



## CHRISTINA LAKE CANNABIS CORP.

**Management Information Circular  
Dated February 16, 2022  
for the Special Meeting to be held on March 11, 2022**

### **SOLICITATION OF PROXIES**

This management information circular (the "**Circular**") is furnished in connection with the solicitation of proxies by the management of Christina Lake Cannabis Corp. (the "**Corporation**") for use at the special meeting (the "**Meeting**") of holders ("**Shareholders**") of Class B Preferred Shares (the "**Shares**"), to be held on March 11, 2022 at 11:00 AM (Vancouver time) virtually via live webcast, and at any adjournment thereof for the purposes set out in the accompanying Notice of Meeting. Solicitations may be made by email and regular mail and be supplemented by telephone or other personal contact by the officers, directors, employees or agents of the Corporation. The cost of any such solicitation will be borne by the Corporation.

Amid ongoing concerns about the Coronavirus (COVID-19) pandemic, the Corporation remains mindful of the well-being of our Shareholders and their families, our employees and other stakeholders as well as the communities in which we operate. Accordingly, the Corporation will be holding the Meeting as a completely virtual meeting, where all Shareholders of the Class B Preferred Shares, will have an opportunity to participate and engage with the Corporation and other shareholders. Shareholders will not be able to attend the Meeting in person. **Only holders of Class B Preferred Shares will be permitted to attend the Meeting. The live webcast link will be provided directly to each of the Shareholders permitted to attend the Meeting.**

As COVID-19 is a rapidly evolving situation, the Corporation will continue to monitor and review provincial and federal governmental guidance in order to assess and implement measures to reduce the risk of spreading the virus at the Meeting, which may include potentially adjourning, postponing or changing the format of the Meeting. The Corporation will provide updates to any arrangements in respect of the Meeting by way of email.

The record date for the purpose of determining the Shareholders is January 20, 2022 (the "**Record Date**"). Shareholders of record on that date are entitled to receive notice of and attend the Meeting and vote their shares, except to the extent that a registered Shareholder has transferred the ownership of any shares subsequent to the Record Date and the transferee of those shares produces properly endorsed share certificates, or otherwise establishes that he owns the shares and demands, not later than 10 calendar days before the Meeting, that his name be included on the Shareholder list, in which case, the transferee will be entitled to vote his shares at the Meeting.

Unless otherwise stated, the information contained in this Information Circular is given as at February 16, 2022.

### **APPOINTMENT AND REVOCATION OF PROXIES**

**The persons named in the enclosed form of proxy are officers and directors of the Corporation. As a Shareholder, you have the right to appoint a person, who need not be a Shareholder, to represent you**

**at the Meeting. To exercise this right you should insert the name of your representative in the blank space provided on the form of proxy and strike out the other names or submit another appropriate proxy.** The form of proxy should be dated and executed by the Shareholder or an attorney, authorized in writing and with proof of the authorization attached. A proxy may be revoked by a Shareholder personally attending at the Meeting and voting his shares in person.

A form of proxy will not be valid for the Meeting or any adjournment unless it is completed and delivered to the Corporation by: (i) mail at Suite 810, 789 West Pender Street, Vancouver, BC, V6C 1H2; (ii) by fax at (604) 687-3141; or (iii) by email by sending the proxy to the Chief Financial Officer of the Corporation, Ryan Smith, at [ryan@clcannabis.com](mailto:ryan@clcannabis.com), in any case, by no later than 10:00 AM PST on March 9, 2022 or any adjournment thereof.

**The Shares represented by the Shareholder proxy will be voted or withheld from voting in accordance with the instructions of the Shareholder on any ballot that may be called for and that, if the Shareholder specifies a choice with respect to the any matter to be acted upon, the Shares will be voted accordingly.**

A Shareholder may revoke his proxy at any time prior to a vote. In addition to revocation in any other manner permitted by law, a proxy may be revoked by depositing an instrument in writing executed by the Shareholder or by his authorized attorney in writing, or, if the Shareholder is a company, under its corporate seal by an officer or attorney duly authorized, at the registered office of the Corporation, at any time up to and including the last business day preceding the date of the Meeting, or any adjournment at which the proxy is to be used, or with the Chair of the Meeting on the day of the Meeting, or any adjournment.

**CLASS B PREFERRED SHARES AND PRINCIPAL HOLDERS THEREOF**

The Corporation is authorized to issue an unlimited number Class B Preferred Shares. As at the Record Date, there were 2,000,000 Class B Preferred Shares issued and outstanding.

The Shareholders are entitled to one vote for each Share held on all matters to be considered and acted upon at the Meeting. The terms of the Shares require that holders representing at least 50.1% of the outstanding Shares are required to be present virtually or represented by proxy and entitled to vote for any proposed amendment to the terms of the Shares.

To the knowledge of the directors and management, as at the Record Date, no person or company beneficially owned, directly or indirectly, or exercised control or direction over, voting securities carrying more than 10% of the voting rights attached to Shares of the Corporation, other than as follows:

Name and Province/ Country of Residence	Number of Shares	Percentage of Outstanding Shares
Excalibur Technologies, L.P. <sup>(1)</sup> Alberta, Canada	1,750,000 Shares	87.5%
New Horizon CLC, LLC Delaware, USA	250,000 Shares	12.5%

Notes:

(1) Mervin Boychuk, a director of the Corporation, is the president of 2260994 Alberta Ltd., which is the general partner of Excalibur Technologies, L.P.

## **BUSINESS OF THE MEETING**

### **AMENDMENTS OF CLASS B PREFERRED SHARES**

The Corporation proposes to amend the Articles of the Shares to: i) increase the amount of votes required for the "Required Holders" definition; ii) to allow for the amendment of the terms of the Class B Preferred Shares by written consent of a 2/3 majority of holders of the Shares; and (iii) a right for the Corporation to redeem the Shares upon 5 days' notice. The full amendments of the Articles are set forth below; management believes that these amendments will materially increase the ability of the Corporation to reach its strategic goals and therefore, the Corporation seeks approval from the holders of the outstanding Shares to amend the written consent requirements for certain decisions requiring consent of the holders of Shares under the Articles, and to add a redemption feature in favor of the Company, subject to the approval of a majority of the holders of Shares ("**Redemption**") (collectively, the "**Proposed Amendments**").

With respect to the Redemption, the Corporation believes the addition of the feature in favour of the Corporation will allow Christina Lake to further achieve its business objectives and allows the Corporation with further flexibility to continue to evolve, in order to meet the changing landscape of capital markets and the cannabis industry as a whole.

In order for the Proposed Amendments to be implemented, pursuant to Articles of Amendment for the Shares of the Corporation and the *Business Corporations Act* (British Columbia), management has determined that such amendments to the Articles must be approved by a resolution passed by the affirmative vote of at least 66<sup>2/3</sup>% of the votes cast present in person or by proxy, notwithstanding that the required threshold for approval of the resolutions under the Class B Preferred Share terms is a lower threshold of at least 50.1% of the votes cast present in person or by proxy, in respect of the Shares at the Meeting. The Proposed Amendments are also subject to the final approval of the Canadian Securities Exchange.

The current Articles of Amendment for the Shares were filed on SEDAR. The Article of Amendment can be found under the Corporation's SEDAR profile at [www.sedar.com](http://www.sedar.com) and are attached hereto as Schedule "A".

#### **I. Amendment of Required Holders**

**The Board of Directors and management believe that the Proposed Amendments are in the best interests of the Corporation and, accordingly, the Board of Directors and management are recommending that the holders of the Shares, vote FOR the approval of the special resolution, which requires the affirmative vote of at least 66<sup>2/3</sup>% of the votes cast by holders of Shares present in person or by proxy in order to be adopted. Unless contrary instructions are indicated on the enclosed form of proxy, the persons named therein intend to vote FOR the approval of the Proposed Amendments. The special resolution in respect of the Proposed Amendments is as follows:**

"BE IT RESOLVED AS A SPECIAL RESOLUTION THAT:

1. The terms of the Class B Preferred Shares in the Articles be amended as follows:
  - a) By deleting section 18(l) of the Class B Preferred Share terms in its entirety and replacing it with the following:

**"Required Holders"** means the holders of at least 2/3 of the outstanding Class B Preferred Share by written consent or at a duly called meeting of the holders of Class B Preferred Shares."

2. Notwithstanding that this special resolution has been duly passed by the holders of Class B Preferred Shares, the directors of the Corporation are hereby authorized and empowered to revoke this special resolution without further approval of the holders of the Corporation's Class B Preferred Shares at any time prior to the issuance of a notice of articles or other corporate documents which may be required in respect of complying with applicable laws, in respect of this special resolution; and
3. Any one director or officer of the Corporation be and is hereby authorized, empowered and instructed, acting for, in the name and on behalf of the Corporation, to execute or cause to be executed, under the seal of the Corporation or otherwise, and to deliver or to cause to be delivered, all such other documents and to do or to cause to be done all such other acts and things as in such person's opinion may be necessary or desirable in order to carry out the intent of the foregoing paragraphs of this resolution and the matters authorized thereby, including the alterations to the articles and notice of articles of the Company to be made in connection therewith, such determination to be conclusively evidenced by the execution and delivery of such document or the doing of such act or thing."

## II. Amendment of the Amendment section

**The Board of Directors and management believe that the Proposed Amendments are in the best interests of the Corporation and, accordingly, the Board of Directors and management are recommending that the holders of Shares vote FOR the approval of the special resolution, which requires the affirmative vote of at least 66<sup>2/3</sup>% of the votes cast by holders of Shares in order to be adopted. Unless contrary instructions are indicated on the enclosed form of proxy, the persons named therein intend to vote FOR the approval of the Proposed Amendments. The special resolution in respect of the Proposed Amendments is as follows:**

"BE IT RESOLVED AS A SPECIAL RESOLUTION THAT:

1. The terms of the Class B Preferred Shares in the Articles be amended as follows:
  - a) By deleting section 17(b) of the Class B Preferred Share terms in its entirety and replacing it with the following:

"Amendment. The terms or any provision hereof may be amended by obtaining the affirmative vote at a meeting duly called for such purpose of the Required Holders, or written consent without a meeting of the Required Holders, voting separately as a single class, and with such other shareholder approval, if any, as may then be required by applicable laws and constating documents of the Company."
2. Notwithstanding that this special resolution has been duly passed by the holders of Class B Preferred Shares, the directors of the Corporation are hereby authorized and empowered to revoke this special resolution without further approval of the holders of the Corporation's Class B Preferred Shares at any time prior to the issuance of a notice of articles or other corporate

documents which may be required in respect of complying with applicable laws, in respect of this special resolution; and

3. Any one director or officer of the Corporation be and is hereby authorized, empowered and instructed, acting for, in the name and on behalf of the Corporation, to execute or cause to be executed, under the seal of the Corporation or otherwise, and to deliver or to cause to be delivered, all such other documents and to do or to cause to be done all such other acts and things as in such person's opinion may be necessary or desirable in order to carry out the intent of the foregoing paragraphs of this resolution and the matters authorized thereby, including the alterations to the articles and notice of articles of the Company to be made in connection therewith, such determination to be conclusively evidenced by the execution and delivery of such document or the doing of such act or thing."

### III. Addition of Redemption Provision

**The Board of Directors and management believe that the Proposed Amendments are in the best interests of the Corporation and, accordingly, the Board of Directors and management are recommending that the holders of Shares vote FOR the approval of the special resolution, which requires the affirmative vote of at least 66<sup>2/3</sup>% of the votes cast by holders of Shares in order to be adopted. Unless contrary instructions are indicated on the enclosed form of proxy, the persons named therein intend to vote FOR the approval of the Proposed Amendments. The special resolution in respect of the Proposed Amendments is as follows:**

"BE IT RESOLVED AS A SPECIAL RESOLUTION THAT:

1. The Class B Preferred Shares of the Articles be amended by adding in new Section 19, which shall state as follows:

"Redemption.

The Company may, by resolution of the directors, and upon giving notice as hereinafter provided, from time to time:

- a) redeem the whole or any part of the Class B Preferred Shares on payment for each share to be redeemed of the Redemption Price thereof together with all dividends declared thereon but unpaid; or
- b) offer to purchase the whole or any part of the Class B Preferred Shares provided that the amount paid in respect thereof shall not be less than the Redemption Price per share together with any dividends declared thereon but unpaid;

In case a part only of the then outstanding Class B Preferred Shares is at any time to be redeemed or purchased, the redemption or purchase shall be pro rata, disregarding fractions. Not less than 3 days' notice in writing of such redemption or purchase shall be given by either mail or email (to the email address of the register holder, as found in the corporate records of the Company) to the registered holder of the shares to be redeemed or purchased, a notice specifying the date and place of redemption or purchase which may be a law firm. If notice of any such redemption or purchase be

given by the Company in the manner aforesaid and an amount sufficient to redeem or purchase the shares to be redeemed or purchased is held with the law firm specified in the notice on or before the date fixed for redemption or purchase, dividends on the Class B Preferred Shares to be redeemed or purchased shall cease to accrue after the date so fixed for redemption or purchase and the holders thereof shall thereafter have no rights against the Company in respect thereof except upon surrender of certificates for such shares to receive payment thereof out of the monies so deposited.

The "Redemption Price" of each Class B Preferred Share shall mean an amount determined in accordance with the following formula, being the product obtained when the fair market value, at the date of the notice of redemption, as calculated below, of the Preferred Shares divided by the total number of Preferred Shares issued by the Company. The Redemption Price may be paid by the Company in cash, securities and/or in-kind payments, as determined in the sole discretion of the Company.

The fair market value of the Preferred Shares shall be determined by the directors of the Company not more than 5 business days prior to the date of the notice of redemption.

2. Notwithstanding that this special resolution has been duly passed by the holders of Class B Preferred Shares, the directors of the Corporation are hereby authorized and empowered to revoke this special resolution without further approval of the holders of the Corporation's Class B Preferred Shares at any time prior to the issuance of a notice of articles or other corporate documents which may be required in respect of complying with applicable laws, in respect of this special resolution; and
3. Any one director or officer of the Corporation be and is hereby authorized, empowered and instructed, acting for, in the name and on behalf of the Corporation, to execute or cause to be executed, under the seal of the Corporation or otherwise, and to deliver or to cause to be delivered, all such other documents and to do or to cause to be done all such other acts and things as in such person's opinion may be necessary or desirable in order to carry out the intent of the foregoing paragraphs of this resolution and the matters authorized thereby, including the alterations to the articles and notice of articles of the Company to be made in connection there with, such determination to be conclusively evidenced by the execution and delivery of such document or the doing of such act or thing."

#### **INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS**

None of the directors or officers or associates of such persons have been indebted to the Corporation or any of its subsidiaries at any time since the beginning of the most recently completed fiscal year. No such person has been indebted to any other entity where such indebtedness is the subject of a guarantee, support agreement, letter of credit or similar arrangement or understanding provided by the Corporation or any of its subsidiaries in respect of the purchase of securities or otherwise.

## **INTERESTS OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

Other than 2260994 Alberta Ltd., a company controlled by Mervin Boychuk, which represents Excalibur Technologies L.P., as its general partner, management is not aware of any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, of any director or officer, any person or company beneficially owning, directly or indirectly, more than 10% of the voting securities, or any associate or affiliate of such persons in any transaction within the last fiscal year or in any proposed transaction which in either case has materially affected or will materially affect the Corporation or its subsidiaries.

## **INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON**

Except as disclosed herein, management is not aware of any material interest, direct or indirect, of any director or officer or of any associate or affiliate of any of the foregoing, in any matter to be acted upon at the Meeting.

Prior to the issuance of this information circular in respect of the Meeting, the Corporation had discussed with the holders of Shares, the possibility of a proposed future redemption of the Shares as the Corporation believes a redemption of the Shares could allow the Corporation to have greater capital flexibility with respect to its growth and future opportunities.

## **ADDITIONAL INFORMATION**

Additional financial and corporate information regarding the Corporation's business is contained in the audited consolidated financial statements and management's discussion and analysis for the year ended November 30, 2020. These statements and all the continuous disclosure documents submitted to the Securities Commissions and Canadian Securities Exchange can be found on SEDAR at [www.sedar.com](http://www.sedar.com). Shareholders who wish to receive copies of the annual audited financial statements or Management's Discussion and Analysis should send a request to Ryan Smith, Chief Financial Officer, at [ryan@clcannabis.com](mailto:ryan@clcannabis.com), or by mail at 789 West Pender Street, Suite 810, Vancouver, BC, V6C 1H2, or by phone at (604) 687-2038.

## **APPROVAL OF DIRECTORS**

The contents and the mailing to the Shareholders of this Circular have been approved by the Board of Directors.

February 16, 2022.

*(signed)* Joel Dumaresq  
President and Chief Executive Officer

**Schedule "A"**

*Class B Preferred Share Terms*

*(Attached)*



## CHRISTINA LAKE CANNABIS CORP.

### TERMS OF CLASS B PREFERRED SHARES

1. Designation and Number of Shares. There shall hereby be created and established a series of preferred shares of Christina Lake Cannabis Corp. (the “**Company**”) designated as “Class B Preferred Shares” (the “**Class B Preferred Shares**”). The authorized number of Class B Preferred Shares shall be unlimited. Capitalized terms not defined herein shall have the meaning as set forth in Section 18 below. No dividends shall accrue or be payable with respect to the Class B Preferred Shares except as set forth in Section 3 below.

2. Ranking. Except with respect to any future series of preferred shares of *pari passu* rank to the Class B Preferred Shares in respect of the preferences as to dividends, distributions and payments upon the liquidation, dissolution and winding up of the Company (collectively, the “**Parity Shares**”), all shares of capital stock of the Company shall be junior in rank to all Class B Preferred Shares with respect to the preferences as to dividends, distributions and payments upon the liquidation, dissolution and winding up of the Company provided same are issued in accordance with the terms hereof (collectively, the “**Junior Shares**”). The rights of all such shares of the Company shall be subject to the rights, powers, preferences and privileges of the Class B Preferred Shares set forth herein. For the avoidance of doubt, in no circumstance will a Class B Preferred Share have any rights subordinate or otherwise inferior to the rights of shares of Parity Shares or Common Shares (as defined below).

3. Participation.

(a) Dividend. From and after the issuance date of any Class B Preferred Share (the “**Date of Issuance**”), and until the 4 year anniversary of the Date of Issuance (the “**4 Year Anniversary Date**”), cumulative dividends on such Class B Preferred Share shall accrue and become payable in arrears on a monthly basis equal to the sum of the Preferred Share Capital and the Preferred Share Dividend, subject to the timing of payment provisions of this Section 3, as follows:

(i) Repayment of Preferred Share Capital. The Company shall accrue an amount equal to 40% of Gross Product Revenue, on a monthly basis, for that amount of cumulative Gross Product Revenue up to an aggregate of \$5,000,000, payable as a capital repayment of the Preferred Share Capital. Following the payment of an amount equal to the Preferred Share Capital, the Preferred Share Dividend shall accrue in full and payable monthly in accordance with Section 3(a)(ii) below.

(ii) Preferred Share Dividend. Immediately following the repayment of the Preferred Share Capital pursuant to Section 3(a)(i) herein, the Company shall accrue, on a monthly basis, an amount equal to the sum of: (A) \$80 per kilogram of dry cannabis produced by the Company and processed using the Equipment (the “**Company Usage**”); and (B) an amount equal to 35% of Gross Product Revenue derived from Third Party Feedstock and processed using the Equipment (the “**Third Party Usage**”).

(b) Postponement. The payment of all accrued and accumulated dividends pursuant to Section 3(a) shall be postponed for that portion of Gross Product Revenue attributable to uncollected revenue (the “**Revenue Receivable**”) from the sale of the Products. The balance of the postponed accrued and accumulated dividend shall become payable in the month where the Revenue Receivable is received by the Corporation.

(c) Payment Date. The Board of Directors shall declare all accrued dividends on any Class B Preferred Share every month from the Date of Issuance (each such date, a “**Dividend Payment Date**”), provided that the Board of Directors of the Company does not have reasonable grounds for believing that (a) the Company is, or would after the payment be, unable to pay its liabilities as they become due, or (b) the realizable value of the Company’s assets would thereby be less than the aggregate of its liabilities and stated capital of all classes (the “**Statutory Restrictions**”). All accrued dividends on any Class B Preferred Share shall be paid in cash, out of funds legally available therefor and at all times subject to the Company remaining in compliance with the covenants agreed to with any senior lender after such payment or upon a liquidation of the Class B Preferred Shares in accordance with the provisions of Section 8; provided that, all accrued dividends on any Preferred Share shall accumulate and

compound on every Dividend Payment Date whether or not declared by the Board of Directors and shall remain accumulated, compounding dividends until paid pursuant hereto. Notwithstanding the foregoing and anything to the contrary herein save and except for the Statutory Restrictions, all accrued and accumulated dividends on the Class B Preferred Shares shall (i) be prior and in preference to any dividend on any Junior Shares, (ii) be fully declared and paid before any dividends are declared and paid, or any other distributions or redemptions are made, on any Junior Shares, and (iii) be fully declared and paid on or before the date that is not later than fifteen (15) days prior to the 4 Year Anniversary Date.

(d) Distribution. Except as otherwise provided herein, if at any time the Company pays less than the total amount of dividends then accrued and accumulated with respect to the Class B Preferred Shares, such payment shall be distributed *pro rata* among the holders thereof based upon the aggregate accrued and accumulated but unpaid dividends on the Class B Preferred Shares held by each such holder.

4. Reports, Record Retention and Audit.

(a) Reports. With respect to the Gross Product Revenue, the Company shall deliver to holders of the Class B Preferred Shares, upon request, financial reports on a calendar quarterly basis following the Date of Issuance within sixty (60) days following the end of the applicable fiscal quarter.

(b) Record Retention. The Company will maintain complete and accurate books, records and accounts that fairly reflect production of the Product and corresponding Gross Product Revenue, Company Usage, and Third Party Usage calculations, in sufficient detail to confirm the accuracy of any payments required hereunder.

(c) Audit. Holder of the Class B Preferred Shares will have the right, at its own cost, to have an independent certified public accounting firm of nationally recognized standing and who agrees to be bound by a customary undertaking of confidentiality, have access during normal business hours, and upon reasonable prior written notice, to the Company's records as may be reasonably necessary to verify the Company's compliance with the financial terms of the Class B Preferred Shares. If such audit reveals an underpayment or more than 5.0% then the Company shall pay the cost of the audit and distribute the amount of the underpayment within ten (10) days.

5. Rights Upon Fundamental Transactions. The Company shall not enter into or be party to a Fundamental Transaction unless the Successor Entity assumes in writing all of the obligations of the Company under these terms in accordance with the provisions of this Section 5 pursuant to written agreements in form and substance satisfactory to the Required Holders and approved by the Required Holders prior to such Fundamental Transaction, including agreements to deliver to each holder of Class B Preferred Shares in exchange for such Class B Preferred Shares a security of the Successor Entity evidenced by a written instrument substantially similar in form and substance to these terms and having similar ranking to the Class B Preferred Shares, and reasonably satisfactory to the Required Holders. Upon the occurrence of any Fundamental Transaction, the Successor Entity shall succeed to, and be substituted for (so that from and after the date of such Fundamental Transaction, the provisions of these terms and the other Transaction Documents referring to the "Company" shall refer instead to the Successor Entity), and may exercise every right and power of the Company and shall assume all of the obligations of the Company under these terms and the other Transaction Documents with the same effect as if such Successor Entity had been named as the Company herein and therein. In addition to the foregoing, upon consummation of a Fundamental Transaction, the Successor Entity shall deliver to each Holder confirmation that there shall be issued upon conversion of the Class B Preferred Shares at any time after the consummation of such Fundamental Transaction, in lieu of the Common Shares (or other securities, cash, assets or other property) issuable upon the conversion of the Class B Preferred Shares prior to such Fundamental Transaction, such shares of a publicly traded common shares (or their equivalent) of the Successor Entity (including its Parent Entity) that each Holder would have been entitled to receive upon the happening of such Fundamental Transaction had all the Class B Preferred Shares held by each Holder been converted immediately prior to such Fundamental Transaction, as adjusted in accordance with the provisions herein. The provisions of this Section 5 shall apply similarly and equally to successive Fundamental Transactions and shall be applied without regard to any limitations on the conversion of the Class B Preferred Shares.

6. Voting Rights. Holders of Class B Preferred Shares shall have no voting rights, except as required by law and as expressly provided in these terms. To the extent that holders of the Class B Preferred Shares are entitled to vote on a matter with holders of Common Shares, voting together as one class, each Class B Preferred Share shall

entitle the holder thereof to cast one vote per share. Holders of the Class B Preferred Shares shall be entitled to written notice of all shareholder meetings or written consents (and copies of proxy materials and other information sent to shareholders) with respect to which they would be entitled to vote, which notice would be provided pursuant to the Company's bylaws and applicable law.

7. Security. The Company grants, mortgages, pledges, hypothecates, charges, transfers, assigns and creates to and in favour of the holders of the Class B Preferred Shares a general and continuing security interest (the "**Security Interest**") in the Equipment including all increases, additions and accessions and all replacements and substitutions thereof. The Security Interest shall continue in full force and effect until the earlier of the repayment of the Preferred Share Capital pursuant to Section 3(a) and the 4 Year Anniversary Date. The Security Interest created hereby shall rank as a first priority security interest. In the event that the Preferred Share Capital has been repaid prior to the 4 Year Anniversary Date, the Company shall, at its sole election, purchase the Equipment in consideration for the lower of: (i) \$100,000 and (ii) the fair market value as determined by an arm's length valuator.

8. Liquidation, Dissolution, Winding-Up. Without limitation to the enforcement of the Security Interest provided under Section 7, in the event of a Liquidation Event, the Holders shall be otherwise entitled to receive in cash out of the assets of the Company, whether from capital or from earnings available for distribution to its shareholders (the "**Liquidation Funds**"), before any amount shall be paid to the holders of any Junior Shares, an amount per Class B Preferred Share equal to the amount per share such Holder would receive if such Holder converted such Class B Preferred Shares into Common Shares immediately prior to the date of such payment, provided that if the Liquidation Funds are insufficient to pay the full amount due to the Holders and holders of Parity Shares, then each Holder and each holder of Parity Shares shall receive a percentage of the Liquidation Funds equal to the full amount of Liquidation Funds payable to such Holder and such holder of Parity Shares as a liquidation preference, in accordance with their respective terms, as a percentage of the full amount of Liquidation Funds payable to all holders of Class B Preferred Shares and all holders of Parity Shares. To the extent necessary, the Company shall cause such actions to be taken by each of its Subsidiaries so as to enable, to the maximum extent permitted by law, the proceeds of a Liquidation Event to be distributed to the Holders in accordance with this Section 7. All the preferential amounts to be paid to the Holders under this Section 7 shall be paid or set apart for payment before the payment or setting apart for payment of any amount for, or the distribution of any Liquidation Funds of the Company to the holders of shares of Junior Shares in connection with a Liquidation Event as to which this Section 7 applies.

9. Vote to Change the Terms of or Issue Class B Preferred Shares. In addition to any other rights provided by law, except where the vote or written consent of the holders of a greater number of shares is required by law or by another provision of the constating documents of the Company, without first obtaining the affirmative vote at a meeting duly called for such purpose or the written consent without a meeting of the Required Holders, voting together as a single class, the Company shall not: (a) amend or repeal any provision of, or add any provision to, the constating documents of the Company, or file any certificate of amendment, if such action would adversely alter or change in any respect the preferences, rights, privileges or powers, or restrictions provided for the benefit, of the Class B Preferred Shares, regardless of whether any such action shall be by means of amendment to the constating documents of the Company or by merger, consolidation or otherwise.

10. Restrictions on Transfer. In addition to any restrictions imposed by applicable law, the transfer of Class B Preferred Shares shall be restricted in that no holder shall be entitled to transfer any such share or shares without: (i) the approval of the directors of the Company expressed by a resolution passed at a meeting of the board of directors or by a written resolution signed by all of the directors of the Company and (ii) if applicable, approval of the exchange on which any of the Company's securities are listed and which exercises regulatory oversight over the Company.

11. Lost or Stolen Certificates. Upon receipt by the Company of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of any certificates representing Class B Preferred Shares (as to which a written certification and the indemnification contemplated below shall suffice as such evidence), and, in the case of loss, theft or destruction, of an indemnification undertaking by the applicable Holder to the Company in customary and reasonable form and, in the case of mutilation, upon surrender and cancellation of the certificate(s), the Company shall execute and deliver new certificate(s) of like tenor and date.

12. Remedies, Other Obligations, Breaches and Injunctive Relief. The remedies provided in these terms shall be cumulative and in addition to all other remedies available under these terms, at law or in equity (including a decree

of specific performance and/or other injunctive relief), and no remedy contained herein shall be deemed a waiver of compliance with the provisions giving rise to such remedy. Nothing herein shall limit any Holder's right to pursue actual and consequential damages for any failure by the Company to comply with the terms hereof. Amounts set forth or provided for herein with respect to payments, conversion and the like (and the computation thereof) shall be the amounts to be received by a Holder and shall not, except as expressly provided herein, be subject to any other obligation of the Company (or the performance thereof). The Company acknowledges that a breach by it of its obligations hereunder may cause irreparable harm to the Holders and that the remedy at law for any such breach may be inadequate. The Company therefore agrees that, in the event of any such breach or threatened breach, each Holder shall be entitled, in addition to all other available remedies, to seek an injunction restraining any such breach or any such threatened breach, without the necessity of showing economic loss and without any bond or other security being required, to the extent permitted by applicable law. The Company shall provide all information and documentation to a Holder that is reasonably requested by such Holder to enable such Holder to confirm the Company's compliance with the terms and conditions of these terms.

13. Non-circumvention. The Company hereby covenants and agrees that the Company will not, by amendment of its constating documents or through any reorganization, transfer of assets, consolidation, merger, plan of arrangement, dissolution, issue or sale of securities, or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms hereof, and will at all times in good faith carry out all the provisions these terms and take all action as may be reasonably required to protect the rights of the Holders.

14. Failure or Indulgence Not Waiver. No failure or delay on the part of a holder of the Class B Preferred Shares in the exercise of any power, right or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, right or privilege preclude other or further exercise thereof or of any other right, power or privilege. No waiver shall be effective unless it is in writing and signed by an authorized representative of the waiving party.

15. Notices. The Company shall provide each holder of the Class B Preferred Shares with prompt written notice of all actions taken pursuant to the terms hereof, including in reasonable detail a description of such action and the reason therefor. All notices, demands, requests, consents, approvals, and other communications required or permitted hereunder shall be in writing and, unless otherwise specified herein, shall be (i) personally served, (ii) deposited in the mail, registered or certified, return receipt requested, postage prepaid, (iii) delivered by reputable air courier service with charges prepaid, or (iv) transmitted by hand delivery, electronic mail, telegram, or facsimile, addressed as set forth below or to such other address as such party shall have specified most recently by written notice. Any notice or other communication required or permitted to be given hereunder shall be deemed effective (a) upon hand delivery or delivery by facsimile, with accurate confirmation generated by the transmitting facsimile machine, or electronic mail at the address or number designated below (if delivered on a Business Day during normal business hours where such notice is to be received), or the first Business Day following such delivery (if delivered other than on a Business Day during normal business hours where such notice is to be received) or (b) on the second Business Day following the date of mailing by express courier service, fully prepaid, addressed to such address, or upon actual receipt of such mailing, whichever shall first occur.

16. Class B Preferred Shares Register. The Company shall maintain at its principal executive offices (or such other office or agency of the Company as it may designate by notice to the Holders), a register for the Class B Preferred Shares, in which the Company shall record the name, address, electronic mail and facsimile number of the Persons in whose name the Class B Preferred Shares have been issued, as well as the name and address of each transferee. The Company may treat the Person in whose name any Class B Preferred Shares is registered on the register as the owner and holder thereof for all purposes, notwithstanding any notice to the contrary, but in all events recognizing any properly made transfers.

17. Shareholder Matters; Amendment.

(a) Shareholder Matters. Any shareholder action, approval or consent required, desired or otherwise sought by the Company pursuant to the applicable laws, the constating documents of the Company, the terms hereof or otherwise with respect to the issuance of Class B Preferred Shares may be effected by written consent of the Company's shareholders or at a duly called meeting of the Company's shareholders, all in accordance with applicable laws.

(b) Amendment. The terms or any provision hereof may be amended by obtaining the affirmative vote at a meeting duly called for such purpose of the Required Holders, or written consent without a meeting in accordance with the applicable laws of all Holders, voting separately as a single class, and with such other shareholder approval, if any, as may then be required by applicable laws and constating documents of the Company.

18. Certain Defined Terms. For purposes of these terms, the following terms shall have the following meanings:

(a) “**Business Day**” means any day other than Saturday, Sunday or other day on which commercial banks in The City of Vancouver are authorized or required by law to remain closed.

(b) “**Common Shares**” means the common shares in the capital of the Company, as constituted from time to time.

(c) “**Equipment**” means all extraction and quality assurance equipment purchased using the proceeds of the sale of the Class B Preferred Shares, including, without limitation, all machinery, fixtures, plants, tools, furniture, vehicles of any kind or description, all spare parts, accessories installed in or affixed or attached to any of the foregoing, and all drawings, specifications, plans and manuals relating thereto.

(d) “**Fundamental Transaction**” means:

- i. the purchase or acquisition by any Person, or group of Persons acting jointly or in concert, of voting control or direction of an aggregate of 50% or more of the outstanding Common Shares, or securities convertible into or carrying the right to acquire Common Shares;
- ii. the completion by the Company of an amalgamation, arrangement, merger or other consolidation or combination of the Company with another corporation or entity which requires approval of the shareholders of the Company pursuant to its constating documents, such that Persons would beneficially own, or exercise control or direction over, voting securities of the Company carrying the right to cast more than 50% of the votes attaching to all voting securities, and immediately following such an event, the directors of the Company immediately prior to such event do not constitute a majority of the board of directors (or equivalent) of the successor or continuing corporation or entity immediately following such event;
- iii. the election at a meeting of the Company’s shareholders of that number of Persons which would represent a majority of the board of directors of the Company, as directors of the Company who are not included in the slate for election as directors proposed to the Company’s shareholders by the Company;
- iv. the sale, lease or exchange of all or substantially all of the property of the Company other than in the ordinary course of business;
- v. such other transaction or series of transactions having substantially the same effect as any of the foregoing; or
- vi. such other transaction or series of transactions determined by the directors of the Company in their sole discretion to contemplate a Fundamental Transaction;

(e) “**Gross Product Revenue**” means total revenue received by the Company from the sale of the Products less the cost of the Third Party Feedstock.

(f) “**Liquidation Event**” means, whether in a single transaction or series of transactions, the voluntary or involuntary liquidation, dissolution or winding up of the Company or such Subsidiaries the assets of

which constitute all or substantially all of the assets of the business of the Company and its Subsidiaries, taken as a whole.

(g) “**Parent Entity**” of a Person means an entity that, directly or indirectly, controls the applicable Person or, if there is more than one such Person or Parent Entity, the Person or Parent Entity with the largest public market capitalization as of the date of consummation of the Fundamental Transaction.

(h) “**Person**” means an individual, a limited liability company, a partnership, a joint venture, a corporation, a trust, an unincorporated organization, any other entity or a government or any department or agency thereof.

(i) “**Preferred Share Dividend**” means the sum of the Company Usage and Third Party Usage.

(j) “**Preferred Share Capital**” is defined as an amount equal to \$2,000,000.

(k) “**Product**” means cannabis oil, hemp oil and other such hemp and cannabis derivative extracts produced by the Company using the Equipment.

(l) “**Required Holders**” means: (i) the holders of at least 50.1% of the outstanding Class B Preferred Shares; or (ii) in the event of the proposed creation or granting of any senior or *pari passu* class or series of shares that sits in priority to the existing Class B Preferred Shares in terms of liquidation preference or dividend entitlements, then holders of 100% of the outstanding Class B Preferred Shares.

(m) “**Securities**” means, collectively, the Class B Preferred Shares and the Common Shares.

(n) “**Subsidiary**” means any Person in which the Company, directly or indirectly, (i) owns a majority of the outstanding capital shares or holds a majority of equity or similar interest of such Person or (ii) controls or operates all or any part of the business, operations or administration of such Person.

(o) “**Successor Entity**” means the Person (or, if so elected by the Required Holders, the Parent Entity) formed by, resulting from or surviving any Fundamental Transaction or the Person (or, if so elected by the Required Holders, the Parent Entity) with which such Fundamental Transaction shall have been entered into.

(p) “**Third Party Feedstock**” means dry cannabis or dry hemp sourced from parties other than the Company.

(q) “**Transaction Documents**” means these terms and each of the other agreements and instruments entered into or delivered by the Company or any of the Holders in connection with the transactions contemplated thereby, all as may be amended from time to time in accordance with the terms hereof or thereof.