

## ASSET PURCHASE AND DISTRIBUTION AGREEMENT

This Distribution Agreement ("**Agreement**") is made effective as of the 2nd day of September, 2017 (the "**Effective Date**").

### BETWEEN:

**CANNAKOPIA THERAPEUTICS INC.**, a company with an address at 803- 5455 Balsam Street, Vancouver, BC V6M 4B3 ("**Supplier**")

### AND:

**INDULGENCE EDIBLES INC.**, a British Columbia company with an office at Suite 210 -1238 Homer Street, Vancouver, BC V6B 2Y5 ("**Distributor**")

(Each a "**Party**" or together the "**Parties**").

### WHEREAS

- A. Supplier has developed formulas and processes for combining certain plant and root based ingredients and other substances to create the Products and is the manufacturer of hemp root which serves as a base for many of the Products.
- B. Supplier wishes to sell certain know-how to Distributor relating to the creation, production and manufacturing of the Products and to allow the Distributor to use the Products as a base to create Cannabis Products in compliance with Applicable Law, and to appoint the Distributor as the exclusive international distributor of the Products and the Cannabis Products in the Territory.

**NOW THEREFORE**, the Parties agree as follows:

### ARTICLE 1 INTERPRETATION

- 1.1 **Definitions.** In this Agreement, terms with an initial capital letter will have the meanings set out below unless the context requires otherwise:
- (a) "**Additional Products**" has the meaning ascribed to that term in section 5.2.
  - (b) "**Affiliate**" means, in relation to any person, any other person or group of persons acting in concert.
  - (c) "**Agreement**" means this Asset Purchase and Distribution Agreement, together with the Schedules attached hereto and as amended or modified from time to time.
  - (d) "**Applicable Law**" means all applicable provisions of laws, statutes, rules, regulations, published guidelines, standards, codes of practice and orders of all federal, provincial, state, municipal and local governmental bodies to which the Parties are bound or apply to the transaction or event in question.
  - (e) "**Cannabis Products**" means any new Products created by using any of the Products as a base and adding either THC, CBD or both as an active ingredient.

- (f) **"Cannapay"** means Cannapay Financial Inc., the parent company of Distributer.
- (g) **"Delivery Date"** means the date by which the Products are scheduled to arrive at Distributor Location.
- (h) **"Hemp Root Price"** means the wholesale price of hemp root.
- (i) **"IPO"** means initial public offering.
- (j) **"Know-How"** means all of the know how related to infusing and using the Products and additional active ingredients including the formulas and processes for combining the ingredients to create the Products, medicinal properties of each ingredient, recommended dosages for intended purposes, how to blend the herbs and essential oils, how to source ayurvedic plants and what the medical properties of the plants are according ancient ayurvedic principals, storage and packaging information.
- (k) **"Net Revenues"** means revenues less cost of research and development, tests, clinical trials, developing, marketing, production and shipment any costs related to the growing, production, marketing and sale of the Products.
- (l) **"Product"** means the products listed in Schedule "A", as amended from time to time and each such product will be referred to as a Product.
- (m) **"Purchase Order"** has the meaning ascribed to that term in section 5.1.
- (n) **"Term"** has the meaning ascribed to that term in section 6.1.
- (o) **"Territory"** has the meaning ascribed to that term in section 2.1
- (p) **"Unit"**, for any elements of any Product, means a case or pack of Products or other applicable container or package of such Product as provided by Supplier.

1.2 **Schedules.** The following Schedules are attached to and form part of this Agreement:

Schedule "A" - Products

1.3 **Currency References.** Unless otherwise specified, all dollar references in this Agreement are deemed to refer to lawful currency of Canada.

## **ARTICLE 2 APPOINTMENT**

2.1 **Appointment.** Supplier hereby appoints Distributer as its exclusive international distributor of Products for the purpose of assisting Supplier in distributing the Products in the Territory upon the terms and conditions in this Agreement. Distributer hereby agrees to diligently carry out its obligations under this Agreement. The **"Territory"** within which Supplier has granted Distributer exclusive rights under this Agreement consists of all international countries except the country of Canada.

2.2 Exclusivity. Distributor will, during the Term of this Agreement, be the exclusive distributor of Supplier in the Territory. Supplier will not appoint or otherwise engage or authorize any other entity for the distribution or re-sale of the Products in the Territory. Supplier will not distribute or resell the Products in the Territory.

For greater certainty, nothing in this Agreement will limit or restrict Distributor from entering into any other arrangement or agreement with third parties to supply, distribute, market, sell or otherwise handle products that are the same or similar to the Products and, for clarity, this Agreement does not, in any way, create any obligations of exclusivity on the part of Distributor in favour of Supplier.

2.3 Brand Development. Distributor will develop labeling and branding for the Products for international distribution and marketing in the Territory. Distributor shall own the right to all trade names, trademarks created by the Distributor.

2.4 Creation of Cannabis Products. Distributor has the right to use the Products and the Cannabis Products and any of the Know-How for any purpose and may enter into partnerships with locally licensed growers and Suppliers in various jurisdictions in the Territory for all processes relating from acquiring the seeds to selling the Cannabis Products including the following processes:

- (a) growing of cannabis;
- (b) adding CBD or THC to the Products;
- (c) mixing and producing the Products; and
- (d) packaging and distributing of the Products; and

(collectively, the “Partnerships”).

2.5 Partnerships. The entering into and terms of all partnerships within the Territory are entirely at Distributor’s sole discretion provided that all partnerships will be subject to the terms and conditions of this Agreement, unless otherwise agreed between the Parties.

2.6 Nature of the Relationship. The Parties acknowledge that Distributor is not an agent of Supplier. The relationship between Distributor and Supplier under this Agreement is that of independent contractors. Nothing contained in this Agreement will constitute or create, nor will it be construed to have created, any relationship of partner, principal or agent, employee, employer, joint venture, franchisee, legal representative or any other legal relationship. Other than as expressly and specifically provided for in this Agreement or otherwise granted in writing by Supplier, Distributor will have no authority to make any representation or give any warranty on behalf of Supplier.

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**ARTICLE 3  
CONSULTING SERVICES**

- 3.1 Consulting Services. Supplier will provide the following consulting services to Distributor:
- (a) provide information on the development and creation of each Product;
  - (b) create a sunscreen lotion and anti-aging formula, six teas within a year;
  - (c) provide advice and guidance on how the Products are to be used individually and in conjunction with additional products and provide information and advice on the use, composition, and frequency of usage of the Products for various ailments;
  - (d) assist Cannapay with creating educational materials for growers, manufacturing and health practitioners in other jurisdictions; and
  - (f) respond to inquiries from Distributor in a timely fashion.

(collectively, the “**Consulting Services**”).

The Parties agree that the Supplier will dedicate 20-30 hours per week towards providing the Consulting Services.

- 3.2 Collateral Agreement. The Parties agree that the consulting services are to be rendered as a collateral agreement (the “**Consulting Agreement**”) alongside this Agreement.
- 3.3 Term and Termination of Consulting Agreement. The term of the Consulting Agreement (“**Consulting Term**”) is for a period of two (2) years commencing on the Effective Date of this Agreement. The Consulting Agreement will be automatically renewed for one (1) additional year unless terminated by the Parties in writing.

This Consulting Agreement may be terminated prior to the expiry of the Consulting Term upon the mutual agreement of the Parties in writing, providing that the terms and conditions contained in this Agreement will continue in full force.

**ARTICLE 4  
FEES AND PRICES**

- 4.1 Distribution Fees. In consideration for the grant of the exclusive, international distribution rights to the Products, Distributor will pay to Supplier the following distribution fees:
- (a) 1,800,000 common shares in the capital of Cannapay Financial Inc. at an aggregate deemed value of \$180,000 (the “**Cannapay Shares**”);
  - (b) an initial cash payment of \$6,000 on the Effective Date; and
  - (c) a second cash payment of \$30,000 upon the completion of an IPO by Supplier
- (collectively, the “**Distribution Fees**”).

4.2 Restrictions on Cannapay Shares.

- (a) The Cannapay Shares shall not be sold until they are released in accordance with the following schedule:

Date of Automatic Timed Release	Amount of Cannapay Shares Released
The Effective Date	15% of the Cannapay Shares
6 months after the IPO	15% of the Cannapay Shares
1 year after IPO	15% of the Cannapay Shares
18 months after the IPO	15% of the Cannapay Shares
24 months after the IPO	15% of the Cannapay Shares
36 months after the IPO	The balance of the Cannapay Shares

- (b) The Cannapay shares can be sold to another buyer as long as the buyer agrees to the release schedule as set out above. The Parties agree that if Cannapay files a prospectus with a Canadian securities commission, and at the time that Cannapay files its final prospectus Supplier falls under one of the categories of persons required to place their securities in escrow set out in Section 3.5 of National Policy 46-201 *Escrow for Initial Public Offerings* ("NP46-201"), subject to the exemption set out in Section 3.6 of NP 46-201, the Parties will enter into an escrow agreement to escrow the Shares (or such number of the Shares as are still held by Supplier at that time) with a release schedule as required by, but no more restrictive than, the applicable release schedule set out in Part IV of NP 46-201.

4.3 Royalty Fees. In return for the ongoing rights and privileges granted to Distributor in this Agreement, Distributor will pay to Supplier royalties that are calculated as follows:

- (a) Distributor will pay to Supplier a royalty fee ("**Royalty Fee**") calculated as 10% percent of the Net Revenues of any Products or the Cannabis Products sold by Distributor; and
- (b) the Royalty Fee will be paid every quarter to Supplier beginning on Jan 1, 2018

4.4 Consulting Fee. In consideration for the Consulting Services, Distributor will pay to Supplier a consulting fee of \$5,000 per month (the "**Consulting Fee**") commencing on the Effective Date. The Parties agree that Consulting Fee will increase to \$10,000 per month upon Distributor achieving \$40,000 in monthly Net Revenues on the sale of the Products.

4.5 Prices. Distributor may purchase from the Supplier the Hemp Root and any essential oils that are ingredients included in the Products as wholesale prices.

**ARTICLE 5  
SUPPLY OF PRODUCTS**

- 5.1 Supply of Products. Distributor may buy hemp root which is used as a base for some of the Products from the Supplier at the Hemp Root Price. Purchase orders will be executed a minimum of 30 days, with allowances for customs delays, prior to any requested Delivery Date in order to facilitate the delivery of the Products.
- 5.2 Additional Products. Supplier may offer additional products (the “**Additional Products**”) at any time during the Term, by providing to Distributor an amended Schedule “A”, and the quantity and timing of availability of such Additional Products. Distributor may then order any Additional Products in accordance with the quantity and timing availability.

**ARTICLE 6  
TERM AND TERMINATION**

- 6.1 Term and Termination. The term of the Agreement (“**Term**”) is for a period of twenty (20) years commencing on the date of this Agreement. This Agreement will be automatically renewed for twenty (20) additional years, unless terminated by the Parties during the Term.

This Agreement may be terminated prior to the expiry of the Term upon the mutual agreement of the Parties in writing, providing that the terms and conditions contained in this Agreement will continue in full force and effect so long as a Purchase Order has been executed and is in effect.

- 6.2 Payment upon Termination. Notwithstanding any termination of this Agreement, each Party will remain liable to the other for any amounts owing at the date of termination, and will become payable immediately.
- 6.3 Rights. The exercise of the right of termination pursuant to this Article 6 will be in addition to and not in lieu of any and all other rights or remedies available to such Party under this Agreement or any other rights or remedies such Party may have at law or in equity.

**ARTICLE 7  
COMPLIANCE WITH LAWS**

- 7.1 General. The Parties will comply with all Applicable Laws in the exercise of its rights and the performance of its obligations under this Agreement. The Parties agree to make any amendments necessary to this Agreement in order to comply with all Applicable Laws.
- 7.2 Licenses and Permits. The Parties each agree to obtain, maintain, renew, and comply with, in all material respects, with all permits, certificates, licenses, approvals, registrations and authorizations required by it in connection with the conduct of its business under all Applicable Laws.

7.3 Labeling.

- (a) Distributor is responsible for packing and labelling the Products for shipment and sale.
- (b) Distributor is responsible for ensuring local labeling requirements are complied with in the countries in which the Products are sold.
- (c) Any additional costs for local labeling requirements will be borne by Distributor.

**ARTICLE 8  
INTELLECTUAL PROPERTY**

8.1 Ownership. The Distributor will own all propriety rights relating to the Products and the Cannabis Products that are produced outside of Canada including, without limitation, design, copyright, marketing or other intellectual property rights associated with the Products including their marketing, their labels and other packaging.

8.2 Marketing and Advertising.

- (a) Supplier acknowledges and agrees that all intellectual and industrial property rights including, without limitation, copyrights, patents, trade-mark rights and trade secret rights, logos, insignias, product descriptions and any other information or identifiers of the Products and the Cannabis Products developed by Distributor for the sale, development and marketing of the Products and the Cannabis Products outside of Canada (the "**International Intellectual Property**") is, and will remain, the sole and exclusive property of Distributor and Supplier will not, without the written consent of Distributor, use, procure, market, advertise or otherwise utilize such International Intellectual Property.
- (b) The Parties agree to support each other's efforts to promote the Products in a manner agreed to in writing by the Parties.

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## **ARTICLE 9 REPRESENTATIONS**

- 9.1 Supplier represents and warrants to Distributor and understands and agrees that its representations were material in inducing Distributor to enter this Agreement:
- (a) Supplier is a corporation, duly organized and validly existing under the laws of British Columbia.
  - (b) The principal of the Supplier and main individual who will be providing the consulting services is a holistic life consultant and teacher with expertise in ayurvedic medicine with a strong background in Chinese medicine and an expert in plant based oils and different exotic roots and plants.
  - (c) Supplier will only sell the Products in accordance with Applicable Laws.
  - (d) Supplier will work with Distributer to take all necessary steps needed to ensure compliance with all Applicable Laws in the jurisdictions in which the Distributer wishes to sell the Products.
  - (e) The Products do not contain any illegal substance and do not contain any THC or CBC.
  - (e) Supplier has not granted and will not grant any right to any Affiliate or third party which would conflict with the rights granted to the Supplier under this Agreement.
  - (f) There are no patents or pending patents applications covering the Products.

## **ARTICLE 10 MISCELLANEOUS PROVISIONS**

- 10.1 No Amendment Except In Writing. This Agreement may be amended only by written instrument executed by both Parties.
- 10.2 Assignment. Neither party may assign its interest in or under this Agreement without the prior written consent of the other Party.
- 10.3 Conflicts. To the extent there is an inconsistency between this Agreement and its Schedules or any other document delivered pursuant to this Agreement and a Purchase Order, the terms and conditions within such Purchase Order will prevail.
- 10.4 Independent Legal Advice. The Supplier acknowledges that this Agreement has been prepared on behalf of the Distributor by legal counsel to the Distributor; that the Distributor's legal counsel does not represent, and is not acting on behalf of the Supplier; and that the Supplier has been advised and provided with an opportunity to consult with the Supplier's own legal counsel with respect to this Agreement.



- 1.1 Further Assurances. From time to time, each Party will, at the reasonable request of the other Party, take all action, do all such acts and execute and deliver all agreements, instruments, documents or other writings desired or required by such other Party in connection with the performance of this Agreement and take all action and execute and deliver all such further agreements, instruments, documents or other writings reasonably desired or required by such other Party so as to fully perform or carry out the terms, intents or purposes of this Agreement.
- 1.2 Invalidity of Provisions. If any of the provisions of this Agreement are determined to be invalid, illegal or unenforceable in any respect, the validity, legality or enforceability of the remaining provisions will not in any way be affected or impaired thereby.
- 1.3 Successors and Assigns. This Agreement will be binding upon and will enure to the benefit of the Parties hereto and their respective successors and permitted assigns.
- 1.4 Counterpart Execution. This Agreement may be executed in any number of counterparts (including counterparts by email) and all such counterparts taken together shall be deemed to constitute one and the same instrument. The Parties shall be entitled to rely upon delivery of an executed electronic copy of this Agreement, and such executed electronic copy shall be legally effective to create a valid and binding agreement between the Parties.

**IN WITNESS WHEREOF** the Parties have executed this Agreement as of the date first above written.

**CANNAKOPIA THERAPEUTICS INC.**

*"Bhavna Solecki"*

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Authorized Signatory

Name: Bhavna Solecki  
Position: Consultant

**INDULGENCE EDIBLES INC.**

*"Penny Green"*

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Authorized Signatory

Name: Penny Green  
Position: Director

**SCHEDULE "A"  
PRODUCTS**

<b>Item</b>	<b>Product</b>	<b>Key Ingredients</b>	<b>Intended Uses</b>
1.	Balm	Organic coconut, hemp root and essential oils	Remove skin spots, rashes, treat eczema, psoriasis, hives and burns
2.	Topical Analgesic	Aloe Vera, arnica, menthol, and other essential oils	To relieve pain on or below the skin
3.	2 Tea Blends	Various herbs	Relaxation
4.	Suppositories	Organic German cacao butter and essential oils	Cramps, yeast, and fungus
5.	Sexual Lubricant	Ayurvedic oil	Enhanced sexual experience
6.	Organic Hand cleaner and scrub	Essential oils	Personal Cleaning
7.	Organic Glass cleaner	Salt, fat, and hemp binder	All natural, eco-friendly food safe cleaner

**Products to be created by Supplier under this Agreement within one year of the Effective Date:**

1. Anti-aging solution for skin;
2. Chemical free sunscreen; and
3. 6 tea blends, one each for depression, anxiety, insomnia, premenstrual syndrome, cramps, menopause.