost of solicitation of proxies will be paid by the Corporation.

The board of directors of the Corporation (the “**Board**”) has, by resolution, fixed the close of business on December 21, 2020 (the “**Record Date**”) as the record date for the determination of the registered holders of Debentures entitled to notice of, and to vote at, the Meeting and any adjournment(s) or postponement(s) thereof. Debentureholders of record at the close of business on the Record Date will be entitled to vote in person or by proxy at the Meeting or at any adjournment or postponement thereof (subject, in the case of voting by proxy, to the timely deposit of a properly completed, signed and dated proxy with the Trustee as specified herein).

The Board has, by resolution, fixed 12:00 (noon) (Toronto time) on January 19, 2021, or no later than 48 hours (excluding Saturdays, Sundays and holidays) before the time of any adjournment(s) or postponement(s) of the Meeting, as the time before which proxies to be used or acted upon at the Meeting or any adjournment(s) or postponement(s) thereof must be deposited with the Trustee at 390 Bay Street, Suite 920, Toronto, ON M5H 2Y2 Attention: Proxy Department or by facsimile at 416.350.5008 or by email at [info@capitaltransferagency.com](mailto:info@capitaltransferagency.com). Electronic voting is also available for this Meeting through [www.capitaltransferagency.com](http://www.capitaltransferagency.com). Votes cast electronically are in all respects equivalent to and will be treated in the exact same manner as, votes cast via a paper form of proxy. Further details on the electronic voting process are provided in the form of proxy. The Chairman of the Meeting may extend or waive the proxy deadline without notice.

These materials are being sent to both registered and non-registered owners of the securities. If you are a non-registered owner, and the Corporation or its agent has sent these materials directly to you, your name and address and information about your holdings of securities, have been obtained in accordance with applicable securities regulatory requirements from the intermediary holding on your behalf.

By choosing to send these materials to you directly, the Corporation (and not the intermediary holding on your behalf) has assumed responsibility for (i) delivering these materials to you, and (ii) executing your proper voting instructions. Please return your voting instructions as specified in the request for voting instructions.

## Appointment and Revocation of Proxies

The persons named in the enclosed form of proxy are officers and/or directors of the Corporation. **A Debentureholder desiring to appoint some other person or entity to represent him, her or it at the Meeting may do so by inserting such person or entity's name in the blank space provided in that form of proxy or by completing another proper form of proxy and, in either case, depositing the completed proxy at the office of the Trustee, as indicated on the envelope accompanying the form of proxy not later than the time specified in the Notice.**

In addition to revocation in any other manner permitted by law, a Debentureholder may revoke a proxy given pursuant to this solicitation by depositing an instrument in writing (including another proxy bearing a later date) executed by the Debentureholder or by an attorney authorized in writing to the Trustee at 390 Bay Street, Suite 920, Toronto, ON M5H 2Y2 Attention: Proxy Department or by facsimile at 416.350.5008 at any time up to and including the last business day preceding the day of the Meeting.

## Meeting Procedures

The Meeting will be conducted in a manner substantially similar to the way the Corporation conducts its meetings of shareholders, including as required under the Corporation's by-laws and applicable law, as modified by the Indenture and for the fact that the Debentures are debt securities without general voting rights.

The Meeting will be conducted as a virtual meeting of Debentureholders by way of a virtual meeting webcast through AGM Connect. The virtual meeting webcast can be accessed at: [www.agmconnect.com/goldendebts2021](http://www.agmconnect.com/goldendebts2021). *As a registered Debentureholder, you will be able to participate in the voting portion of the meeting by following the directions on the provided website. You will need to use the Control Number provided to you in your form of proxy to vote.* Debentureholders are encouraged to register in advance and, at the least, 15 minutes prior to the start of the Meeting.

## Quorum

A quorum of Debentureholders is required to transact business at the Meeting. Pursuant to the Indenture, the quorum requirement for the Meeting will be satisfied and the Meeting will be properly constituted where there are present in person or represented by proxy, at the Meeting, Debentures representing at least 25% of the outstanding principal amount thereof.

## Voting of Proxies

The persons named in the form of proxy will vote the Debentures in respect of which they are appointed in accordance with the direction of the Debentureholders appointing them. **In the absence of such direction, such Debentures will be voted in favour of the passing of all the matters and resolutions described below. The form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified herein and with respect to other matters which may properly come before the Meeting.** As at the date hereof, management knows of no such amendments, variations or other matters to come before the Meeting. However, if any other matters that are not now known to management should properly come before the Meeting, the proxy will be voted on such matters in accordance with the best judgment of the named proxies.

A proxy will not be valid unless it is signed by the registered Debentureholder, or by the registered Debentureholder's attorney with proof that they are authorized to sign. If you represent a registered Debentureholder that is a corporation, your proxy should have the seal of the corporation, if applicable, and must be executed by an officer or an attorney, authorized in writing. If you execute a proxy as an attorney for an individual registered Debentureholder, or as an officer or attorney of a registered Debentureholder that is a corporation, you must include the original or notarized copy of the written authorization for the officer or attorney with your proxy form.

## Non-Registered Holders

Only registered Debentureholders or the persons they appoint as their proxies are permitted to vote at the Meeting. However, in many cases, Debentures beneficially owned by a holder who is not a registered Debentureholder (a “**Non-Registered Debentureholder**”) are registered either: (i) in the name of an intermediary with whom the Non-Registered Debentureholder deals in respect of the Debentures such as, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered Registered Retirement Savings Plans, Registered Retirement Income Funds, Registered Education Savings Plans and similar plans (an “**Intermediary**”); or (ii) in the name of a clearing agency (such as CDS & Co., of which the Intermediary is a participant).

In accordance with applicable securities law requirements, the Corporation will distribute copies of this Notice and a Voting Instruction Form (as defined below) (collectively, the “**Mailed Materials**”) to the clearing agencies and Intermediaries for distribution to Non-Registered Debentureholders. Objecting Non-Registered Debentureholders have objected to their Intermediary disclosing ownership information about themselves to the Corporation. The Corporation does not intend to pay for Intermediaries to deliver the Mailed Materials to objecting Non-Registered Debentureholders, and accordingly an objecting Non-Registered Debentureholder will not receive the Mailed Materials unless the Intermediary of the objecting Non-Registered Debentureholder assumes the cost of delivery.

If you are a non-objecting Non-Registered Debentureholder, and the Corporation or its agent has sent the Mailed Materials directly to you, your name and address and information about your holdings of Debentures have been obtained in accordance with applicable securities regulatory requirements from the Intermediary holding the Debentures on your behalf. The Corporation has elected to send the Mailed Materials directly to non-objecting Non-Registered Debentureholders through the services of the Trustee.

Non-Registered Debentureholders will be given, in substitution for the proxy otherwise contained in the proxy-related materials, a request for voting instructions (the “**Voting Instruction Form**”) which, when properly completed and, if applicable, signed by the Non-Registered Debentureholder and returned to the Intermediary or the Corporation, as applicable, will constitute voting instructions which the Intermediary or the Corporation, as applicable, must follow. The purpose of this procedure is to permit Non-Registered Debentureholders to direct the voting of the Debentures they beneficially own. Should a Non-Registered Debentureholder who receives the Voting Instruction Form wish to vote at the Meeting in person (or have another person attend the vote on behalf of the Non-Registered Debentureholder), the Non-Registered Debentureholder should so indicate in the place provided for that purpose in the Voting Instruction Form and a form of legal proxy will be sent to the Non-Registered Debentureholder. Every Intermediary has its own mailing procedures and provides its own return instructions, which should be carefully followed by Non-Registered Debentureholders in order to ensure that their Debentures are voted at the Meeting. If you have any questions respecting the voting of Debentures held through a broker or other Intermediary, please contact the broker or other Intermediary for assistance.

## THE AMENDMENTS

### Background to the Amendments

Management and the Board regularly review and evaluate the Corporation's capital structure and strategic alternatives relating to the Debentures and other obligations with a view to enhancing securityholder value. On November 19, 2020, the Corporation announced that it had favorably restructured and further extended (the "**Chalice Restructuring**") the US\$9,527,350 earn-out payment due on May 2, 2022 to Chalice LLC ("**Chalice**") and its members. This obligation related to the acquisition of certain assets and a subsidiary of Chalice on July 7, 2017. Chalice agreed to an immediate conversion of 50% or US\$2,500,000 of the existing cash obligation that remains due on May 2, 2022 into Common Shares at US\$0.06. The resultant 41,666,667 common shares were placed into escrow to be released over 60 months commencing May 2, 2022. The remaining principal of US\$2,500,000 is payable in 60 monthly installments of US\$41,666 over 60 months plus an interest rate of 6% beginning on May 2, 2022. The existing share payment of US\$4,527,350 remains unchanged and is due at the original maturity of May 2, 2022 based on a then 30-day trailing volume weighted average price. These Common Shares will also be released from escrow over 60 months. As a condition of the Chalice Restructuring, the Corporation agreed to either attain positive cash flow or raise US\$5,000,000 within 12 months from the execution of the agreement. If one of these requirements are not met, then the Corporation is obligated to pay a further 62,500,000 Common Shares to Chalice on May 2, 2022 under the same escrow release terms.

As a result of the balance sheet and cash flow improvements that are expected to result from the Chalice Restructuring, the Corporation sought to evaluate strategic alternatives relating to the Debentures to specifically address the upcoming maturity of the Debentures, and to encourage conversions of the Debentures. The Corporation believes that the threat of a dilutive issuance of Common Shares at depressed prices to satisfy the repayment of principal at maturity of the Debentures (either to raise the funds or on a shares for debt basis) has been a cause of negative pressure on the trading price of its Common Shares, and that this negative pressure may be relieved by extending the maturity date to November 16, 2022 and by increasing the chance of voluntary conversions before such time as and if the price of the Common Shares improves.

Upon completion of the Chalice Restructuring, management approached certain Debentureholders to consider alternatives prior to maturity intended to further strengthen the Corporation's balance sheet and the capital overhang. The Debentureholders were presented with three options for consideration: extend the maturity of the Debentures; early convert the Debentures; or try to sell the Debentures, at a discount. After consideration and negotiation with the largest Debentureholders, the first option was chosen. With the benefit of the Chalice share price conversion of US\$0.06 as a near proxy on value, management and the key Debentureholder were able to resolve in favour of an extension, as supplemented by a reduction in the conversion price to that proxy on value. Management believes that this proposed revised conversion price is an appropriate compromise between current market prices and management's view on value and is intended to both educe the possibility of repayment in cash and minimize potential future dilution.

The Board was provided with the same alternatives and concluded that the extending and repricing the Debentures was the in the best interest of all stakeholders of the Corporation.

### Effect of the Amendments on Share Capital

In addition to a later maturity date, the Amendments will increase the number of Common Shares issuable on conversion of the Debentures. At the date hereof, there is a total of C\$8,039,000 principal amount of Debentures outstanding, which is convertible into 26,796,667 Common Shares at a conversion price of C\$0.30. If the Amendments are approved and the conversion price is reduced to US\$0.06, then at current exchange rates, C\$8,039,000 principal amount of Debentures will be convertible into approximately 105,000,000 Common Shares.

### Other Required Approvals

In addition to the approval of the Debentureholders, it is a condition precedent to the implementation of the Amendments that the approval of the the Canadian Securities Exchange (the "**CSE**") be obtained.



### Effective Date of the Amendments

The Amendments will become effective on the date the Corporation and the Trustee enter into a supplemental indenture providing for the Amendments. Although the Corporation anticipates entering into the Supplemental Indenture on or about January 22, 2021, it is not possible to state with certainty when the effective date of the Amendments will occur. The effective date of the Amendments could be delayed for a number of reasons.

**Although the Corporation intends to enter into the Supplemental Indenture as soon as possible following approval of the Extraordinary Resolution, the Board has retained the discretion, without further notice to or approval of the Debentureholders, to revoke the Extraordinary Resolution at any time prior to the Corporation entering into the Supplemental Indenture.**

### Interests of Certain Persons in the Amendments

As at the date of this Notice, none of the directors or executive officers of the Corporation own any Debentures, other than the following:

Director or Executive Officer	Principal Held (C\$)	% of Total Outstanding Principal Amount
John Varghese Executive Chairman & Director	C\$10,000	0.12%
Jeff Yapp CEO & Director	C\$7,000	0.09%
Rick Miller Director	C\$132,000	1.64%

Each of the foregoing directors and executive officers are considered “related parties” to the Corporation for the purposes of Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* (“**MI 61-101**”), and accordingly, the Amendments are considered “related party transactions” within the meaning of MI 61-101. The Corporation is relying on exemptions from the formal valuation and minority shareholder approval requirements in Sections 5.5(a) and 5.7(1)(a) of MI 61-101 in respect of the Amendments as neither the fair market value of the Debentureholders held by interested parties (as such term is defined in MI 61-101) nor any consideration for the transaction insofar as it involves interested parties exceeds twenty-five percent of the market capitalization of the Corporation.

## PARTICULARS OF MATTERS TO BE ACTED UPON

### Text of Extraordinary Resolution

#### WHEREAS:

- A. By a trust indenture (hereinafter referred to as the "**Indenture**") made as of the 16th day of November, 2018 between Golden Leaf Holdings Ltd. (the "**Corporation**") and Capital Transfer Agency, ULC (the "**Trustee**"), as amended, provision was made for the various powers that may be exercised at a meeting of Debentureholders by way of "Extraordinary Resolution" or by an instrument in writing signed by the holders of 66 2/3% of the principal amount of all outstanding Debentures, including the capacity "to assent to any modification of or change in or addition to or omission from the provisions contained in this Indenture or any Debenture which shall be agreed to by the Corporation and to authorize the Trustee to concur in and execute any indenture supplemental hereto embodying any modification, change, addition or omission;".
- B. The Corporation desires to amend the Indenture to, among other things (the "**Amendments**"):
- i. to extend the maturity date of the Debentures from November 16, 2021 to November 16, 2022;
  - ii. to reduce the conversion price of the Debentures to US\$0.06 per common share of the Corporation (each, a "**Common Share**"); and
  - iii. to pay to each holder of Debentures a restructuring fee equal to 2% of the principal amount of the Debentures held by such holder, to be paid in the form of Common Shares.
- C. Changes to the terms of the Debentures and amendments to the Indenture of this nature must be approved by way of an Extraordinary Resolution pursuant to Article 12 of the Indenture.
- D. Terms defined in the Indenture and used herein are used with the same defined meaning herein.

#### BE IT RESOLVED THAT:

1. Section 1.1 of the Indenture be amended to replace the definition of "Conversion Price" with the following:

**"Conversion Price"** means US\$0.06 per Common Share, subject to adjustment in accordance with the provisions of Article 6;"
2. Section 1.1 of the Indenture be amended to replace the definition of "Maturity Date" with the following:

**"Maturity Date"** means November 16, 2022;"
3. The text of Section 1.6 of the Indenture be replaced with the following:

"Whenever any amounts of money are referred to herein, such amounts shall be deemed to be in lawful money of Canada unless otherwise expressed. References to US\$ shall be deemed to refer to United States dollars."
4. Section 2.3 of the Indenture be amended to add the following as subsection (c.1) after subsection (c) thereof (with dates completed):

"On [5th Business Days following the date that the Amendments are effective], the Corporation will pay a fee (the "**Restructuring Fee**") equal to 2% of the principal amount

of Debentures held by those Debentureholders as at *[the date that the Amendments are effective]*. The Corporation will satisfy the Restructuring Fee by delivering that number of Common Shares obtained by dividing the Restructuring Fee by US\$0.06."

5. Section 2.3 of the Indenture be amended to add the following as subsection (l) at the end of such section (with the dates completed):

"The Corporation shall have twelve (12) months (the "Term") from *[the date that the Amendments are effective]* to meet the two following requirements, failing which the Debentureholders and the Corporation shall be required to negotiate in good faith further amendments to the terms of the Debentures to be proposed to the Debentureholders and subject to any applicable regulatory or other approvals. Where such further proposed amendments (if any) have not been agreed in writing (as determined by the Board) within 30 days of the conclusion of the Term, the Maturity Date of the Debentures shall be deemed to have been amended to *[the date that is 90 days following the end of the Term]*:

- i. prior to the end of the Term, the Corporation shall have positive operating cash flow for any fiscal quarter or any year to date period, as reported by the Corporation in the financial statements or management discussion and analysis for a fiscal quarter or in an earnings release for any fiscal quarter; and
- ii. by the end of the Term, the Corporation shall have completed one or more equity offerings for aggregate gross proceeds of a minimum of C\$5,000,000, provided that if any proceeds are raised in United States dollars they shall for these purposes be converted to Canadian dollars using the Bank of Canada noon exchange rate on the applicable closing date, further provided that any amounts raised in a debt offering (including convertible debt) shall not count towards this amount."

6. The Corporation and the Trustee are hereby authorized and directed to enter into, execute, deliver and perform all of their respective obligations under a supplemental debenture indenture to the Indenture (the "**Supplemental Indenture**"), amending Section 1.1, Section 1.6, Section 2.3, and such other consequential amendments, including to the form of Debenture certificate, as required to give effect to the foregoing amendments to the Indenture, such Supplemental Indenture being subject to such changes and amendments as may be approved by the Corporation pursuant to paragraph 8 hereof, such approval to be conclusively evidenced by the execution and delivery of such Supplemental Indenture (as changed or amended, if applicable) by the Corporation and the Trustee, and the Supplemental Indenture so executed shall be conclusively deemed to be the Supplemental Indenture approved and authorized by, and referred to in, these resolutions.

7. All additional amendments to the Indenture reasonably necessary or desirable to give effect to the foregoing be and they are hereby approved. The Trustee and the Corporation are authorized and directed to enter into any supplemental indenture as may be deemed necessary or advisable in connection with the foregoing.

8. Notwithstanding that this extraordinary resolution has been passed by the Debentureholders, the Corporation is authorized without further notice to or approval of the Debentureholders, to (i) change or amend the Supplemental Indenture as referred to in paragraph 6, or (ii) not proceed with the Amendments.

#### **CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS FOR DEBENTUREHOLDERS**

The following summary describes the principal Canadian federal income tax considerations arising from and relating to the Amendments generally applicable to a Debentureholder who, for purposes of the Tax Act, and at all relevant times, deals at arm's length with and is not affiliated with the Corporation, and holds Debentures as capital property (a "**Holder**"). Debentures will generally be considered to be capital property

to a Holder unless the Holder holds such Debentures in the course of carrying on a business or the Holder acquired such Debentures in a transaction or transactions considered to be an adventure or concern in the nature of trade.

This summary is not applicable to: (a) a Holder that is a “financial institution” (for the purposes of the “mark-to-market” rules) or a “specified financial institution”, each as defined in the Tax Act; (b) a Holder an interest in which would be a “tax shelter investment” within the meaning of the Tax Act; (c) a Holder whose “functional currency” for the purposes of the Tax Act is the currency of a country other than Canada; or (d) a Holder that has entered into or will enter into a “derivative forward agreement” with respect to the Debentures within the meaning of the Tax Act. Such Holders should consult their own tax advisors.

This summary is based upon the current provisions of the Tax Act and the published administrative practices of the Canada Revenue Agency (“CRA”). This summary also takes into account all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the “Tax Proposals”) and assumes that all Tax Proposals will be enacted in the form proposed however, no assurance can be given that the Tax Proposals will be enacted in the form proposed, if at all. This summary is not exhaustive of all possible Canadian federal income tax considerations and, except for the Tax Proposals, does not take into account any changes in the law, whether by legislative, governmental or judicial action, nor does it take into account provincial, territorial or foreign tax considerations, which may differ significantly from those discussed herein.

It is not certain whether the Amendments would result in a disposition of the Debentures for Canadian tax purposes. Canadian jurisprudence has held that the amendment of fundamental terms of a debt instrument can result in the creation of a new debt obligation in some circumstances, and for certain purposes. Thus, there can be no assurance that the CRA would not treat the Amendments as a disposition of the Debentures, or that a Canadian court would agree with the CRA’s position, in the event that a court action is pursued in respect of any such CRA position. Each Debentureholder should consult its own tax advisor regarding the proper treatment of the Amendments for Canadian tax purposes.

No legal opinion from legal counsel or advance tax ruling from the CRA has been requested, or obtained to confirm the tax consequences to Debentureholders of the Amendments. This summary is not binding on the CRA, and the CRA is not precluded from taking a position that is different from, and contrary to, the positions taken in this summary. In addition, because the authorities on which this summary is based are subject to various interpretations, the CRA and the Canadian courts could disagree with one or more of the positions taken in this summary.

**This summary is of a general nature only and is not intended to be and should not be construed to be, legal or tax advice to any particular Debentureholder, and no representations with respect to the income tax consequences to any such holder are made. Debentureholders are urged to consult their own tax advisors for advice regarding the income tax consequences to them of the Amendments and acquiring, holding and disposing of Debentures and Common Shares, including the application and effect of the income and other tax laws of any country, province, state or local tax authority.**

#### **Holders Resident in Canada**

The following discussion applies to a Holder who, at all relevant times, for purposes of the Tax Act and any applicable income tax treaty or convention, is, or is deemed to be, resident in Canada (a “Resident Holder”). Certain Resident Holders whose Debentures might not otherwise be considered capital property may, in certain circumstances, make an irrevocable election in accordance with subsection 39(4) of the Tax Act to have the Debentures and all other “Canadian Securities”, as defined in the Tax Act, owned by such Resident Holder in the taxation year, and in all subsequent taxation years, deemed to be capital property. **Resident Holders should consult with their own tax advisors if they contemplate making such an election.**

### *Amendment of the Debentures*

In the event that the Amendments do not cause a disposition of the Debentures, a Resident Holder will not be considered to have disposed of any property for tax purposes, and will have no adverse Canadian tax consequences at the time the Amendments become effective.

In the event that the Amendments cause a disposition of the Debentures, a Resident Holder will be deemed to have received proceeds of disposition equal to the fair market value of the Debentures owned by the Resident Holder at the time the Amendments become effective. The Resident Holder will recognize a capital gain (or loss) on the disposition equal to the amount by which the Resident Holder's proceeds of disposition, net of any reasonable costs of disposition, are greater than (or less than) the adjusted cost base to the Resident Holder of the Debentures owned at the time the Amendments become effective. See "Taxation of Capital Gains and Losses" below. In such a case, the cost of the Debentures to the Resident Holder immediately after the time the Amendments become effective will be equal to the fair market value of the Debentures at that time.

In the event of a disposition of a Debenture, interest accrued thereon to the date of disposition may be included in computing the income of the Resident Holder, except to the extent that such amount was included in the Resident Holder's income for the taxation year or a preceding taxation year.

### *Taxation of Capital Gains and Losses*

Generally, a Resident Holder is required to include in computing its income for a taxation year one-half of the amount of any capital gain (a "taxable capital gain") realized in such taxation year. Subject to and in accordance with the provisions of the Tax Act, a Resident Holder is required to deduct one-half of the amount of any capital loss (an "allowable capital loss") realized in a taxation year from taxable capital gains realized by the Resident Holder in the year. Allowable capital losses in excess of taxable capital gains may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such years to the extent and in the circumstances described in the Tax Act.

Capital gains realized by an individual or by most trusts may give rise to alternative minimum tax under the Tax Act. In addition, Canadian-controlled private corporations (as defined in the Tax Act) may be subject to an additional refundable tax of 10 2/3% on certain investment income, including interest and taxable capital gains.

### *Restructuring Fee*

A Debentureholder who receives the Restructuring Fee will generally be required to include the fair market value of such Restructuring Fee in computing the income of the Debentureholder in the taxation year in which the Restructuring Fee is received or becomes receivable.

### **Holders Not Resident in Canada**

The following discussion applies to a Holder who, at all relevant times, for purposes of the Tax Act and any applicable income tax treaty or convention: (i) is neither resident nor deemed to be resident in Canada; (ii) does not, and is not deemed to, use or hold the Debentures in carrying on a business in Canada; and (iii) is not a "specified shareholder" of the Corporation for purposes of subsection 18(5) of the Tax Act or a person who does not deal at arm's length with such a specified shareholder (a "**Non-Resident Holder**"). In addition, this discussion does not apply to an insurer who carries on an insurance business in Canada and elsewhere or to an authorized foreign bank (as defined in the Tax Act).

### *Amendment of the Debentures*

In the event that the Amendments cause a disposition of the Debentures for purposes of the Tax Act, a Non-Resident Holder will not generally be subject to tax under the Tax Act in respect of any capital gain (and will not be entitled to deduct any amount in respect of any capital loss) that may be realized on such

a disposition unless the Debentures constitute “taxable Canadian property” to the Non-Resident Holder, and do not constitute “treaty-protected property” for purposes of the Tax Act at such time.

Provided the Common Shares are then listed on a designated stock exchange (which currently includes the CSE), the Debentures generally will not constitute taxable Canadian property of a Non-Resident Holder unless at any time during the 60-month period immediately preceding the disposition of the Debenture: (i) the Non-Resident Holder, persons not dealing at arm’s length with such Non-Resident Holder, one or more partnerships in which the Non-Resident Holder or any such persons held a membership interest (either directly or indirectly through one or more partnerships), or any combination of the foregoing, owned 25% or more of the issued shares of any class or series of shares of the capital stock of the Corporation; and (ii) more than 50% of the fair market value of the Common Shares was derived directly or indirectly, from one or any combination of real or immovable property situated in Canada, Canadian resource property, timber resource property, or any option in respect of, or interests in, such properties.

If a Debenture constitutes taxable Canadian property, a Non-Resident Holder may be exempt from tax under the Tax Act in respect of any capital gain (and will not be entitled to deduct any amount in respect of any capital loss) where the Debenture is “treaty-protected property” for purposes of the Tax Act. Non-Resident Holders to whom Debentures may constitute taxable Canadian property should consult their own tax advisors.

Additionally, a Non-Resident Holder may be subject to Canadian withholding tax under the Tax Act at a rate of 25% (subject to any reduction in accordance with any applicable income tax treaty or convention) in respect of any interest that may be considered paid or deemed to be paid to the Non-Resident Holder on a disposition of a Debenture arising as a result of the Amendments.

#### *Restructuring Fees*

Any Restructuring Fee payable to a Non-Resident Holder may be subject to Canadian withholding tax under the Tax Act at a rate of 25% (subject to any reduction in accordance with any applicable income tax treaty or convention). A Non-Resident Holder should consult their tax advisors with regard to the Consent Fee.

#### **Other Tax Considerations**

This summary is not intended to be an exhaustive review of the non-Canadian tax considerations in respect of the Amendments that may be applicable to Debentureholders who are subject to income tax outside of Canada. Such Debentureholders should consult their own tax advisors with respect to the tax implications of the Amendments, including any associated filing requirements in such jurisdictions.

### **APPROVAL**

The Board has approved the contents of this Notice and the sending thereof to the Corporation’s Debentureholders.

#### **ON BEHALF OF THE BOARD**

*“John Varghese”*

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John Varghese  
Executive Chairman  
December 21, 2020