

**MERGER AGREEMENT**

**FORESHORE EXPLORATION PARTNERS CORP.**

**POSABIT, INC.**

## MERGER AGREEMENT

**THIS AGREEMENT** made as of the 14<sup>th</sup> day of December, 2018

**AMONG:**

**FORESHORE EXPLORATION PARTNERS CORP.**, a company incorporated pursuant to the laws of the Province of British Columbia and having an office located at 2040 – 885 West Georgia Street, Vancouver, British Columbia, V6C 3E8, Canada

(hereinafter called “**Acquiror**”)

OF THE FIRST PART

**AND:**

**POSABIT, INC.**, a company incorporated pursuant to the laws of the State of Washington and having an office located at 1128 8<sup>th</sup> St., Kirkland, Washington 98033, USA

(hereinafter called “**Target**”)

OF THE SECOND PART

**WITNESSES THAT:**

- A. The board of directors of the Target has determined that the business combination to be effected pursuant to this Agreement is advisable and in the best interests of the Target and the Target Shareholders.
- B. The Acquiror and the Target entered into a letter agreement dated June 7, 2018, as amended August 7, 2018 and September 15, 2018 (the “**Letter Agreement**”) pursuant to which the Acquiror agreed to acquire all legal and beneficial interest in the Target Securities (the “**Transaction**”).
- C. The Target and the Acquiror wish to complete the Transaction as a triangular merger (the “**Merger**”) pursuant to the Articles of Merger and Plan of Merger annexed hereto as Schedule A (“**Articles & Plan of Merger**”) in accordance with this Agreement and the Washington Business Corporations Act (the “**WBCA**”), whereby all of the issued and outstanding shares of the Target will be acquired by the Acquiror in exchange for the issuance of Acquiror Shares via a merger of the Target with a wholly-owned Washington subsidiary of the Acquiror formed specifically for the purposes of completing the Merger.

**NOW THEREFORE** in consideration of the mutual covenants and agreements contained herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, it is agreed by and between the parties hereto as follows:

## ARTICLE 1 INTERPRETATION

### 1.1 Definitions

In this Agreement, the following capitalized terms and phrases shall have the following meanings:

- (a) “**Acquiror**” means Foreshore Exploration Partners Corp., a company which is incorporated under the provisions of the BCBCA.
- (b) “**Acquiror Financial Statements**” has the meaning ascribed thereto in Section 3.14(a);
- (c) “**Acquiror Options**” means outstanding stock options to acquire 300,000 Acquiror Shares at an exercise price of \$0.10 per Acquiror Share until May 29, 2023.
- (d) “**Acquiror Shares**” means shares in the capital of the Acquiror.
- (e) “**Affiliate**” shall have the meaning ascribed thereto in the BCBCA.
- (f) “**Agent’s Warrants**” means warrants to acquire up to 43,000 Acquiror Shares exercisable at a price of \$0.10 per share until May 29, 2020 granted to Haywood Securities Inc. in consideration for services performed in respect of the initial public offering of Acquiror.
- (g) “**Alternative Transaction**” means, with respect to a Party, an agreement which constitutes, or may reasonably be expected to lead to (in either case whether in one transaction or a series of transactions): (i) a direct or indirect acquisition from such Party or from its shareholders of 20% or more of the voting securities of such Party; (ii) a direct or indirect acquisition of assets of such Party representing 20% or more of the book value (on a consolidated basis) of such Party; (iii) an amalgamation, arrangement, merger, or consolidation involving such Party; (iv) any take-over bid, issuer bid, exchange offer, recapitalization, liquidation, dissolution, reorganization or similar transaction involving such Party; or (v) any other transaction, the consummation of which would or could reasonably be expected to impede, interfere with, prevent or delay the transactions contemplated by this Agreement or which would or could reasonably be expected to materially reduce the benefits under this Agreement or the Transaction.
- (h) “**Assets**” means all of the Target’s and the Subsidiary’s right, title, estate and interest and to its property and assets, real and personal, moveable and immovable, of whatsoever nature and kind and wheresoever situate.
- (i) “**Applicable Laws**” means all federal, provincial, state, municipal or local laws, rules, regulations, statutes, by-laws, ordinances, policies or orders of any federal, provincial, state, regional or local government or any subdivision thereof or any arbitrator, court, administrative or regulatory agency, commission, department, board or bureau or body or other government or authority or instrumentality or any entity or Person exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government relating to a Party or the Transaction.
- (j) “**Applicable Securities Laws**” means all applicable securities legislation in all jurisdictions relevant to acquisition of the Target Shares by the Acquiror or the issuance of the Consideration or the issuance of securities of the Target in the Financing, as well as the policies of the TSXV and the policies of the CSE.

- (k) **Authorization** means, with respect to any Person, any order, permit, approval, consent, waiver, licence or similar authorization of any Governmental Entity having jurisdiction over the Person, including any municipal or other approvals required to be granted before a Governmental Entity provides an authorization.
- (l) **BCBCA** means the *Business Corporations Act* (British Columbia) and regulations pursuant thereto, as amended from time to time.
- (m) **Books and Records** means all books of account, tax records, sales and purchase records, customer and supplier lists, computer software, formulae, business reports, plans and projections and all other documents, files, correspondence and other information of the Target, (whether in written, printed, electronic or computer printout form).
- (n) **Business** means the active business presently and previously carried on by the Target and the Subsidiary consisting of payment processing and sale of point-of-sale systems in a variety of industries and includes other inactive business activities in the Target and the Subsidiary.
- (o) **Business Day** means a day other than a Saturday, Sunday or statutory holiday in the Province of British Columbia.
- (p) **Change of Control** means the acquisition, directly or indirectly, of beneficial ownership of voting shares that results in a holding of more than 20% of the issued and outstanding voting shares of the Target or the Subsidiary by a third party.
- (q) **Closing** means the completion of the Merger, and all other transactions contemplated hereby, on the Closing Date pursuant to and in accordance with all of the terms and conditions of this Agreement.
- (r) **Closing Date** means date on which the Merger will have been completed, which shall be the third Business Day following the date upon which all of the conditions to complete the Acquisition as set forth in this Agreement have been satisfied or waived, or such other date as may be agreed to in writing by the Parties.
- (s) **Confidential Information** has the meaning specified in subsection 1.1(nn)(v) of this Agreement.
- (t) **Consideration** means the consideration to be received by the Target Shareholders pursuant to the Merger in consideration for their Target Shares, being 1.7539815 Acquiror Shares for each Target Share held.
- (u) **Constituting Documents** means the certificate and articles of incorporation (as amended), statute, constitution, joint venture or partnership agreement, articles, notice of articles, bylaws or other constituting document of any Person other than an individual, each as from time to time amended or modified.
- (v) **Contracts** means all agreements, contracts, leases, deeds, mortgages, licences, instruments, notes, commitments, undertakings, indentures, joint ventures of any nature, written or oral, to which the Acquiror or the Target (or the Subsidiary), as applicable, is a party or by which the Acquiror or Target (or the Subsidiary), as applicable, is bound or affected or to which any of their respective properties or assets is subject, including (i) unfilled purchase orders, (ii) forward commitments for supplies or materials entered into the ordinary course of business, and (iii)

restrictive agreements, negative covenant agreements, confidentiality agreement and invention assignment agreements with any Employees, past or present.

- (w) “**Conversion Ratio**” means 1.7539815 Acquiror Shares for each Target Share held.
- (x) “**Corporate Records**” means, with respect to the Target, the Subsidiary and the Acquiror, as the case may be, the corporate records of such Person, including (i) all Constatng Documents, (ii) all minutes of meetings and resolutions of shareholders and directors (and any committees), and (iii) the share certificate books, securities register, register of transfers and register of directors.
- (y) “**CSE**” means the Canadian Securities Exchange.
- (z) “**Disclosing Party**” shall have the meaning set forth in Section 8.1 of this Agreement.
- (aa) “**Disclosure Letter**” means the disclosure letter executed by the Target and delivered to the Acquiror in connection with the execution of this Agreement.
- (bb) “**Disputes**” means any disagreement, dispute or controversy between the Parties in relation to this Agreement or the Transaction.
- (cc) “**Distribution**” means (a) the declaration or payment of any dividend in cash, securities or property on or in respect of any class of shares of a Person or its subsidiaries; (b) the purchase, redemption or other retirement of any shares of a Person or its subsidiaries, directly or indirectly; or (c) any other distribution on or in respect of any class of shares of a Person or its subsidiaries.
- (dd) “**Employees**” means all individuals who are fulltime, part-time or temporary employees or individuals engaged on contract to provide employment or similar services in respect of the Target or the Subsidiary, and “**Employee**” means any one of them.
- (ee) “**Encumbrance**” means any encumbrance, lien, charge, hypothecation, pledge, mortgage, security interest of any nature (registered or unregistered, specific or floating, moveable or immovable), claim, exception, reservation, restrictions, right or pre-emption, option, privilege or any agreement to create any of the foregoing, and includes a royalty, profit interest, security interest under applicable legislation, trust or deemed trust (whether contractual, statutory or otherwise) and any voting trust or pooling agreement or shareholder agreement with respect to securities.
- (ff) “**Escrow Transfer**” means the sale of 1,000,000 Acquiror Shares held by current directors and officers of the Acquiror and held in escrow pursuant to the terms of an escrow agreement dated November 10, 2017 between the Acquiror, Computershare Investor Services Inc. and certain shareholders of the Acquiror, to designees of the Target at a price of \$0.16 per Acquiror Share.
- (gg) “**Final Prospectus**” means the (final) non-offering prospectus of the Acquiror, prepared in accordance with National Instrument 41-101 – *General Prospectus Requirements* of the Canadian Securities Administrators and filed with the British Columbia Securities Commission, the Alberta Securities Commission and the Ontario Securities Commission.
- (hh) “**Financing**” means the private placements by the Target of (i) approximately 1,121,899 subscription receipts (which subscription receipts will automatically convert into Target Shares on a one-for-one basis immediately prior to Closing and be exchanged into Acquiror Shares in the Merger) for aggregate gross proceeds of \$1,180,676, and (ii) approximately 1,165,213 Target

Shares for aggregate gross proceeds of \$1,226,268.

- (ii) “**Governmental Entity**” means (i) any international, multinational, national, federal, provincial, state, municipal, local or other governmental or public department, tribunal, central bank, court, commission, board, bureau, agency or instrumentality, domestic or foreign, (ii) any subdivision or authority of any of the above, (iii) any securities commission or stock exchange, including the TSXV and the CSE, and (iv) any arbitrator, arbitration tribunal or other tribunal or quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the above.
- (jj) “**IFRS**” means the international financial reporting standards.
- (kk) “**Information**” has the meaning set out in Section 8.1.
- (ll) “**Intellectual Property**” means:
  - (i) all works, including literary, artistic and graphic works, databases, and compilations thereof, including computer software, source code, object code, firmware, development tools, files, records and data, (the “**Works**”);
  - (ii) all inventions, arts, processes, machines, manufactures, compositions of matter and developments, whether or not patentable, patented or the subject of applications for patents (“**Inventions**”);
  - (iii) all trade names, logos, trade dress, trademarks and service marks (“**Marks**”);
  - (iv) all industrial designs, whether or not patentable or registrable, patented or registered or the subject of applications for design patent or registration (“**Designs**”);
  - (v) all confidential or non-public information and trade secrets, including confidential or non-public: proprietary information, know how, technology, technical data, proprietary processes, specifications, formulations, formulae, materials or compositions of matter of any type or kind (patentable or otherwise), marketing reports, customer lists and supplier lists, study reports, regulatory submission summaries and regulatory submission documents, expertise, test data, analytical and quality control data, studies and procedures, schematics, test methodologies, simulation and development tools, prototypes and other devices (“**Confidential Information**”); and
  - (vi) all Internet domain name registrations, Internet and World Wide Web URLs or addresses (“**Domain Names**”).
- (mm) “**Intellectual Property Agreements**” means any Contracts, permissions, and understandings of any kind or nature, under which the Target or the Subsidiary is (A) a licensee, acquires, or otherwise is authorized to access, use or practice, or is otherwise granted any right or immunity with respect to, any Intellectual Property Rights, or (B) a licensor, assigns, or otherwise authorizes the disclosure, use or practice of, or otherwise grants any right or immunity with respect to any Intellectual Property Rights.
- (nn) “**Intellectual Property Rights**” means any and all industrial and intellectual property and proprietary rights in the Intellectual Property, including the following:

- (i) all patents and applications therefor and rights to file applications for the Inventions and all reissues, divisions, renewals, extensions, re-examinations, reissues, provisionals, continuations and continuations-in-part thereof and other derivative applications and patents;
  - (ii) all rights in the Confidential Information;
  - (iii) all design patents, design registrations, pending patent and design applications and rights to file applications for the Designs, including all rights of priority and rights in continuations, continuations-in-part, divisions, re-examinations, reissues and other derivative applications and patents;
  - (iv) all trademark and service mark registrations for the Marks, trademark and service mark applications for the Marks, any rights arising from the use, application for or registration of the Marks, and any and all goodwill associated with and symbolized by the Marks;
  - (v) all rights in the Domain Names; and
  - (vi) all copyright and other rights and all registrations, pending applications for registration and rights to file applications for, and all moral rights and, where the Target or the Subsidiary is not the author, the benefits of the Target or the Subsidiary in all waivers of moral rights in, the Works.
- (oo) **“Letter Agreement”** means the letter agreement signed by Acquiror and the Target dated June 7, 2018, as amended August 7, 2018 and September 15, 2018.
- (pp) **“Listing Statement”** means the listing statement to be filed by Acquiror with the CSE prepared in accordance with CSE Form 2A – *Listing Statement*.
- (qq) **“Losses”** means any aggregate sum exceeding \$25,000.00 representing losses, damages, liabilities, deficiencies, costs and expenses (including, without limitation, all reasonable legal and other professional fees and disbursements, interest, penalties and amounts paid in settlement) arising out of or relating to any Claim but specifically excluding all loss of profits, punitive damages and consequential damages of all types and any amounts which would result in the duplication of indemnification for any Claim.
- (rr) **“Material Adverse Effect”** or **“Material Adverse Change”** means any change, effect, event, occurrence, state of facts, condition or development that when considered either individually or in the aggregate is material and adverse to the business, properties, assets, operations, results of operations, capitalization, liabilities, obligations (including any contingent liabilities that may arise through outstanding, pending or threatened litigation or otherwise) or condition (financial or otherwise) of Acquiror or the Target taken as a whole; except to the extent that the material adverse effect (i) relates to the global economy, political conditions or securities markets in general, (ii) relates to a change in the market trading price of or the ability to trade publicly traded securities of that party, either (A) related to the Letter Agreement, this Agreement or the Transaction or the announcement thereof, or (B) related to such a change in the market trading price primarily resulting from a change, effect, event or occurrence excluded from this definition of Material Adverse Effect under clauses (i), (ii), (iii) or (iv) hereof; (iii) relating to any generally applicable change in applicable laws or regulations (other than orders, judgments or decrees against that Party) or in applicable accounting principles; or attributable to the announcement or pendency of the Letter Agreement, this Agreement or the Transaction, or otherwise contemplated

by or resulting from the terms of this Agreement; or (iv) any act or omission of a Party prior to the Closing Date taken with the prior consent or at the request of the other Parties.

- (ss) “**Material Contract**” has the meaning specified in Section 4.39 of this Agreement.
- (tt) “**Merger**” means the merger proposed to be effected under Chapter 23B.11 of the WBCA upon the terms of the Articles and the Plan of Merger set out in Schedule A hereto and as contemplated in this Agreement, and any amendment or variation thereto;
- (uu) “**Merger Sub**” means the wholly-owned subsidiary of Acquiror to be incorporated pursuant to the WBCA for the purposes of completing the Merger.
- (vv) “**Parties**” means the Acquiror and the Target, and a “**Party**” means any of them.
- (ww) “**Person**” means a natural person, partnership, limited partnership, limited liability partnership, corporation, limited liability corporation, unlimited liability company, joint stock company, trust, unincorporated association, joint venture or other entity or Governmental Entity.
- (xx) “**Plans**” means all Employee benefit, fringe benefit, supplemental unemployment benefit, bonus, incentive, profit sharing, termination, change of control, compensation, pension plans, retirement, salary continuation, stock option, stock purchase, stock appreciation, health, welfare, medical, dental, accident, disability, life insurance and other plans, arrangements, agreements, programs, policies, practices or undertakings, whether oral or written, funded or unfunded, registered or unregistered, insured or self-insured, (a) that are sponsored or maintained or funded, in whole or in part, by any corporation or entity or to which the Target or the Subsidiary contributes or is obligated to contribute, in any such case, for the benefit of Employees, former Employees of any corporation or entity, and their respective beneficiaries, or (b) under which any corporation or entity has any liability; provided, however, the definition of “Plans” shall not include statutory plans with which Target or the Subsidiary is required to comply, including the Canada Pension Plan, or any foreign equivalent, or plans administered pursuant to applicable health, tax, workers’ compensation, workers’ safety and insurance, and employment insurance legislation.
- (yy) “**Preliminary Prospectus**” means the (preliminary) non-offering prospectus of the Acquiror, prepared in accordance with National Instrument 41-101 – *General Prospectus Requirements* of the Canadian Securities Administrators and filed with the British Columbia Securities Commission, the Alberta Securities Commission and the Ontario Securities Commission.
- (zz) “**Proceedings**” means any claims, actions, suits, judgments, litigation, proceedings or investigations.
- (aaa) “**Products**” means all products or services produced, marketed, licensed, sold, distributed or performed by or on behalf of the Target and all products, product candidate, components or services currently under development by or on behalf of the Target.
- (bbb) “**Public Record**” means the information filed by Acquiror on SEDAR, with the required securities commissions, with the TSXV and with the Registrar of Companies for British Columbia, as required in accordance with the requirements of the Applicable Laws, and which record contains all material facts (as that term is defined by the Applicable Laws) relating to the corporate structure, business and operations of the Acquiror.
- (ccc) “**Receiving Party**” shall have the meaning set forth in Section 9.1 of this Agreement.



- (ddd) “**Representatives**” means in relation to a Party its respective officers, directors, employees, financial advisors, legal counsel, representatives or agents.
- (eee) “**Subsidiary**” shall have the meaning set forth in Section 4.3 of this Agreement.
- (fff) “**Target**” means POSaBIT, Inc., a private company incorporated pursuant to the laws of the State of Washington.
- (ggg) “**Target Financial Statements**” means the audited consolidated financial statements of the Target for the years ended December 31, 2017 and 2016 and the unaudited interim financial statements of the Target for the nine months ended September 30, 2018.
- (hhh) “**Target Meeting**” means the meeting of the Target Shareholders to be held for the purpose of, among other things, approving the Transaction and Merger.
- (iii) “**Target Options**” means options to acquire Target Shares granted by the Target pursuant to the terms of its stock option plan or other compensation plans.
- (jjj) “**Target Securities**” means collectively the Target Shares, the Target Options and the Target Warrants.
- (kkk) “**Target Shares**” means all of the issued and outstanding shares in the capital of the Target, which includes common shares and series A preferred shares.
- (lll) “**Target Shareholders**” means the holders of the Target Shares.
- (mmm) “**Target Warrants**” means warrants to acquire Target Shares.
- (nnn) “**Taxes**” includes any taxes, duties, fees, premiums, assessments, imposts, levies and other charges of any kind whatsoever imposed by any Governmental Entity, including all interest, penalties, fines, additions to tax or other additional amounts imposed by any Governmental Entity in respect thereof, and including those levied on, or measured by, or referred to as, income, gross receipts, profits, capital, transfer, land transfer, sales, goods and services, harmonized sales, use, value-added, excise, stamp, withholding, business, franchising, property, development, occupancy, employer health, payroll, employment, health, social services, education and social security taxes, all surtaxes, all customs duties and import and export taxes, countervail and anti-dumping duties, all license, franchise and registration fees and all employment insurance, health insurance and government pension plan premiums or contributions.
- (ooo) “**Tax Return(s)**” includes all returns, reports, declarations, elections, notices, filings, forms, statements and other documents (whether in tangible, electronic or other form) and including any amendments, schedules, attachments, supplements, appendices and exhibits thereto, made, prepared, filed or required to be made, prepared or filed by law in respect of Taxes.
- (ppp) “**Termination Date**” has the meaning set out in Section 10.1 of this Agreement.
- (qqq) “**Third Party Intellectual Property**” means any and all Intellectual Property Rights owned by a third party.
- (rrr) “**Transaction**” means the acquisition of all of the issued and outstanding securities of the Target by the Acquiror via the Merger as provided for in this Agreement.

- (sss) “**TSXV**” means the TSX Venture Exchange.
- (ttt) “**U.S. Securities Act**” means the United States Securities Act of 1933, as amended.
- (uuu) “**WBCA**” means the Business Corporations Act (Washington), as may be amended from time to time, including the regulations promulgated thereunder.

## 1.2 Schedules

The following are the Schedules to this Agreement, which Schedules form an integral part of this Agreement:

- Schedule “A” - the Articles and Plan of Merger
- Schedule “B” - Securities of the Target

## 1.3 Interpretation

For purposes of this Agreement, except as otherwise expressly provided:

- (a) “this Agreement” means this agreement, including the Schedules hereto, and any agreement, document or instrument entered into, made or delivered pursuant to the terms hereof, as any of them may from time to time be supplemented or amended and in effect.
- (b) All references in this Agreement to a designated “Article”, “Section”, “subsection” or other subdivision or to a Schedule are to the designated Article, Section, subsection or other subdivision of, or Schedule to, this Agreement unless otherwise specified.
- (c) The words “herein”, “hereof” and “hereunder” and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section, subsection or other subdivision or Schedule.
- (d) The headings in this Agreement are for convenience only and do not form a part of this Agreement and are not intended to interpret, define or limit the scope, extent or intent of this Agreement or any provision hereof.
- (e) In this Agreement, references to ‘ordinary course’ or the ‘ordinary course of business’ shall mean, with respect to an action taken by a Person, that such action is consistent with the past practices of that Person and is taken in the ordinary course of the normal day to day operations of the Person, provided that in any event such action is not unreasonable or unusual.
- (f) All accounting terms not otherwise defined have the meanings assigned to them in accordance with IFRS.
- (g) All references to currency refer to lawful money of Canada (unless expressed to be in some other currency) and all amounts to be calculated or paid pursuant to this Agreement are to be calculated in lawful money of Canada.
- (h) Any reference to a corporate entity includes and is also a reference to any corporate entity that is a successor to such entity.

- (i) Words importing the masculine gender include the feminine or neuter gender and words in the singular include the plural and vice versa.
- (j) Except as otherwise provided in this Agreement, if any representation, warranty, covenant or agreement herein is made by two or more persons, or is made by a party hereto that is comprised of two or more persons, the representation, warranty, covenant or agreement shall be the several, and not joint, representation, warranty, covenant or agreement of all such persons.
- (k) Any action to be taken pursuant to this Agreement on a day which is not a Business Day shall be taken on the next succeeding Business Day.
- (l) Any reference in this Agreement to a statute includes all rules and regulations made thereunder, all amendments to that statute or the rules and regulations made thereunder in force from time to time, and any statute or rule or regulation that supplements or supersedes that statute or the rules or regulations made thereunder.
- (m) Whenever in this Agreement a representation and warranty is qualified by the statement “to the best knowledge” of a Party or any similar statement, that statement shall mean to the best knowledge of the Party’s directors and officers after having made due and reasonable enquiries and investigations and shall mean the knowledge of the Party based on receipt of written notice addressed to the Party or the actual knowledge of any of the Party’s directors and senior officers.

#### **1.4 Governing Law**

This Agreement shall be governed by and construed in accordance with the laws of the Province of British Columbia and the federal laws of Canada applicable therein which shall be deemed to be the proper law hereof; provided that the Articles and Plan of Merger shall insofar as the terms relate to the statutory merger of two Washington corporations, be governed by and construed in accordance with the laws of the State of Washington. The courts of the Province of British Columbia and all appellate courts shall have jurisdiction to entertain and determine all disputes and claims, whether for specific performance, injunction, declaration or otherwise both at law and in equity, arising out of or in any way connected with the construction, breach, or alleged, threatened or anticipated breach of this Agreement, and shall have jurisdiction to hear and determine all questions as to the validity, existence or enforceability thereof.

#### **1.5 Disclosure Letter**

The Disclosure Letter shall, for all purposes of this Agreement, form an integral part of this Agreement. The purpose of the Disclosure Letter is to set out the qualifications, exceptions and other information called for in this Agreement. The Parties acknowledge and agree that the Disclosure Letter and the information and disclosures contained in therein do not constitute or imply, and will not be construed as:

- (a) any representation, warranty, covenant or agreement which is not expressly set out in this Agreement;
- (b) an admission of any liability or obligation of a Party hereunder, except as expressly set out in this Agreement;
- (c) an admission that the information is material;

- (d) a standard of materiality, a standard for what is or is not in the ordinary course of business, or any other standard contrary to the standards contained in this Agreement; or
- (e) an expansion of the scope of effect of any of the representations, warranties and covenants set out in this Agreement.

The Disclosure Letter is confidential information and may not be disclosed unless: (i) it is required to be disclosed pursuant to Applicable Law, unless such Applicable Law permits the Parties to refrain from disclosing the information for confidentiality or other purposes, or (ii) a Party needs to disclose it in order to enforce or exercise its rights under this Agreement.

## **ARTICLE 2 COMPLETION OF THE MERGER**

### **2.1 Merger**

The Parties agree to carry out the Transaction in accordance with and subject to the terms and conditions contained in this Agreement and in the Merger. Following completion of the Merger and in accordance with the applicable provisions of the WBCA and the Articles and Plan of Merger, Merger Sub shall be merged with and into Target (the "**Merger**"), the separate corporate existence of Merger Sub shall thereupon cease and the Target shall continue as the surviving corporation of the Merger. Pursuant to the Merger:

- (a) Each of the Target Shareholders will exchange all of their Target Shares for the Consideration;
- (b) Each of the holders of Target Options and Target Warrants will exchange their Target Options and Target Warrants, respectively for options and warrants, as the case may be, to acquire Acquiror Shares in the proportions and at the exercises prices as has regard for the Conversion Ratio, such that the number of Acquiror Shares to which the holder is entitled shall be multiplied by the Conversion Ratio and the exercise price which is applicable shall be divided by the Conversion Ratio, subject to adjustment having regard for the policies of the CSE;

In order to effect the Merger, the Acquiror agrees to incorporate Merger Sub which shall merge with into the Target pursuant to the WBCA, with Target Shareholders receiving the Consideration and the Target will be the survivor of the Merger.

### **2.2 Exemption**

The parties hereto agree and acknowledge that the Transaction will be completed relying upon Section 2.11 *Business combination and reorganization* or Section 2.16 *Take-over bid and issuer bid* of National Instrument 45-106 *Prospectus Exemptions* of the Canadian Securities Administrators.

The Target represents to the Acquiror that

- (a) the applicable securities laws of the United States or the State of Washington do not require the Acquiror to make any filings or seek any approvals of any kind from any securities regulator of any kind in connection with the offer, issue, sale or resale of any of the Consideration; and
- (b) the receipt of the Consideration by a holder of Target Securities does not trigger (A) any obligation to prepare and file a prospectus or similar document, or any other report, or (B) any continuous disclosure reporting obligation of the Acquiror;

### **2.3 Closing Time**

Upon the terms and subject to the conditions set forth in this Agreement, on the Closing Date, the Acquiror shall cause to be issued the Consideration due under the Merger for distribution by Merger Sub to the Target Shareholders in accordance with the WBCA.

### **2.4 Effect of the Transaction**

At the Closing, the effect of the Merger shall be as provided in this Agreement and the applicable provisions of the WBCA.

### **2.5 Share Exchange and Payment of Consideration**

- (a) The Holders of Target Shares shall, as of the Closing Date, no longer hold such Target Shares and instead be deemed to hold the Consideration issued to them pursuant to Section 2.1, the certificates or agreements representing such Target Shares shall be deemed to have been cancelled as of the Closing Date and the Holders of such Target Shares shall be entitled to receive in substitution therefor certificates or agreements representing the Consideration issued to them pursuant to the Merger (and such certificates or agreements representing Target Shares shall, as of and after the Closing Date represent only the right to receive the Consideration issuable to them pursuant to the Merger). Any such certificate formerly representing Target Shares not duly surrendered on or before the last Business Day prior to the third anniversary of the Closing Date shall cease to represent a claim by or interest of any former holder of Target Shares, of any kind or nature against or in Target. On such date, all Acquiror Shares to which such former Holder was entitled shall be deemed to have been surrendered to Target immediately prior to the application of any applicable Laws pertaining to unclaimed property then in effect including, pursuant to the *Unclaimed Property Act* (British Columbia) or other analogous legislation.
- (b) No fractional Acquiror Shares shall be issued to Target Shareholders and any fractional interest shall be rounded down to the nearest whole number.
- (c) All Acquiror Shares issued pursuant hereto shall be deemed to be validly issued and outstanding as fully paid and non-assessable shares for all purposes of the BCBCA.
- (d) If any certificate that immediately prior to the Closing Date represented one or more outstanding Target Shares that were exchanged for Acquiror Shares in accordance with the Merger, shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the holder claiming such certificate to be lost, stolen or destroyed, Acquiror shall deliver in exchange for such lost, stolen or destroyed certificate, certificates representing Acquiror Shares, that such holder is entitled to receive in accordance with the Merger. When authorizing such delivery certificates that such holder is entitled to receive in exchange for such lost, stolen or destroyed certificate, the holder to whom certificates representing such Acquiror Shares is to be delivered shall, as a condition precedent to the delivery of certificates representing such Acquiror Shares, give a bond satisfactory to Acquiror in such amount as Acquiror may direct, or otherwise indemnify Acquiror in a manner satisfactory to Acquiror, against any claim that may be made against Acquiror with respect to the certificate alleged to have been lost, stolen or destroyed and shall otherwise take such actions as may be required by the constating documents of the Target.
- (e) No dividend or other distribution declared or made after the Closing Date with respect to Acquiror Shares with a record date after the Closing Date shall be delivered to the holder of any unsurrendered certificate that, immediately prior to the Closing Date, represented outstanding

Target Shares unless and until the holder of such certificate shall have complied with the provisions of Section 2.5 (d). Subject to applicable law and to Section 2.5(f), at the time of such compliance, there shall, in addition to the delivery of a certificate representing Acquiror Shares to which such holder is thereby entitled, be delivered to such holder, without interest, the amount of the dividend or other distribution with a record date after the Closing Date theretofore paid with respect to such Acquiror Shares.

- (f) To the extent that a Target Shareholder shall not have complied with the provisions of Section 2.5(d) on or before the date that is two years after the Closing Date (the “final proscription date”), then the Acquiror Shares that such former Target Shareholder was entitled to receive shall be automatically cancelled without any repayment of capital in respect thereof and the certificates representing such Acquiror Shares to which such former Target Shareholder was entitled Acquiror shall be cancelled, and the interest of the former Target Shareholder in such Acquiror Shares to which it was entitled shall be terminated as of such final proscription date.

## **2.6 Acknowledgement regarding Registration in the U.S.**

The Target acknowledges that the Acquiror Shares issued as the Consideration under this Agreement have not been and will not be registered under the U.S. Securities Act or the securities laws of any state and may not be offered or sold, directly or indirectly, in the United States without registration under the U.S. Securities Act and the applicable laws of all applicable states or an exemption from such registration requirements, and the Target acknowledges that the Acquiror has no present intention of filing a registration statement under the U.S. Securities Act in respect of the Acquiror Shares.

## **2.7 Withholding Taxes**

Acquiror and Target shall be entitled to deduct and withhold from any consideration payable or otherwise deliverable to any Person hereunder and from all dividends or other distributions otherwise payable to any Target Shareholders such amounts as Acquiror or Target may be required to deduct and withhold therefrom under any provision of Applicable Laws in respect of Taxes. To the extent that such amounts are so deducted, withheld and remitted, such amounts shall be treated for all purposes under this Agreement as having been paid to the Person to whom such amounts would otherwise have been paid. Acquiror or Target, as applicable, may sell or otherwise dispose of any portion of the Consideration otherwise payable to Target Shareholders as is necessary to provide sufficient funds to enable Acquiror or Target, as applicable, to comply with such deduction and/or withholding requirements.

## **2.8 Escrow Restrictions**

The Target acknowledges and agrees that some or all of the Acquiror Shares forming the Consideration may be subject to escrow restrictions as required by the CSE and holders of such shares may be required to deposit any applicable Acquiror Shares received by them into escrow and to sign and complete an escrow agreement in the form required by the CSE.

## **ARTICLE 3 REPRESENTATIONS AND WARRANTIES OF ACQUIROR**

To induce the Target to enter into and to complete the transactions contemplated by this Agreement, the Acquiror represents and warrants to the Target, as representations and warranties that are true at the date of this Agreement and immediately prior to the Closing Time as if such representations and warranties were made at such time, the following:

### **3.1 Corporate Status and Existence**

The Acquiror:

- (a) is a corporation duly incorporated and validly existing under the BCBCA;
- (b) is in good standing and not in default with respect to the filings required under Applicable Laws, including Applicable Securities Laws;
- (c) does not carry on business in any other jurisdiction other than the province of British Columbia and does not own or lease any assets in any jurisdiction other than the province of British Columbia and
- (d) is not required to be licensed or registered in any jurisdiction other than the Province of British Columbia.

### **3.2 Corporate Power and Authority**

The Acquiror:

- (a) has all requisite corporate power and capacity to carry on the business carried on by it and to own and lease its property and assets;
- (b) has all requisite corporate power and authority to execute and deliver and to perform its obligations under this Agreement; and
- (c) the execution, delivery and performance of this Agreement and the performance of the transactions contemplated herein are within the corporate power and authority of Acquiror and have been authorized by all necessary corporate action of Acquiror, and no other corporate proceedings or approvals on the part of Acquiror or its shareholders are necessary to authorize this Agreement; this Agreement, and any other agreement contemplated by this Agreement, constitutes a legal, valid and binding obligation of Acquiror enforceable against it in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting the rights and remedies of creditors and the general principles of equity.

### **3.3 Subsidiaries and Other Interests**

Other than Merger Sub, the Acquiror has no subsidiaries and does not own any securities issued by, or any equity or ownership interest in, any other Persons. Except as contemplated by this Agreement, Acquiror is not subject to any obligation to make any investment in or to provide funds by way of loan, capital contribution or otherwise to any Persons.

### **3.4 Capital**

The authorized capital of the Acquiror consists of an unlimited number of common shares without par value of which 4,250,000 Acquiror Shares are issued and outstanding, all of which have been duly and validly issued and are fully paid and non-assessable shares and in compliance with all Applicable Securities Laws and the BCBCA, provided that 1,050,000 Acquiror Shares held by current directors and officers of the Acquiror and held in escrow will be cancelled in connection with the delisting of the Acquiror Shares from the TSXV. The Acquiror has issued the Acquiror Options to its current board members and the Agent's Warrants in consideration of services performed in respect of its initial public

offering. To the knowledge of the Acquiror, there are no shareholders' agreements, pooling agreements, voting trusts nor other agreements or understandings with respect to the voting of all or any Acquiror Shares.

### **3.5 No Options**

Except for the Acquiror Options and the Agent's Warrants or as issuable pursuant to the Financing or as contemplated by this Agreement no person has any right, agreement, warrant, option or commitment, present or future, contingent or absolute, or anything capable of becoming a right, agreement or option with the passage of time or the occurrence of any event or otherwise:

- (a) to require Acquiror to issue any further or other shares or any other security or other instrument convertible or exchangeable into shares or to convert or exchange any security or other instrument into or for shares of Acquiror;
- (b) for the issue or allotment of any of the unissued authorized shares of Acquiror; or
- (c) to require Acquiror to purchase, redeem or otherwise acquire any of the issued and outstanding shares of Acquiror.

### **3.6 Dividends and Distributions**

No Distributions of any kind whatsoever on any shares in the capital of Acquiror have been made, declared or authorized.

### **3.7 Reporting Status**

The Acquiror Shares are listed for trading on the TSXV and no other stock exchange. The Acquiror is a reporting issuer in the provinces of British Columbia, Alberta and Ontario, and is not in breach or default of any Applicable Securities Laws or of any of the policies of the TSXV or the rules and policies of any other applicable Governmental Entity.

### **3.8 Public Record**

Acquiror is in compliance with all Applicable Securities Laws and the policies of the TSXV, and the information and statements set forth in the Public Record as it relates to Acquiror, are true, correct, and complete and do not contain any misrepresentation, as of the respective dates of such information or statements, and no material change has occurred in relation to Acquiror which is not disclosed in the Public Record, and Acquiror has not filed any confidential material change reports which continue to be confidential.

### **3.9 No Authorization Required**

Except for the approval of delisting of the Acquiror Shares by the TSXV, approval of the Listing Statement and the Transaction by the CSE, the issuance of a preliminary receipt for the Preliminary Prospectus in accordance with Applicable Securities Laws, and the issuance of a final receipt for the Final Prospectus in accordance with Applicable Securities Laws, no authorization, approval, order, license, permit or consent of any Governmental Entity, and no registration with, declaration or notice to or filing by with any such Governmental Entity, is required in order for Acquiror to incur the obligations expressed to be incurred by Acquiror in or pursuant to this Agreement, to execute and deliver all other documents and instruments to be delivered by Acquiror pursuant to this Agreement, to perform and



observe the terms and provisions of this Agreement, and to render this Agreement a legal, valid and binding obligation of, and enforceable against, Acquiror, subject to applicable bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting the rights and remedies of creditors and the general principles of equity.

### **3.10 No Breach**

Neither of the execution and delivery of this Agreement, the completion of the transactions contemplated hereby, nor the observance and performance by Acquiror of its covenants and obligations herein, will:

- (a) conflict with or result in a breach or violation of any of the terms or provisions of the Constating Documents of Acquiror or any resolutions of the directors (or any committee thereof) or shareholders of Acquiror which are in effect as at the date hereof;
- (b) conflict with, result in a breach or cancellation of, or create a state of facts, which after notice or lapse of time or both with result in a breach or violation of, constitute a default under, invalidate or impair rights to properties under, or accelerate or permit the acceleration of the performance required by, any agreement, mortgage, indenture, note, instrument, license, lease, contract, order, consent, approval, permit or authority or other document to which Acquiror is a party or by which it is bound or to which any property of Acquiror is subject, which breach would be material to Acquiror, or result in the creation of any Encumbrance upon any of the assets of Acquiror under any such agreement, mortgage, indenture, note, instrument, license, lease, contract, order, consent, approval, permit or authority or other document, or give to others any material interest or rights, including rights of purchase, termination, cancellation or acceleration, under any such agreement, mortgage, indenture, note, instrument, license, lease, contract, order, consent, approval, permit or authority or other document or impose any material restrictions on the ability of Acquiror to carry on any business or to acquire or dispose of any assets or to declare or make Distributions to its shareholders, or borrow or mortgage and pledge its property; or
- (c) violate any Applicable Laws, including Applicable Securities Laws, or any judicial or administrative order, award, judgment or decree applicable to Acquiror, which violation would be material to Acquiror.

### **3.11 Directors and Officers**

The directors and officers of the Acquiror are as follows:

<b>Name</b>	<b>Position</b>
Chris Beltgens	Chief Executive Officer, Chief Financial Officer, Corporate Secretary and Director
Toby Pierce	Director
Benjamin Gelber	Director

### **3.12 Corporate Records**

The Corporate Records of Acquiror are accurate, complete and up to date in all material respects and all corporate proceedings and actions reflected in such corporate records have been conducted or taken in compliance with the BCBCA, all Applicable Laws and with the Constating Documents of Acquiror, and

are maintained at the records office of Acquiror. Without limiting the generality of the foregoing: (i) the minute books contain complete and accurate minutes of all meetings of the directors and shareholders held since incorporation and all such meetings were properly called and held, (ii) the minute books contain all resolutions passed by the directors and shareholders (and committees, if any) and all such resolutions were properly passed, (iii) the share certificate books, register of shareholders and register of transfers are complete and accurate, all transfers have been properly completed and approved and any tax payable in connection with the transfer of any securities has been paid, and (iv) the registers of directors and officers are complete and accurate and all former and present directors and officers were properly elected or appointed, as the case may be.

### **3.13 No Material Adverse Change**

Except as disclosed in the Public Record, there has been no Material Adverse Change in the business, prospects, operations, results of operations, assets, capitalization or condition, financial or otherwise, of the Acquiror from that shown in the Acquiror Financial Statements and the Acquiror has not experienced, nor is it aware of any occurrence or event which has, or might reasonably be expected to have, a Material Adverse Effect on the business, prospects, operations, results of operations, assets, capitalization or condition (financial or otherwise) which would constitute a Material Adverse Change in the Acquiror.

### **3.14 Financial Statements and Condition**

- (a) The financial statements of the Acquiror contained in the Public Record (the “**Acquiror Financial Statements**”) have been prepared in accordance with IFRS consistently applied, are true and correct in every material respect and present fairly and accurately the financial position and results of the operations of the Acquiror as at the date and for the periods reported upon;
- (b) The books and records of the Acquiror disclose all material financial transactions of the Acquiror, and such transactions have been fairly and accurately recorded;
- (c) There are no known or anticipated material liabilities of any kind whatsoever (including absolute, accrued or contingent liabilities) nor any commitments, whether or not determined or determinable, of the Acquiror, whether direct, indirect, absolute, contingent or otherwise, which are not disclosed or reflected in the Acquiror Financial Statements except for:
  - (i) those incurred in the ordinary course of business of the Acquiror since July 31, 2018, and such liabilities are recorded in the books and records of the Acquiror; and
  - (ii) those incurred in relation to the transactions contemplated by this Agreement
- (d) the Acquiror has not granted any Encumbrance over its assets or in any particular asset;
- (e) There are no debts or amounts owing to the Acquiror by, nor has the Acquiror borrowed any monies from any of its officers, former officers, directors, former directors, shareholders, employees or former employees or any family member thereof, or any person with whom Acquiror does not deal at arm’s length except for any amounts advanced to such persons for expenses incurred on behalf of the Acquiror in the ordinary course;
- (f) the Acquiror has not guaranteed or agreed to guarantee any debt, liability or other obligation of any kind whatsoever of any Person; and
- (g) The accounts receivable of the Acquiror are bona fide, good and collectible without set-off or

counterclaim.

### **3.15 Absence of Changes**

Since July 31, 2018, except as disclosed in the Public Record or as contemplated herein, the Acquiror has not:

- (a) issued, sold, pledged, hypothecated, leased, disposed of, encumbered or agreed to issue, sell, pledge, hypothecate, lease, dispose of or encumber any shares or other securities or any right, option or warrant with respect thereto;
- (b) amended or proposed to amend its Constatng Documents;
- (c) split, combined or reclassified any of its securities or declared or made any Distribution;
- (d) entered into or amended any employment or services contract with any director, officer or senior management employee, created or amended any employee benefit plan, or made any changes or increases in the base compensation, bonuses, management fees, paid vacation time allowed or fringe benefits for its directors, officers, employees or consultants, other than in the ordinary course of business;
- (e) suffered any damage, destruction or loss (whether or not covered by insurance) affecting the Acquiror's business or assets;
- (f) made any capital expenditures, additions or improvements or commitments for the same which individually or in the aggregate exceeds ten thousand dollars (\$10,000);
- (g) made any loans or advances to any Person;
- (h) waived or surrendered any right of any kind whatsoever of material value;
- (i) acquired or agreed to acquire (by tender offer, exchange offer, merger, amalgamation, acquisition of shares or assets or otherwise) any Person, or other business organization or division or acquired or agreed to acquire any material assets of the Acquiror;
- (j) entered into, amended or terminated any material contracts, leases, licenses transactions, commitments or agreements concerning its operations;
- (k) entered into any agreement resulting in a Change of Control of the Acquiror, other than the Letter Agreement;
- (l) created or amended any stock option plan, bonus or other compensation plan;
- (m) entered into any related party transaction;
- (n) settled any outstanding Proceeding;
- (o) made any material change in accounting procedures or practices;

- (p) made any payment, entered into any agreement, whether written or oral, or done any act not permitted by, or contrary to, Policy 2.4 – *Capital Pool Companies* of the TSXV’s corporate finance manual;
- (q) discharged, satisfied or paid any Encumbrances of any kind whatsoever or obligation or liability of any kind whatsoever other than current liabilities in the ordinary course of its business; or
- (r) entered into any agreement or understanding to do any of the foregoing;

### **3.16 Leases and Property**

Acquiror is not a party to, or under any agreement to become a party to, any lease with respect to real property. Acquiror does not own any real property.

### **3.17 Assets**

The Acquiror’s assets consist solely of cash and cash equivalents.

### **3.18 Authorizations**

The Acquiror has all Authorizations of Governmental Entities, required to own and lease its properties and assets and to conduct its business as now conducted, except where the failure to hold the foregoing would not have a Material Adverse Effect on the Acquiror. Other than those required in the ordinary course of business, approval of delisting of the Acquiror Shares by the TSXV, approval of the Listing Statement and the Transaction by the CSE, the issuance of a preliminary receipt for the Preliminary Prospectus in accordance with Applicable Securities Laws, and the issuance of a final receipt for the Final Prospectus in accordance with Applicable Securities Laws, no registrations, filings, applications, notices, transfers, consents, approvals, audits, qualifications, waivers or other action of any kind is required by virtue of the execution and delivery of this Agreement, or of the consummation of the Transaction: (a) to avoid the loss of any material Authorization or any material asset, property or right pursuant to the terms thereof, or the violation or breach of any law applicable thereto, or (b) to enable the Acquiror to hold and enjoy the same immediately after the Closing Date in the conduct of its business as conducted prior to the Closing Date.

### **3.19 Employees**

The Acquiror has no employees and has had no employees since its incorporation and there are no agreements, written or oral, between the Acquiror and any other party relating to payment, remuneration or compensation for work performed or services provided or payment relating to a Change in Control or other events in respect of the Acquiror. Other than the Acquiror’s stock option plan, the Acquiror has no pension, profit sharing, group insurance, employee benefit or similar Plans or other deferred compensation plans of any nature and has never had any such plan.

### **3.20 Insurance**

Acquiror maintains no insurance policies.

### **3.21 Intellectual Property**

Acquiror does not hold any Intellectual Property and to the best of its knowledge, its operations and business does not infringe upon, misappropriate or conflict in any way with any intellectual property assets or rights owned or held by any other Person.

### **3.22 Litigation**

To the knowledge of Acquiror, there are no Proceedings contemplated or threatened against or affecting Acquiror, at law or in equity or before or by any Governmental Entity which would prevent or hinder the consummation of this Agreement or which have resulted in, involve the possibility of or could involve the possibility of any judgment or liability which can reasonably be expected to have a Material Adverse Effect on the business or condition, financial or otherwise of Acquiror, and to the best of the Acquiror's knowledge, there is no existing ground on which any such Proceeding might be commenced with any reasonable likelihood of success. Acquiror is not subject to any outstanding order, writ, injunction or decree.

### **3.23 Material Agreements**

Except for this Agreement and the Letter Agreement, the Acquiror does not have any material contracts, agreements, covenants, undertakings or other commitments.

### **3.24 Tax Returns**

The Acquiror has duly filed or has caused to be filed within the times and in the manner prescribed under all Applicable Laws, all federal, provincial, state, territorial, local and foreign Tax Returns required to be filed by the Acquiror and those Tax Returns were true, complete and correct in all material respects and reflect accurately all liabilities for Taxes for the period(s) covered thereby and that no material fact has been omitted therefrom. The Acquiror has paid, collected, withheld and remitted, or caused to be paid, collected, withheld and remitted to the appropriate Governmental Entity, all Taxes that are due and payable, collectible or remittable by it including any such amounts payable, collectible or remittable by it in connection with amounts paid or credited to any present or former employee, on or before the date of this Agreement. No extension of time in which to file any Tax Returns is in effect. No Encumbrance for Taxes has been filed or exists other than for Taxes not yet due and payable. The Acquiror has not received any notice of any tax deficiency outstanding, proposed or assessed, and there are no statutory charges or liens upon, pending against or, to the best knowledge of the Acquiror, following diligent inquiry, threatened against the Acquiror or any of its assets arising pursuant to any Applicable Laws.

### **3.25 Insolvency**

The Acquiror is not insolvent nor has it committed an act of bankruptcy, proposed a compromise or arrangement to its creditors generally, had any petition for the granting of a receiving order in bankruptcy filed against it, made a voluntary assignment into bankruptcy or taken any proceeding to have itself dissolved, wound-up or declared bankrupt or to have a receiver appointed in respect of all or any portion of its assets or commenced proceedings for any amalgamation, continuation or other corporate reorganization, nor are any such proceedings pending.

### **3.26 No Finder's Fee**

No Person is entitled to a finder's fee, commission or other form of compensation from the Acquiror with respect to this Agreement and the consummation of the Transaction.

### **3.27 No Limitations**

There is no non-competition, exclusivity or other similar agreement, commitment or understanding in place, whether written or oral, to which Acquiror is a party or is otherwise bound that would now or hereafter, in any way limit the business of Acquiror, the use of its assets or its operations;

### **3.28 Compliance with Laws**

To the knowledge of Acquiror, Acquiror is in compliance, in all material respects with all Applicable Laws, including Applicable Securities Laws, and any applicable judgment, decree, writ, injunction, directive, decision or order of any Governmental Entity or otherwise and Acquiror has not received notice from any Governmental Entity that it is not in compliance with any such Applicable Laws or applicable judgments, decrees, writs, injunctions, directives, decisions or orders, except where such failure to comply would not have a Material Adverse Effect on Acquiror.

### **3.29 Consideration**

The Consideration, when issued on Closing, shall be fully paid, validly issued and free and clear of all Encumbrances, except for such escrow and/or resale restrictions imposed by the CSE and Applicable Securities Laws.

The Target is aware that the Consideration has not been and will not be registered under the U.S. Securities Act or the securities laws of any state and may not be offered or sold, directly or indirectly, in the United States without registration under the U.S. Securities Act and the applicable laws of all applicable states or an exemption from such registration requirements and the Target acknowledges that the Acquiror has no present intention of filing a registration statement under the U.S. Securities Act in respect of the Acquiror Shares.

### **3.30 Information**

All current and historical data and information provided by Acquiror to the Target and its Representatives in writing in connection with the Transaction was and is complete and true and correct in all material respects as of the date made. All forward-looking information is, to the best of Acquiror's knowledge, based upon reasonable assumptions.

### **3.31 No Untrue Statements**

None of the representations, warranties or statements of fact made in this Article 3 contains any untrue statement of a material fact or omit to state any material fact necessary to make any such warranty or representation not misleading.

### **3.32 Survival**

The representations and warranties of Acquiror contained in this Agreement shall survive the Closing and the acquisition of the Target Shares and, notwithstanding any investigations or enquiries made by the Target prior to the Closing and notwithstanding the waiver of any condition by the Target, the representations, warranties, covenants and agreements of Acquiror, shall (except where otherwise specifically provided in this Agreement) survive the Closing and shall continue in full force and effect for a period of 24 months from the Closing Date for all matters.

### **3.33 Reliance**

Acquiror acknowledges and agrees that the Target has entered into this Agreement relying on the warranties and representations and other terms and conditions of this Agreement notwithstanding any independent searches or investigations that may be undertaken by or on behalf of the Target and that no information that is now known or should be known or that may hereafter become known to the Target or its Representatives, as the case may be, shall limit or extinguish any rights or remedies of the Target to the right to indemnification hereunder.

## **ARTICLE 4 REPRESENTATIONS AND WARRANTIES OF THE TARGET**

To induce the Acquiror to enter into and to complete the transactions contemplated by this Agreement, the Target represents and warrants to the Acquiror, as representations and warranties that are true at the date of this Agreement and immediately prior to the Closing Time as if such representations and warranties were made at such time, the following:

### **4.1 Corporate Status and Existence**

The Target:

- (a) is a corporation duly incorporated and validly existing under the WBCA;
- (b) is in good standing and not in default with respect to the filings required under Applicable Laws, including Applicable Securities Laws;
- (c) does not carry on business in any jurisdiction other than Washington, Colorado, Nevada and California, and does not own or lease any Assets in any jurisdiction other than Washington and California;
- (d) is duly qualified, licensed or registered to carry on business in Washington, Colorado, Nevada and California; and
- (e) is not required to be licensed or registered in any jurisdiction other than Washington, Colorado, Nevada and California.

### **4.2 Corporate Power and Authority**

The Target:

- (a) has all requisite corporate power and capacity to carry on the Business as now carried on by it and to own and lease its property and assets;
- (b) has all requisite corporate power and authority to execute and deliver and to perform its obligations under this Agreement; and
- (c) The execution, delivery and performance of this Agreement and the performance of the transactions contemplated herein are within the corporate power and authority of the Target and has been authorized by all necessary corporate action of the Target, and no other corporate proceedings or approvals on the part of the Target or its shareholders are necessary to authorize this Agreement. This Agreement, and any other agreement contemplated by this Agreement, constitutes a legal, valid and binding obligation of the Target enforceable against it in accordance

with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting the rights and remedies of creditors and the general principles of equity.

#### **4.3 Subsidiaries and Other Interests**

The Target has one subsidiary, Doublebeam, Inc. (the “**Subsidiary**”), a Washington corporation which is wholly owned by the Target. The Target does not own any other securities issued by, or any equity or ownership interest in, any other Persons. The Target is not subject to any obligation to make any investment in or to provide funds by way of loan, capital contribution or otherwise to any Persons.

The Subsidiary:

- (a) is a company duly incorporated and validly existing under the WBCA;
- (b) is in good standing and not in default with respect to the filings required under the Applicable Laws, including Applicable Securities Laws;
- (c) does not carry on business in any jurisdiction other than Washington and California; and
- (d) has all requisite corporate power and capacity to carry on the business as now carried on by it and to own and lease its property and assets.

#### **4.4 Capital**

The authorized capital of the Target consists of 600,000,000 shares, comprised of 500,000,000 common shares with par value of US\$0.0001 per share and 100,000,000 preferred shares with a par value of US\$0.0001 per share, of which 38,854,458 Target Shares, comprised of 24,208,158 shares of common Stock and 14,646,300 shares of Series A Preferred Stock, as set forth in Schedule B annexed hereto, are issued and outstanding. The Target Shares are the only issued and outstanding shares of the Target, which have been duly and validly issued and are fully paid and non-assessable shares and in compliance with all Applicable Securities Laws and the laws of the Target’s jurisdiction of incorporation. No outstanding shares are authorized or reserved for issuance other than as set out in section 4.5. To the knowledge of the Target, there are no shareholders’ agreements, pooling agreements, voting trusts nor other agreements or understandings with respect to the voting of all or any Target Shares.

#### **4.5 No Options**

Other than the Acquiror pursuant to the terms of the Letter Agreement, the holders of Target Options to purchase an aggregate of 6,995,951 Target Shares, and the holders of Target Warrants to purchase an aggregate of 99,000 Target Shares, as set forth in Schedule B annexed hereto, or as otherwise disclosed in the Disclosure Letter, or as issuable pursuant to the Financing, no person has any right, agreement, warrant, option, right of conversion, right of pre-emption, or commitment, present or future, contingent or absolute, or anything capable of becoming a right, agreement or option with the passage of time or the occurrence of any event or otherwise:

- (a) to require the Target or the Subsidiary to issue any further or other shares or any other security or other instrument convertible or exchangeable into shares or exchange any security of other instrument into or for shares of the Target or the Subsidiary, as the case may be;
- (b) for the issue or allotment of any of the unissued shares of the Target or the Subsidiary; or



- (c) to require the Target or the Subsidiary to purchase, redeem or otherwise acquire any of the issued and outstanding shares of the Target or the Subsidiary, as the case may be.

The holders of the Target Options and the Target Warrants have no right to vote in respect of the Transaction, at the Target Meeting, or otherwise, either pursuant to Applicable Laws or the terms and conditions of the Target Options and Target Warrants, as applicable.

#### **4.6 Dividends and Distributions**

No Distributions of any kind whatsoever on any shares in the capital of the Target have been made, declared or authorized.

#### **4.7 Reporting Issuer Status**

The Target is not a reporting issuer or any similar designation in any jurisdiction and the Target Shares are not listed or quoted on any stock exchange or trading facility. The Target is not subject to any regulatory decision or order prohibiting or restricting trading in its shares.

#### **4.8 No Authorization Required**

Except for the approval of delisting of the Acquiror Shares by the TSXV, approval of the Listing Statement and the Transaction by the CSE, the issuance of a preliminary receipt for the Preliminary Prospectus in accordance with Applicable Securities Laws, and the issuance of a final receipt for the Final Prospectus in accordance with Applicable Securities Laws, no Authorization of any Governmental Entity, and no registration with, declaration or notice to or filing by with any Governmental Entity, is required in order for the Target to incur the obligations expressed to be incurred by the Target in or pursuant to this Agreement, to execute and deliver all other documents and instruments to be delivered by the Target pursuant to this Agreement, to perform and observe the terms and provisions of this Agreement, and to render this Agreement a legal, valid and binding obligation of, and enforceable against the Target, subject to applicable bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting the rights and remedies of creditors and the general principles of equity.

#### **4.9 No Breach**

Neither of the execution and delivery of this Agreement, the completion of the transactions contemplated hereby, nor the observance and performance by the Target of its covenants and obligations herein, will:

- (a) conflict with or result in a breach or violation of any of the terms or provisions of the Constatting Documents of the Target or the Subsidiary or any resolutions of the directors (or any committee thereof) or shareholders of the Target or the Subsidiary which are in effect as at the date hereof;
- (b) conflict with, result in a breach or cancellation of, or create a state of facts, which after notice or lapse of time or both with result in a breach or violation of, constitute a default under, invalidate or impair rights to properties under, or accelerate or permit the acceleration of the performance required by, any agreement, mortgage, indenture, note, instrument, license, lease, contract, order, consent, approval, permit or authority to which the Target or the Subsidiary is a party or by which it is bound or to which any property of the Target or the Subsidiary is subject, which breach would be material to the Target, or result in the creation of any Encumbrance upon any of the assets of the Target or the Subsidiary under any such agreement, mortgage, indenture, note, instrument, license, lease, contract, order, consent, approval, permit or authority, or give to others any material interest or rights, including rights of purchase, termination, cancellation or

acceleration, under any such agreement, mortgage, indenture, note, instrument, license, lease, contract, order, consent, approval, permit or authority or impose any material restrictions on the ability of the Target or the Subsidiary to carry on any business or to acquire or dispose of any assets or to declare or make Distributions to its shareholders, or borrow or mortgage and pledge its property;

- (c) violate any Applicable Laws, including Applicable Securities Laws or any judicial or administrative order, award, judgment or decree applicable to the Target or the Subsidiary, which violation would be material to the Target; or
- (d) result in a breach of, or cause the termination or revocation of any Authorization held by the Target or the Subsidiary or necessary for the operation of the Business.

#### **4.10 Directors and Officers**

The directors and officers of the Target are as follows:

<b>Name</b>	<b>Position</b>
Ryan Hamlin	President & Chief Executive Officer and Director
Jon Baugher	Chief Revenue Officer and Director
Stephen Gledhill	Chief Financial Officer
Jeff Dossett	Chairman and Director
Michael Markette	Director
Paul Fiore	Director
Andrew Sweet	Chief Technology Officer

#### **4.11 Corporate Records**

The Corporate Records of the Target and the Subsidiary are accurate, complete and up to date in all material respects and all corporate proceedings and actions reflected in such corporate records have been conducted or taken in compliance with all Applicable Laws and with the Constatng Documents of the Target or the Subsidiary, and are maintained at the records office of the Target. Without limiting the generality of the foregoing: (i) the minute books contain complete and accurate minutes of all meetings of the directors and shareholders held since incorporation and all such meetings were properly called and held, (ii) the minute books contain all resolutions passed by the directors and shareholders (and committees, if any) and all such resolutions were properly passed, (iii) the share certificate books, register of shareholders and register of transfers are complete and accurate, all transfers have been properly completed and approved and any tax payable in connection with the transfer of any securities has been paid, and (iv) the registers of directors and officers are complete and accurate and all former and present directors and officers were properly elected or appointed, as the case may be.

#### **4.12 No Material Adverse Change**

Except as described in the Disclosure Letter, there has been no Material Adverse Change in the business, prospects, operations, results of operations, assets, capitalization or condition, financial or otherwise, of the Target from that which will be shown in the Target Financial Statements and the Target has not experienced, nor is it aware of any occurrence or event which has, or might reasonably be expected to have, a Material Adverse Effect on the Business, prospects, operations, results of operations, assets, capitalization or condition (financial or otherwise) which would constitute a Material Adverse Change in the Target.

#### **4.13 Financial Condition**

- (a) The Target Financial Statements will have been prepared in accordance with IFRS consistently applied, are true and correct in every material respect and present fairly and accurately the assets, liabilities (whether accrued, absolute, contingent or otherwise) and financial position and results of operations of the Target as at the dates and for the periods reported upon;
- (b) The Books and Records of the Target and the Subsidiary have been fully, properly and accurately kept and completed in all material respects and disclose all material financial transactions of the Target and such transactions have been fairly and accurately recorded;
- (c) There are no known or anticipated material liabilities of any kind whatsoever (including absolute, accrued or contingent liabilities) nor any commitments whether or not determined or determinable, of the Target or the Subsidiary, whether direct, indirect, absolute, contingent or otherwise, which will not have been disclosed or reflected in the Target Financial Statements except for:
  - (i) those incurred in the ordinary course of business of the Target since December 31, 2017, and such liabilities are recorded in the Books and Records of the Target or the Subsidiary; and
  - (ii) those incurred in relation to the transactions contemplated by this Agreement.
- (d) There is no indebtedness or liability of the Target or the Subsidiary to any Person which might, by operation of law or otherwise, now or hereafter constitute or be capable of resulting in or forming an Encumbrance upon any of the Assets;
- (e) Neither the Target nor the Subsidiary has not granted any Encumbrances over its assets or in any particular Asset;
- (f) Neither the Target nor the Subsidiary has guaranteed or agreed to guarantee any debt, liability or other obligation of any kind whatsoever of any Person; and
- (g) The accounts receivable of the Target and the Subsidiary are bona fide, good and collectible without set-off or counterclaim.

#### **4.14 Absence of Changes**

Since the date of the Letter Agreement, except as contemplated herein or as disclosed in the Disclosure Letter, neither the Target nor the Subsidiary has:

- (a) issued, sold, pledged, hypothecated, leased, disposed of, encumbered or agreed to issue, sell, pledge, hypothecate, lease, dispose of or encumber any shares or other securities or any right, option or warrant with respect thereto;
- (b) amended or proposed to amend its Constatng Documents;
- (c) split, combined or reclassified any of its securities or declared or made any Distribution;
- (d) made any bonus or profit-sharing distribution or similar payment of any kind under a Plan;
- (e) written off as uncollectible any Accounts Receivable which individually or in the aggregate is material to the Target or is in excess of \$25,000;
- (f) entered into or amended any employment or services contract with any director, officer or senior management employee, created or amended any Plan, or made any changes or increases in the base compensation, bonuses, management fees, paid vacation time allowed or fringe benefits for its directors, officers, employees or consultants, other than in the ordinary course of business;
- (g) experienced any resignation of any Employee;
- (h) suffered any damage, destruction or loss (whether or not covered by insurance) affecting the Business or their assets;
- (i) made any capital expenditures, additions or improvements or commitments for same which individually or in the aggregate exceed the equivalent of one hundred thousand dollars (\$100,000);
- (j) made any loans or advances to any Person;
- (k) waived or surrendered any right of any kind whatsoever of material value;
- (l) acquired or agreed to acquire (by tender offer, exchange offer, merger, amalgamation, acquisition of shares, assets or otherwise) any Person or other business organization or division, or acquired or agreed to acquire any material assets of the Target or the Subsidiary;
- (m) entered into, amended or terminated any material contracts, commitments, leases, licenses transactions or agreements regarding the Business;
- (n) entered into any agreement resulting in a Change of Control of the Target or the Subsidiary, other than the Letter Agreement;
- (o) created any stock option, bonus or other compensation plan, paid any bonuses or made any awards of cash, stock or other, deferred or otherwise, or deferred any compensation to any of its directors or officers, other than in the ordinary course of business;
- (p) entered into any related party transaction;
- (q) settled any outstanding Proceeding;
- (r) cancelled or reduced any of its insurance coverage;

- (s) made any material change in accounting procedures or practices;
- (t) discharged, satisfied or paid any Encumbrance of any kind whatsoever or obligation or liability of any kind whatsoever other than current liabilities in the ordinary course of its business;
- (u) increased its indebtedness for borrowed money or assumed, guaranteed or otherwise became liable with respect to the liabilities or obligations of any Person;
- (v) entered into any agreement or arrangement granting any rights to purchase or lease any of the Assets;
- (w) sold, leased, subleased, assigned or transferred (by tender offer, exchange offer, merger, amalgamation, sale of shares or assets or otherwise) any of their assets; or
- (x) entered into any agreement or understanding to do any of the foregoing.

#### **4.15 Shareholder and Other Loans**

Except as disclosed in the Disclosure Letter, there are no loans, debts or other liabilities of any the Target or the Subsidiary in favor of any of the Target Shareholders, or any former shareholder or any party related to them, or the Target's officers, former officers, directors, former directors, employees or former employees or any party related thereto or any other Person with whom the Target does not deal with at arm's length (within the meaning of the *Income Tax Act* (Canada), nor are there any loans outstanding or other amounts due to the Target from such Persons.

#### **4.16 Non-Arm's Length Transactions**

Neither the Target nor the Subsidiary is a party to any contract or agreement with any officer, former officer, director, former director, employee, former employee, shareholder former shareholder or any other Person with whom they respectively are not dealing with at arm's length (within the meaning of the *Income Tax Act* (Canada), nor any Affiliate of any of the foregoing, with the exception of usual compensation paid in the ordinary course of business consistent with past practice. At the Closing Date, no amounts will be due or owing to any of the current or former officers of the Target, current or former shareholders of the Target or the current or former members of the board of directors of the Target save and except in respect of any indemnification by the Target of the directors as provided in the Constatting Documents of the Target.

#### **4.17 Leases**

Other than leased office space, neither the Target nor the Subsidiary is a party to, or under any agreement to become a party to, any lease with respect to real property. Neither the Target nor the Subsidiary owns any real property

#### **4.18 Sufficiency of Assets**

The Business is the only business operation carried on by the Target and the Subsidiary and the Assets include all rights and property necessary to the conduct the Business after the Closing substantially in the same manner as it was conducted prior to the Closing.

#### **4.19 Title to Assets**

Each of the Target and the Subsidiary owns (with good and marketable title) all of the properties and assets (whether real, personal or mixed and whether tangible or intangible) that it purports to own including all the properties and assets reflected as being owned by the Target or the Subsidiary in their Books and Records and the Target Financial Statements. The Target has legal and beneficial ownership of its Assets, either directly or indirectly through the Subsidiary, free and clear of all Encumbrances, including any agreements which would have a Material Adverse Effect on such properties or assets, except as disclosed in the Target Financial Statements. Neither the Target nor the Subsidiary has received notice of any material defect in its title or claim to the Assets or any notice from any third party claiming such an interest, and, for the period of time that the Target or the Subsidiary has owned the Assets, as applicable, all material relevant obligations of the Target or the Subsidiary in relation to the Assets have been performed and observed.

#### **4.20 No Options to Purchase Assets**

There are no written or oral agreements, options, understandings or commitments, or any right or privilege capable of becoming such for the purchase or other acquisition from the Target or the Subsidiary of any of their assets, other than assets which are obsolete or inventory to be sold in the ordinary course.

#### **4.21 Condition of Tangible Assets**

The tangible personal property of the Target and the Subsidiary is in good operating condition and repair having regard to its use and age and is adequate and suitable for the uses to which it is being put. None of such tangible assets are in need of maintenance or repairs except for routine maintenance and repairs in the ordinary course that are not material in nature or cost.

#### **4.22 No Orders**

There are no outstanding material orders, notices or similar requirements relating to the Assets issued by any Governmental Entity including, without limitation, occupational health and safety authorities and there are no matters under discussion between the Target or the Subsidiary and any such authorities relating to orders, notices or similar requirements.

#### **4.23 Authorizations**

The Target or the Subsidiary owns, holds, possesses or lawfully uses in the operation of the Business, all Authorizations of Governmental Entities, that are required to own and lease their Assets and to conduct the Business as now conducted or as proposed to be conducted following completion of the Transaction, to use the Assets in compliance with Applicable Laws, or to meet its obligations under this Agreement and in the manner in which the Business will need to be carried on in order for the Target to meet its obligations under this Agreement and which are necessary in connection with the ownership of Assets, except where the failure to hold the foregoing would not have a Material Adverse Effect on the Target.

Each Authorization is valid, subsisting and in good standing. Neither the Target nor the Subsidiary is in default or breach of any Authorization and, no proceeding is pending or to the knowledge of the Target or the Subsidiary, threatened to revoke or limit any Authorization. All Authorizations are renewable by their terms or in the ordinary course without the need for the Target or the Subsidiary to comply with any special rules or procedures, agree to any materially different terms or conditions or pay any amounts other than routine filing fees.

Other than those required in the ordinary course of business, approval of delisting of the Acquiror Shares by the TSXV, approval of the Listing Statement and the Transaction by the CSE, the issuance of a preliminary receipt for the Preliminary Prospectus in accordance with Applicable Securities Laws, and the issuance of a final receipt for the Final Prospectus in accordance with Applicable Securities Laws, no registrations, filings, applications, notices, transfers, consents, approvals, audits, qualifications, waivers or other action of any kind is required by virtue of the execution and delivery of this Agreement, or of the consummation of the Transaction: (a) to avoid the loss of any material Authorization or any material asset, property or right pursuant to the terms thereof, or the violation or breach of any law applicable thereto, or (b) to enable the Target or the Subsidiary to hold and enjoy the same immediately after the Closing Date in the conduct of the Business as conducted prior to the Closing Date.

Neither the Target nor the Subsidiary have any reason to believe that they will be unable to obtain any Authorization that might be required by the Target or the Subsidiary to operate the business contemplated to be operated by the Target following the completion of the Transaction.

#### **4.24 Employees**

- (a) To the knowledge of the Target, the Target or the Subsidiary has, in all material respects, complied with, and operated the Business in accordance with, all Applicable Laws relating to employment and labour matters, including employment and labour standards and practices, occupational health and safety, employment equity, pay equity, workers' compensation, human rights and labour relations matters;
- (b) To the knowledge of the Target, the Target and the Subsidiary have not nor are they engaged in any unfair labour practice and no unfair labour practice complaint, grievance or arbitration proceeding is pending or threatened against the Target or the Subsidiary.
- (c) No collective bargaining agreement is currently being negotiated by the Target or the Subsidiary with respect to any Employees of the Target or the Subsidiary and there are no collective agreements in force with respect to the Employees. No union representation question exists respecting the Employees of the Target or the Subsidiary.
- (d) There is no labour strike, dispute, work slowdown or work stoppage pending or involving or threatened against the Target or the Subsidiary. No trade union has applied to have the Corporation declared a related employer pursuant to the *Labour Code* (British Columbia) or any similar labour legislation in any jurisdiction in which the Target or the Subsidiary carries on its Business.
- (e) All amounts due or accrued due for all salary, wages, bonuses, commissions, vacation with pay, overtime, pension benefits, profit sharing or other Employee benefits are reflected in the Books and Records.
- (f) In the most recently completed financial year and prior to the date hereof, neither the Target nor the Subsidiary experienced the resignation, termination or retirement of employment of any Employees.
- (g) There are no Employees of the Target or the Subsidiary that (i) have been absent continually from work for a period in excess of one month during the last 6 months; (ii) are presently in receipt of workers' compensation benefits on account of their employment by the Target; (iii) are presently on unauthorized unpaid leave of absence (including maternity or paternal leave or unpaid sick leave) from the Target or the Subsidiary; (iv) are presently on lay-off from the Target with an

existing right of recall pursuant to Applicable Law.

- (h) Except as described in the Disclosure Letter, there are no agreements, written or oral, between the Target or the Subsidiary and any other party relating to payment, remuneration or compensation for work performed or services provided or payment relating to a Change in Control or other events in respect of the Target or the Subsidiary.

#### **4.25 Workers Compensation**

Except for claims by Employees under workers' compensation legislation which, if adversely determined, would not, either individually or in the aggregate, have a Material Adverse Effect, or rating assessment (for the purposes of workers' compensation legislation) in respect of the Target, there are no complaints, claims or charges pending or outstanding or, anticipated, nor are there any orders, decisions, directions or convictions currently registered or outstanding by any tribunal or agency against or in respect of the Target or the Subsidiary under or in respect of any workers' compensation legislation. There are no appeals pending before the Workers' Compensation Board or similar Governmental Entity in any jurisdiction in which the Target or the Subsidiary operates involving the Target, or the Subsidiary and all levies, assessments and penalties made against the Target or the Subsidiary pursuant to any applicable workers' compensation legislation have been paid.

#### **4.26 Pension Plans**

There are no pension, profit sharing, group insurance, employee benefit or similar Plans or other deferred compensation plans of any kind whatsoever for Employees.

#### **4.27 Insurance**

The Assets are insured in such amounts and against such risks as deemed appropriate by the Target having regard to the Business. Neither the Target nor the Subsidiary is in default with respect to any of the provisions contained in the insurance policies, the payment of any premiums under any insurance policy and has not failed to give any notice or to present any claim under any insurance policy in a due and timely fashion. There has not been any Material Adverse Change in the relationship of the Target or the Subsidiary with their insurers, the availability of coverage, or in the premiums payable pursuant to the policies. The Target or the Subsidiary maintains all insurance coverage as may be required by any Material Contract.

#### **4.28 Intellectual Property**

The Target relies on a combination of trademark, patent, copyright and trade secrecy laws, confidentiality procedures and contractual provisions to protect its Intellectual Property Rights. The Target currently has no patents or patent applications. The Target asserts copyright ownership generally in its written works but has no formal copyright registration process in place. The Target owns the url [www.posabit.co](http://www.posabit.co). To the knowledge of the Target, neither the Target nor the Subsidiary has transferred ownership of, or agreed to transfer ownership of, or granted or agreed to grant any exclusive license to, any owned Intellectual Property to any third party. No actions are required to be taken by the Target or the Subsidiary within 120 days of the date hereof with respect to its Intellectual Property Rights in order to avoid prejudice to, impairment or abandonment of such Intellectual Property Rights; the Target's Intellectual Property Rights are subsisting (or in the case of applications, applied for) and to the knowledge of the Target, are not invalid or unenforceable; to the knowledge of the Target, none of the Intellectual Property Rights is currently involved in any interference, inventorship dispute, reissue, re-examination, opposition



proceeding, or cancellation proceeding; neither the Target nor the Subsidiary has received any written notice from any Person regarding any such proceeding.

#### **4.29 Third Party Intellectual Property**

The Disclosure Letter lists all Third Party Intellectual Property that is knowingly incorporated into, integrated into, or bundled with any of the Products as of the Closing Date (including any Third Party Intellectual Property used to provide any Products that are services) and identifies (i) the applicable Contract under which such Third Party Intellectual Property is licensed to the Target or the Subsidiary and (ii) the Product(s) into or with which such Third Party Intellectual Property is incorporated, integrated, or bundled.

#### **4.30 Infringement of Intellectual Property**

Neither the Target nor the Subsidiary has received any written opinion of counsel that any Product or the operation of the Business does or does not infringe, misappropriate, or violate any unexpired Intellectual Property Right of a third party or that any Intellectual Property Right of a third party is invalid or unenforceable and neither the Target nor the Subsidiary is aware of any earlier opinions that might present an impediment to the conduct of the Business. The Target has no knowledge of any infringement or alleged infringement by others of any Intellectual Property. To the best knowledge of Target, neither the Target nor the Subsidiary has infringed, and are not now infringing, on any Intellectual Property belonging to any other Person.

#### **4.31 No Governmental Assistance**

No (i) government funding (except for any governmental tax incentive programs relating to scientific research and experimental development); (ii) facilities of a university, college, other educational institution or research center; or (iii) funding from any Person (other than funds received in consideration for shares) was used in the development of the Target's or the Subsidiary's Intellectual Property. No Contributor (as defined below) has performed services for any government, university, college or other educational institution or research center during a period of time during which such Contributor was also performing services for the Target or the Subsidiary.

#### **4.32 IP Assignment Agreement**

To the knowledge of the Target, the Target or the Subsidiary has secured from all current and former employees, consultants, independent contractors, directors and advisors who independently or jointly contributed to or participated in the conception, reduction to practice, creation or development of any Intellectual Property Rights for the Target or the Subsidiary (each a "Contributor"), unencumbered and exclusive ownership of, all of Intellectual Property Rights in such contribution that the Target or the Subsidiary does not already own by operation of law; (ii) and without limiting the foregoing, to the knowledge of the Target, the Target or the Subsidiary has obtained written proprietary information and invention disclosure and Intellectual Property Rights assignments from all Contributors.

#### **4.33 Employee Breaches**

To the Target's knowledge, no current or former employee, consultant or independent contractor of the Target or the Subsidiary: (i) is in violation of any term or covenant of any Contract relating to employment, invention disclosure (including patent disclosure), invention assignment, non-disclosure or any other Contract with any other party by virtue of such Employee's, consultant's or independent contractor's being employed by, or performing services for, the Target or the Subsidiary or using trade

secrets or proprietary information of others without permission; or (ii) has developed any technology, software or other copyrightable, patentable or otherwise proprietary work for the Target or the Subsidiary that is subject to any agreement under which such employee, consultant or independent contractor has assigned or otherwise granted to any third party any rights (including Intellectual Property Rights) in or to such technology, software or other copyrightable, patentable or otherwise proprietary work.

#### **4.34 Confidential Information**

The Target and the Subsidiary has taken commercially reasonable steps to protect and preserve the confidentiality of its Confidential Information.

#### **4.35 Non-Infringement**

Neither the Target nor the Subsidiary has brought any action, suit or proceeding for infringement or misappropriation of any Intellectual Property Right, or threatened to do any of the foregoing. To the knowledge of the Target, the operation of the Business, including the making, using or selling of any Product: (i) has not, does not, and will not infringe or misappropriate the Intellectual Property Rights of any third party; and (ii) does not constitute unfair competition or unfair trade practices under the laws of any jurisdiction; neither the Target nor the Subsidiary has been sued in any suit, action or proceeding or received any notice or, to the knowledge of the Target, threat which claims infringement or misappropriation of any Intellectual Property Rights of any third party or which contests the validity, ownership or right of the Target or the Subsidiary to own or exercise any Intellectual Property; no Intellectual Property or Product is subject to any proceeding, order, judgment or settlement agreement that restricts the use, transfer, or licensing thereof by the Target or the Subsidiary, or which affects the validity, use or enforceability of any such Intellectual Property. All Works bear the proper registration notice where appropriate to do so.

#### **4.36 Intellectual Property Agreements**

To the knowledge of the Target:

- (a) The Target is not (and will not be as a result of the execution and delivery or effectiveness of this Agreement or the performance of the Target's obligations under this Agreement), in breach of any Intellectual Property Agreement;
- (b) The consummation of the transactions contemplated by this Agreement will not result in, or give any Person the right to cause (i) any modification, cancellation, termination, suspension of, or acceleration or increase of any payments under any Intellectual Property Agreements, (ii) a loss of, or Encumbrance on, any Intellectual Property; or (iii) the grant, assignment or transfer to any Person of any license or other right or interest to any Intellectual Property;
- (c) No third party is in breach of an Intellectual Property Agreement.

#### **4.37 Litigation**

To the knowledge of the Target, there are no Proceedings contemplated or threatened, against or affecting the Target, the Business or the Target Shares, at law or in equity or before any Governmental Entity which would prevent or hinder the consummation of this Agreement or which have resulted in, involve the possibility of or could involve the possibility of any judgment or liability which can reasonably be expected to have a Material Adverse Effect on the Business or condition, financial or

otherwise of the Target or the Target Shares, and to the best of the Target's knowledge, there is existing ground on which any such Proceeding might be commenced with any reasonable likelihood of success. The Target is not subject to any outstanding order, writ, injunction or decree.

#### **4.38 Material Contracts**

Except as listed in the Disclosure Letter (collectively, the "**Material Contracts**"), neither the Target nor the Subsidiary is a party to or bound by:

- (a) any distributor, sales, advertising, agency or manufacturer's representative Contract;
- (b) any continuing Contract for the purchase of materials, supplies, equipment or services involving in the case of any such Contract more than \$50,000 over the life of the Contract;
- (c) any Contract that expires or may be renewed at the option of any Person other than the Target or the Subsidiary, so as to expire more than one year after the date of this Agreement;
- (d) any trust indenture, mortgage, promissory note, loan agreement or other Contract for the borrowing of money, any currency exchange, commodities or other hedging arrangement or any leasing transaction of the type required to be capitalized in accordance with GAAP;
- (e) any Contract for capital expenditures in excess of \$50,000, individually, nor more than \$200,000 in the aggregate;
- (f) any confidentiality, secrecy or non-disclosure Contract or any Contract with a competitor of the Business, or any Contract limiting the freedom of the Target or the Subsidiary to engage in any line of business, compete with any other Person, operate its assets at maximum production capacity or otherwise conduct its business or with a competitor of Business;
- (g) any Contract pursuant to which the Target or the Subsidiary is a lessor of any machinery, equipment, motor vehicles, office furniture, fixtures or other personal property having a payment obligation in excess of \$50,000 per year;
- (h) any agreement of guarantee, support, indemnification, assumption or endorsement of, or any similar commitment with respect to, the obligations, liabilities (whether accrued, absolute, contingent or otherwise) or indebtedness of any other Person;
- (i) any partnership, joint venture, profit-sharing arrangement or other association of any kind in which the Target or the Subsidiary has agreed to share any Asset, revenue or profit with any other Person;
- (j) any Contract made out of the ordinary course; or
- (k) any Contract which requires the consent of a third party prior to their being any Change of Control of the Target or the Subsidiary or which would entitle a third party to terminate the Contract upon a Change of Control of the Target.

#### **4.39 No Breach of Material Contracts**

To the knowledge of the Target, the Target and the Subsidiary have performed all of the obligations required to be performed by them and are entitled to all benefits under, and neither the Target nor the

Subsidiary has received notice or advice alleging it to be in default of any Material Contract. Each Material Contract is in full force and effect and, to the best of the knowledge and belief of the Target, is valid, binding and enforceable against each of the parties thereto in accordance with its terms subject however, to limitations with respect to enforcement imposed by law in connection with bankruptcy or similar proceedings and to the extent that equitable remedies such as specific performance and injunction are in the discretion of the court from which they are sought, and no material breach or default exists in respect thereof on the part of any party thereto and no event has occurred which, with the giving of notice or lapse of time or both, would constitute such a material breach or default. True and complete copies of all Material Contracts have been delivered to the Acquiror.

#### **4.40 No Breach of Other Contracts**

To the knowledge of the Target, neither the Target nor the Subsidiary has violated or breached, in any material respect, any of the terms or conditions of any Contract, nor any contract previously entered into by any Affiliate, except for certain failures to perform which, would not have a Material Adverse Effect. Neither the Target nor the Subsidiary has received notice of any such breach, and, to the knowledge of the Target, all the covenants to be performed by any other party to such Contract have been fully performed, in all material respects.

#### **4.41 Customers and Suppliers**

To the knowledge of the Target, there is no reason to believe that the benefits of any relationship with any of the major customers or suppliers of the Target or the Subsidiary will not continue after the Closing Date in substantially the same manner as prior to the date of this Agreement.

#### **4.42 Tax Returns**

The Target and the Subsidiary have duly filed or has caused to be filed within the times and in the manner prescribed under all Applicable Laws, all federal, provincial, state, territorial, local and foreign Tax Returns required to be filed by the Target or the Subsidiary and those Tax Returns were true, complete and correct in all material respects and reflect accurately all liabilities for Taxes for the period(s) covered thereby and that no material fact has been omitted therefrom. The Target and the Subsidiary have paid, collected, withheld and remitted, or caused to be paid, collected, withheld and remitted to the appropriate Governmental Entity, all Taxes that are due and payable, collectible or remittable by it including any such amounts payable, collectible or remittable by it in connection with amounts paid or credited to any present or former employee, on or before the date of this Agreement. No extension of time in which to file any Tax Returns is in effect. No Encumbrance for Taxes has been filed or exists other than for Taxes not yet due and payable. Neither the Target nor the Subsidiary has received any notice of any tax deficiency outstanding, proposed or assessed, and there are no statutory charges or liens upon, pending against or, to the best knowledge of the Target, following diligent inquiry, threatened against the Target, the Subsidiary or any of their Assets arising pursuant to any Applicable Laws.

#### **4.43 Insolvency**

Neither the Target nor the Subsidiary is insolvent nor has it committed an act of bankruptcy, proposed a compromise or arrangement to its creditors generally, had any petition for the granting of a receiving order in bankruptcy filed against it, made a voluntary assignment into bankruptcy or taken any proceeding to have itself dissolved, wound-up or declared bankrupt or to have a receiver appointed in respect of all or any portion of its assets or commenced proceedings for any amalgamation, continuation or other corporate reorganization, nor are any such proceedings pending.

#### **4.44 No Finder's Fee**

Except as described in the Disclosure Letter, no Person is entitled to a finder's fee, commission or other form of compensation from the Target or the Subsidiary with respect to this Agreement and the consummation of the Transaction.

#### **4.45 No Limitations**

There is no non-competition, exclusivity or other similar agreement, commitment or understanding in place, whether written or oral, to which the Target or the Subsidiary is a party or is otherwise bound that would now or hereafter, in any way limit the Business, use of their respective assets or their respective operations. There are no facts or circumstances known to the Target which could materially adversely affect the ability of the Target or the Subsidiary to continue to operate the Business as presently conducted following the completion of the transactions contemplated by this Agreement.

#### **4.46 Compliance with Laws**

To the knowledge of the Target, the Target and the Subsidiary are in compliance, in all material respects with all Applicable Laws and any applicable judgment, decree, writ, injunction, directive, decision or order of any Governmental Entity or otherwise and neither the Target nor the Subsidiary has received notice from any Governmental Entity that it is not in compliance with any such Applicable Laws or applicable judgments, decrees, writs, injunctions, directives, decisions or orders, except where such failure to comply would not have a Material Adverse Effect on the Target.

#### **4.47 Information**

All current and historical data and information provided by the Target to Acquiror and their Representatives in writing in connection with the Transaction was and is complete and true and correct in all material respects as of the date made. All forward-looking information is, to the best of the Target's knowledge, based upon reasonable assumptions. Each of the Listing Statement, the Preliminary Prospectus and the Final Prospectus, as and when filed on SEDAR and as it relates to the Target, will constitute full, true and plain disclosure of all material facts relating to the securities of the Target.

#### **4.48 No Untrue Statements**

None of the representations, warranties or statements of fact made in this Article 4 contain any untrue statement of a material fact or omit to state any material fact necessary to make any such warranty or representation not misleading.

#### **4.49 Survival**

The representations and warranties of the Target contained in this Agreement shall survive the Closing and the sale of the Target Shares and, notwithstanding any investigations or enquiries made by Acquiror prior to the Closing and notwithstanding the waiver of any condition by Acquiror, the representations, warranties, covenants and agreements of the Target, shall (except where otherwise specifically provided in this Agreement) survive the Closing and shall continue in full force and effect for a period of 24 months from the Closing Date for all matters.

#### **4.50 Reliance**

The Target acknowledges and agrees that Acquiror has entered into this Agreement relying on the warranties and representations and other terms and conditions of this Agreement notwithstanding any independent searches or investigations that may be undertaken by or on behalf of Acquiror and that no information that is now known or should be known or that may hereafter become known to Acquiror or its Representatives, as the case may be, shall limit or extinguish any rights or remedies of Acquiror to the right to indemnification hereunder.

### **ARTICLE 5 COVENANTS**

#### **5.1 Transaction Filings**

Each of the Acquiror and the Target shall promptly apply for and use all reasonable efforts to obtain all approvals of the TSXV, the CSE and any Governmental Entity which are required in connection with the consummation of the transactions contemplated hereby, including the delisting of the Acquiror Shares from the TSXV, the approval of the listing of the Acquiror Shares on the CSE, the issuance of a preliminary receipt for the Preliminary Prospectus in accordance with Applicable Securities Laws, and the issuance of a final receipt for the Final Prospectus in accordance with Applicable Securities Laws. The Acquiror shall initiate the applications for such approvals, and each Party shall cooperate with and use all reasonable efforts to assist the other Parties in obtaining such approvals.

Each of the Acquiror and the Target shall cooperate to prepare and file as soon as possible following the entering of this Agreement, (i) the Listing Statement with the CSE, (ii) the Preliminary Prospectus together with any other documents required by Applicable Securities Laws, and (iii) the Final Prospectus together with any other documents required by Applicable Securities Laws, and each of the Acquiror and the Target will provide (or cause to provide) in connection with the preparation of the Listing Statement, the Preliminary Prospectus and the Final Prospectus, on a timely basis, all relevant information concerning its business, assets and operations (including applicable financial statements). Each of Target and Acquiror shall cause a certificate to be attached to the Listing Statement, the Preliminary Prospectus and the Final Prospectus to be executed in the form provided for in Applicable Securities Laws.

#### **5.2 Access to Information**

- (a) Acquiror shall furnish to the Target such information, in addition to the information contained in this Agreement, relating to the financial condition, business, properties and affairs of Acquiror, as may reasonably be requested by the Target, which information shall be true and complete in all material respects and shall not contain an untrue statement of any material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances in which they are made, not misleading, and shall provide to the Target and its Representatives, upon reasonable notice, access during normal business hours (or at such other time or times as the Parties may reasonably request until the earlier of the Closing Date and the termination of this Agreement) to the properties, books, records, officers and personnel of the Acquiror, as the Target may reasonably request, always provided that such access will not materially interfere with the normal business operations of Acquiror.
- (b) The Target shall furnish to Acquiror such information, in addition to the information contained in this Agreement, relating to the financial condition, business, properties and affairs of the Target and the Subsidiary as may reasonably be requested by Acquiror, which information shall be true

and complete in all material respects and shall not contain an untrue statement of any material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances in which they are made, not misleading, and shall provide to Acquiror and its Representatives, upon reasonable notice, access during normal business hours (or at such other time or times as the Parties may reasonably request until the earlier of the Closing Date and the termination of this Agreement) to the properties, books, records, officers and personnel of the Target, as the Acquiror may reasonably request, always provided that such access will not materially interfere with the normal business operations of the Target.

### **5.3 Conduct of Business of Acquiror**

Acquiror hereby covenant and agree that until the earlier of the Termination Date and the Closing Date:

- (a) Acquiror will carry on its business in the ordinary course and consistent with past practice, except as otherwise contemplated in this Agreement, and Acquiror shall use its commercially reasonable efforts to maintain and preserve its business, assets and business relationships;
- (b) Acquiror will at all times comply with Policy 2.4 – *Capital Pool Companies* of the TSXV’s corporate finance manual while the Acquiror Shares are listed on the TSXV;
- (c) Acquiror will cause Merger Sub to be formed in a timely manner in order to facilitate the Transaction and enter into such other agreements as may be necessary to effect the Transaction in reliance upon Section 2.11 *Business combination and reorganization* and/or Section 2.16 *Take-over bid and issuer bid* of National Instrument 45-106 *Prospectus Exemptions*;
- (d) Acquiror shall maintain its Books and Records in the usual, regular and ordinary manner, on a basis consistent with prior practices and will comply with all laws, rules and regulations applicable to it and to the conduct of its business and will not do any act, or omit to do any act which will cause a breach of any material commitments or obligations;
- (e) Acquiror shall do all such acts and things necessary to ensure that all of the representations and warranties of Acquiror contained in this Agreement remain true and correct and not do any such act or thing that would render any representation or warranty of Acquiror untrue or incorrect; and
- (f) Acquiror shall not (unless otherwise contemplated in this Agreement or with the prior written consent of the Target, such consent not to be unreasonably withheld):
  - (i) merge into or with, or amalgamate or consolidate with, or enter into any other corporate reorganization with, any other corporation or person or perform any act or enter into any transaction or negotiation which interferes or is inconsistent with the completion of the transactions contemplated hereby, other than as contemplated in this Agreement and, without limiting the generality of the foregoing, Acquiror will not:
    - (A) except pursuant to the exercise of the Agent’s Warrants or the Acquiror Options or in furtherance of the transactions contemplated by this Agreement, allot, reserve, set aside issue, sell, pledge, hypothecate, lease, dispose of or encumber any shares of any class or other securities or any right, option, call, or warrant with respect thereto or enter into any agreements for the future issuance of securities; or
    - (B) split, combine, reclassify any of its securities or declare or make any Distribution;

- (ii) alter or amend its Constatng Documents as the same exist at the date of this Agreement, other than to effect a change of the Acquiror's name as requested by the Target;
- (iii) engage in any business, enterprise or other activity different from that carried on by it at the date of this Agreement or enter into any transaction or incur (except in respect of obligations or liabilities to which it is already legally subject) any obligation, expenditure or liability other than obligations, expenditures and liabilities relating to the maintenance of its corporate existence, delisting of the Acquiror Shares from the TSXV, application for listing of the Acquiror Shares on the CSE or reasonable costs incurred in connection with the Transaction;
- (iv) enter into or amend any employment or consulting agreements or service contracts with any director, officer, employee or consultant or create or amend any employee benefit plan, or otherwise make any changes in compensation, bonuses, fees or benefits to such directors, officers, employees or consultants;
- (v) make any capital expenditures, additions or improvements or commitments for the same which individually or in the aggregate exceed ten thousand dollars (\$10,000);
- (vi) make any loan or advance to any Person or guarantee the payment of any indebtedness of another Person;
- (vii) other than pursuant to this Agreement, acquire or agree to acquire any Person or other business organization or division or acquire or agree to acquire any material assets;
- (viii) enter into, renegotiate, amend, modify, fail to renew or terminate any material agreements or waive, release, assign, grant or transfer any material right or claim thereunder;
- (ix) create or amend any stock option, bonus or other compensation plan, pay any bonuses or make any awards of cash, stock or other, deferred or otherwise, grant any stock options, or defer any compensation to any of its directors or officers;
- (x) make any material change in accounting procedures or practices;
- (xi) enter into any related party transaction;
- (xii) mortgage, pledge or hypothecate any of its assets or subject any of its assets to any Encumbrance;
- (xiii) discharge, satisfy or pay any Encumbrance of any kind whatsoever other than current liabilities in the ordinary course of business;
- (xiv) other than in the ordinary course of business, enter into any agreement or arrangement granting any rights to purchase or lease any of its assets or rights or requiring the consent of any Person to the transfer, assignment or lease of any such assets or rights;
- (xv) dispose, sell, lease, sublease, assign or transfer (by tender offer, exchange offer, merger, amalgamation, sale of shares or assets or otherwise) any of its assets;
- (xvi) enter into any agreement resulting in a Change of Control of Acquiror, other than this Agreement or any agreement entered into in relation to the Financing;



(xvii) settle any outstanding Proceeding; or

(xviii) enter into any agreement or understanding to do any of the foregoing.

#### **5.4 Covenants relating to the Target**

The Target hereby covenants and agrees that until the earlier of the Termination Date and the Closing Date:

- (a) the Target will and will cause the Subsidiary to, carry on its business in the ordinary course and consistent with past practice, except as otherwise contemplated in this Agreement. The Target will use all commercially reasonable efforts to maintain and preserve intact the Business, its Assets and its business relationships and keep available the services of the present Employees and agents of the Target, except those who voluntarily terminate their employment or services;
- (b) the Target shall maintain the Books and Records in the usual, regular and ordinary manner, on a basis consistent with prior practices and will comply with all laws, rules and regulations applicable to it and to the conduct of the Business and will not do any act, or omit to do any act which will cause a breach of any material commitments or obligations;
- (c) the Target shall and shall cause the Subsidiary to maintain (i) payables and other liabilities at levels consistent with past practice, (ii) levels of inventories in accordance with past practice to carry on the Business in the ordinary course, and (iii) the Assets in the current state of repair and condition;
- (d) the Target shall and shall cause the Subsidiary to comply with all Authorizations and contractual obligations under the Material Contracts;
- (e) the Target shall do all such acts and things reasonably necessary to ensure that all of the respective representations and warranties of the Target and the Subsidiary contained in this Agreement remain true and correct and not do any such act or thing that would render any representation or warranty untrue or incorrect;
- (f) the Target shall not and shall cause the Subsidiary not to, (unless otherwise contemplated in this Agreement or with the prior written consent of Acquiror, such consent not to be unreasonably withheld):
  - (i) merge into or with, or amalgamate or consolidate with, or enter into any other corporate reorganization with, any other corporation or person or perform any act or enter into any transaction or negotiation which interferes or is inconsistent with the completion of the Transaction, other than as contemplated in this Agreement and, without limiting the generality of the foregoing, the Target will not and will cause the Subsidiary not to:
    - (A) except in relation to the proposed issuance of securities under the Financing, allot, reserve, set aside, issue sell, pledge, hypothecate, lease, dispose of or encumber any shares of any class or other securities or any right, option, call, or warrant with respect thereto or enter into any agreements for the future issuance of securities, other than the conversion of the Loan; or
    - (B) split, combine or reclassify any of its securities or declare or make any Distribution;

- (ii) alter or amend their Constatng Documents as the same exist at the date of this Agreement;
- (iii) engage in any business, enterprise or other activity other than the Business;
- (iv) enter into or amend any employment or consulting agreements or service contracts with any director, officer, employee or consultant or create or amend any employee benefit plan, or otherwise make any changes in compensation, bonuses, fees or benefits to such directors, officers, employees or consultants;
- (v) remove the auditor or any director or terminate any officer or other Employee;
- (vi) make any capital expenditures, additions or improvements or commitments for the same which individually or in the aggregate exceed ten thousand dollars (\$10,000))
- (vii) acquire or agree to acquire any Person or other business organization or division or acquire or agree to acquire any material assets;
- (viii) enter into, renegotiate, amend, modify, fail to renew or terminate any Material Contracts or waive, release, assign, grant or transfer any material right or claim thereunder;
- (ix) create or amend any stock option, bonus or other compensation plan, pay any bonuses or make any awards of cash, stock or other, deferred or otherwise, grant any stock options, or defer any compensation to any of its directors or officers;
- (x) make any material change in accounting procedures or practices;
- (xi) enter into any related party transaction;
- (xii) mortgage, pledge or hypothecate any of the Assets or subject any of the Assets to any Encumbrance;
- (xiii) discharge, satisfy or pay any Encumbrance of any kind whatsoever other than current liabilities in the ordinary course of business;
- (xiv) make any loan or advance to any Person, increase its indebtedness for borrowed money or make any loan or advance or assume, guarantee or otherwise become liable with respect to the liabilities or obligations of any other Person;
- (xv) write off as uncollectible any Accounts Receivable, which individually or in the aggregate is material to the Target or is in excess of \$5,000;
- (xvi) other than in the ordinary course of business, enter into any agreement or arrangement granting any rights to purchase or lease any of its assets or rights or requiring the consent of any Person to the transfer, assignment or lease of any such assets or rights;
- (xvii) dispose, sell, lease, sublease, assign or transfer (by tender offer, exchange offer, merger, amalgamation, sale of shares or assets or otherwise) any of their assets or any interest in the Property;
- (xviii) enter into any agreement resulting in a Change of Control of Target or the Subsidiary, other than this Agreement;

- (xix) enter into any compromise of or settle any outstanding Proceeding; or
- (xx) enter into any agreement or understanding to do any of the foregoing.

### **5.5 Additional Covenants of the Acquiror**

Acquiror hereby covenants and agrees with the Target as follows:

- (a) Acquiror will cause the formation of Merger Sub as soon as reasonably practicable.
- (b) Acquiror, as the sole shareholder of Merger Sub, will cause Merger Sub to approve the Merger in the manner required by the WBCA.
- (c) Upon the satisfaction of the conditions set forth in Section 6.1 below, Acquiror shall use commercially reasonable efforts to take all steps necessary to effect the Merger.

### **5.6 Additional Covenants of the Target:**

Target hereby covenants and agrees with the Acquiror as follows:

- (a) Target will convene and conduct the Target Meeting in accordance with the Target's Constatng Documents and Applicable Laws as soon as practicable.
- (b) Target will use its commercially reasonable efforts to solicit proxies to be voted at the Target Meeting, if such Target Meeting is required, in favour of the Transaction.
- (c) Target shall use its commercially reasonable efforts to seek the approval of the Target Shareholders required for the implementation of the Transaction and Merger.
- (d) Upon the satisfaction of the conditions set forth in Section 6.2 below, the Target shall use commercially reasonable efforts to take all steps necessary to effect the Merger.

### **5.7 Additional Covenants**

Each of the Parties hereby covenants and agrees that on the Closing Date, the Target and the Acquiror shall use commercially reasonable efforts to take all reasonable steps to effect the Merger of the Target with Merger Sub. Each of the Target and the Acquiror agrees to use its commercially-reasonable best efforts to take, or cause to be taken, all action and to do, or cause to be done, all things necessary, proper or advisable to consummate and make effective as promptly as practicable the Transaction and to cooperate with each other in connection with the foregoing, including using commercially-reasonable efforts to:

- (a) obtain all necessary waivers, consents and approvals from other Parties to material agreements, leases and other contracts or agreements;
- (b) obtain all necessary consents, approvals, and authorizations as are required to be obtained under any Applicable Laws;
- (c) defend all lawsuits or other legal proceedings challenging this Agreement or the consummation of the Transaction;

- (d) lift or rescind any injunction or restraining order or other remedy adversely affecting the ability of the Parties to consummate the Transaction;
- (e) effect all necessary registrations and other filings and submissions of information requested by any Governmental Authorities; and
- (f) comply with all provisions of this Agreement.

For purposes of the foregoing, the obligations of the Target and the Acquiror to use “commercially-reasonable efforts” to obtain waivers, consents and approvals to leases, loan agreements and other contracts shall not include any obligation to agree to a materially-adverse modification of the terms of such documents or to prepay or incur additional material obligations to such other Parties (and Acquiror and the Target are expressly prohibited from doing so).

## **5.8 Notifications**

Between the date of this Agreement and the Closing Date, each of the Parties to this Agreement will promptly notify the other Parties in writing if it becomes aware:

- (a) of any fact or condition that causes or constitutes a material breach of any of its representations and warranties as of the date of this Agreement, if it becomes aware of the occurrence after the date of this Agreement of any fact or condition that would cause or constitute a material breach of any such representation or warranty had such representation or warranty been made as of the time of occurrence or discovery of such fact or condition;
- (b) of the occurrence of any material breach of any of its covenants in this Agreement or of the occurrence of any event that may make the satisfaction of such conditions impossible or unlikely or the occurrence of any condition or situation that has occurred or arisen which might reasonably be expected to have a Material Adverse Effect on the business, the assets, liabilities, results, financial condition, affairs or prospects of either of Acquiror (in the case of Acquiror) or the Target (in the case of the Target); or
- (c) that Listing Statement, the Preliminary Prospectus or the Final Prospectus (with respect to information provided by or in relation to such Party) contains any misrepresentation or any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements contained therein not misleading in light of the circumstances in which they are or were made, or that otherwise requires an amendment or a supplement to the Listing Statement, the Preliminary Prospectus or the Final Prospectus; and in any such event, the Parties shall cooperate in the preparation of an amendment or a supplement to the Listing Statement, the Preliminary Prospectus or the Final Prospectus.

## **5.9 Exclusivity and Non-Solicitation**

From and after the date of the Letter Agreement and until the earlier of the Termination Date and the Closing Date:

- (a) Each of the Parties shall, and shall direct and cause its officers, directors, employees, representatives, advisors, and agents and its subsidiaries and their officers, directors, employees, representatives, advisors, and agents to immediately cease and cause to be terminated any solicitation, encouragement, activity, discussion or negotiation with any parties that may be ongoing with respect to an Alternative Transaction;

- (b) Unless permitted pursuant to this Agreement, each Party agrees that it shall not, and shall not authorize or permit any of its officers, directors, employees, representatives, advisors or agents or its subsidiaries, directly or indirectly, to: (i) make, solicit, initiate, entertain, encourage, promote or facilitate, including by way of permitting any visit to its facilities or properties or entering into any form of agreement, arrangement or understanding, any inquiries or the making of any proposals regarding an Alternative Transaction or that may be reasonably be expected to lead to an Alternative Transaction; (ii) participate in any discussions or negotiations regarding, or furnish to any person any information or otherwise cooperate with, respond to, assist or participate in any Alternative Transaction or potential Alternative Transaction; (iii) remain neutral with respect to, or agree to, approve or recommend any Alternative Transaction or potential Alternative Transaction; or (iv) enter into any agreement, arrangement or understanding related to any proposal with respect to an Alternative Transaction; and
- (c) Each Party shall promptly (and in any event within 24 hours) notify the other Party, at first orally and then in writing, of any proposals, offers or written inquiries relating to or which could result in an Alternative Transaction being consummated, or any request for non-public information relating to such Party. Such notice shall include a description of the terms and conditions of any proposal, inquiry or offer, the identity of the person making such proposal, inquiry or offer. Each Party shall keep the other Party fully informed on a prompt basis of the status, including any change to the material terms, of any such inquiry, proposal or offer.

## ARTICLE 6 CONDITIONS PRECEDENT

### 6.1 Conditions Precedent to the Performance of Acquiror

The obligations of Acquiror under this Agreement shall be subject to the satisfaction at or before the Closing Time of the following conditions:

- (a) Truth and Accuracy of Representations of the Target at Closing. The representations and warranties of the Target made in this Agreement shall be true and correct in all material respects as at the Closing Date;
- (b) Performance of Obligations. The Target shall have performed and complied with all the obligations and covenants to be performed and complied with by it pursuant to this Agreement;
- (c) Absence of Injunctions. No injunction or restraining order of any court or administrative tribunal of competent jurisdiction shall be in effect prohibiting the transactions contemplated hereby and no action or proceeding shall have been instituted or be pending before any court or administrative tribunal to restrain or prohibit the Transaction;
- (d) Closing Documents. At or before the Closing Time, Acquiror shall have received the documents referred to in Section 7.3 as therein provided;
- (e) Approval of Target Shareholders. The Merger and the Transaction will have been approved by the Target Shareholders;
- (f) Dissent Rights. Rights of dissent afforded to the Target Shareholders pursuant to the WBCA shall have been exercised in respect of not more than 1% of the issued and outstanding Target Shares;
- (g) No Material Adverse Change. No Material Adverse Change shall have occurred in the Business, the assets, liabilities, results, financial condition, affairs or prospects of the Target, the Target

Shares or the Property from the date hereof to the Closing Date;

- (h) No Legal Proceeding. There being no Proceedings against or pending or threatened against the Target, the Target Shares or the Property as at the Closing Date;
- (i) No Prohibition at Law. There being no prohibition at law against the consummation of this Agreement, the Transaction or the acquisition of the Target Shares or the Property by Acquiror;
- (j) No Investigation. There shall be no inquiry or investigation (whether formal or informal) in relation to the Target or its directors or officers, commenced or threatened by an officer or official of any Governmental Entities, such that the outcome of such inquiry or investigation could have a Material Adverse Effect on the Target, the Business or the Target Shares;
- (k) Target Shares. The Target Shares shall be validly issued and free of clear of all Encumbrances, and the Target Shares shall be issued as non-revocable, fully paid and non-assessable;
- (l) Escrow Transfer. Concurrently with or immediately prior to the completion of the Transaction, the Escrow Transfer shall have been completed;
- (m) Approvals. Any approval, authorization, waiver or consent of the Governmental Entities, including the TSXV and the CSE, as required with respect to the Transaction shall have been obtained and the Acquiror Shares shall have been conditionally approved for listing on the CSE; and
- (n) Consideration. The distribution of the Consideration and any securities of Merger Sub pursuant to the Merger and the Transaction will be exempt from the prospectus and registration requirements of Applicable Securities Laws.

The conditions set forth in this Section 6.1 are for the exclusive benefit of Acquiror and may be waived by Acquiror in writing in whole or in part on or before the Closing Date. Notwithstanding any such waiver, the completion of the Transaction as contemplated by this Agreement by Acquiror shall not prejudice or affect in any way the rights of Acquiror in respect of the warranties and representations of the Target set forth in this Agreement or any remedies which Acquiror may have hereunder or at law.

## **6.2 Conditions Precedent to the Performance of the Target**

The obligations of the Target under this Agreement shall be subject to the satisfaction at or before the Closing Time of the following conditions:

- (a) Truth and Accuracy of Representations of Acquiror at Closing. The representations and warranties of Acquiror made in this Agreement shall be true and correct in all material respects as at the Closing Date;
- (b) Performance of Obligations. Acquiror shall have performed and complied with all the obligations and covenants to be performed and complied with by it pursuant to this Agreement;
- (c) Absence of Injunctions. No injunction or restraining order of any court or administrative tribunal of competent jurisdiction shall be in effect prohibiting the transactions contemplated hereby and no action or proceeding shall have been instituted or be pending before any court or administrative tribunal to restrain or prohibit the Transaction;

- (d) Closing Documents. At or before the Closing Time, the Target shall have received the documents referred to in Section 7.4 as therein provided;
- (e) Approval of Target Shareholders. The Merger and the Transaction will have been approved by the Target Shareholders;
- (f) Dissent Rights. Rights of dissent afforded to the Target Shareholders pursuant to the WBCA shall have been exercised in respect of not more than 1% of the issued and outstanding Target Shares.
- (g) No Material Adverse Change. No Material Adverse Change shall have occurred in the business, the assets, liabilities, results, financial condition, affairs or prospects of the Acquiror from the date hereof to the Closing Date;
- (h) No Legal Proceeding. There being no Proceedings against or pending or threatened against any of Acquiror or the Consideration as at the Closing Date;
- (i) No Prohibition at Law. There being no prohibition at law against the consummation of this Agreement, the Transaction or the acquisition of the Target Shares or the Property by Acquiror;
- (j) No Investigation. There shall be no inquiry or investigation (whether formal or informal) in relation to Acquiror or its directors or officers, commenced or threatened by an officer or official of any Governmental Entity, such that the outcome of such inquiry or investigation could have a Material Adverse Effect on Acquiror;
- (k) Consideration. The Acquiror Shares issued as the Consideration, when issued on Closing, shall be fully paid, validly issued and free of clear of all Encumbrances, except for such resale and escrow restrictions imposed by the CSE and Applicable Securities Laws;
- (l) Board of Directors. On the Closing Date, all directors and officers of the Acquiror shall resign from their offices effective as of the Closing Date, in favour of nominees of the Target, being Ryan Hamlin, Jon Baugher, Jeff Dossett (who shall act as Chairman), Michael Markette and Paul Fiore and the following individuals shall be appointed as officers of the Acquiror: (i) Ryan Hamlin shall be appointed President and Chief Executive Officer, (ii) Andrew Sweet shall be appointed as Chief Technology Officer, (iii) Jon Baugher shall be appointed as Chief Revenue Officer, and (iv) Stephen Gledhill shall be appointed as Chief Financial Officer and Corporate Secretary; and
- (m) Approvals. Any approval or consent of the Governmental Entities, including the TSXV and the CSE, as required with respect to the Transactions shall have been obtained and the Acquiror Shares shall have been conditionally approved for listing on the CSE;

The conditions set forth in this Section 6.2 are for the exclusive benefit of the Target and may be waived by the Target in writing in whole or in part on or before the Closing Date. Notwithstanding any such waiver, completion of the Transaction as contemplated by this Agreement by the Target shall not prejudice or affect in any way the rights of the Target in respect of the warranties and representations of Acquiror set forth in this Agreement or any remedies which the Target may have hereunder or at law.

### **6.3 Merger of Conditions**

The conditions set out in this Article 6 will be conclusively deemed to have been satisfied, waived or released upon the Closing Date and the completion of the Merger.

## ARTICLE 7 CLOSING

### 7.1 Closing

The Transaction shall be completed at 10:00 a.m. on the Closing Date, at the offices of Armstrong Simpson, 2080 - 777 Hornby Street, Vancouver, B.C. V6Z 1S4, or at such other time or at such other location as may be mutually agreed upon in writing by the parties hereto, but in any event the Closing Date shall be no later than February 28, 2019.

### 7.2 Closing Documents

On the Closing Date, the Target shall deliver, or cause to be delivered, to Acquiror the documents set forth in Section 7.3 hereof and such other documents as Acquiror may reasonably require to perfect the Transaction and Acquiror shall deliver, or cause to be delivered, to the Target the documents set forth in Section 7.4 hereof and such other documents as the Target may reasonably require to perfect the Transaction.

### 7.3 The Target's Closing Documents

At the Closing Time, the Target shall deliver or cause to be delivered to Acquiror at the place of the Closing the following:

- (a) a copy, certified by a duly authorized officer of the Target of its Constatng Documents;
- (b) an incumbency certificate, signed by a duly-authorized officer thereof and giving the name and bearing a specimen signature of each individual who shall be authorized to sign, in the name and on behalf of the Target, this Agreement and any other ancillary documents;
- (c) a certificate of good standing or equivalent issued by the registrar of the WBCA for the Target;
- (d) a certified copy of the register of shareholders, optionholders and warrant holders of the Target current to the Closing Date;
- (e) consent to acts as directors and officers of the Acquiror duly executed by the nominees of the Target as set forth in Section 7.2(m);
- (f) a copy, certified by a duly authorized officer of the Target of the resolutions of the board of directors of the Target, and the Target Shareholders, evidencing that such board of directors and the Target Shareholders, have approved this Agreement, the Merger, the Transaction and all of the transactions of contemplated hereunder;
- (g) a certificate signed by the Target, dated as of the Closing Date confirming the truth and accuracy, in all material respects of each of their respective representations and warranties as set out in this Agreement, on and as of the Closing Date, and that the covenants and agreements of the Target to be observed and performed at or before the Closing pursuant to this Agreement have been duly observed and performed in all material respects;
- (h) all other necessary consents, waivers, including waivers of rights of first refusal and pre-emptive rights or authorizations as may required to complete the Merger;
- (i) any escrow agreements in respect of the Acquiror Shares that may be required by the CSE, duly



executed by the Target Shareholders; and

- (j) such further documents and assurances as Acquiror or their legal counsel may reasonably require in order to give effect to the provisions hereof.

#### **7.4 Acquiror's Closing Documents**

At the Closing Time, Acquiror shall deliver or cause to be delivered to the Target at the place of the Closing the following:

- (a) a copy, certified by a duly authorized officer of Acquiror of its Constatng Documents;
- (b) an incumbency certificate, signed by a duly-authorized officer thereof and giving the name and bearing a specimen signature of each individual who shall be authorized to sign, in the name and on behalf of Acquiror, this Agreement and any other ancillary documents;
- (c) a certificate of good standing issued by the registrar under the BCBCA for Acquiror;
- (d) a certificate signed by Acquiror, dated as of the Closing Date confirming the truth and accuracy, in all material respects of Acquiror's representations and warranties as set out in this Agreement, on and as of the Closing Date, and that the covenants and agreements of Acquiror to be observed and performed at or before the Closing pursuant to this Agreement have been duly observed and performed in all material respects;
- (e) any escrow agreements in respect of the Acquiror Shares forming the Consideration that may be required by the CSE, duly executed by the Acquiror;
- (f) resignations from all of the directors and officers of the Acquiror;
- (g) a copy, certified by a duly authorized officer of the Acquiror of the resolutions of the board of directors of the Acquiror, evidencing that such board of directors, have approved this Agreement, the Transaction and all of the transactions contemplated hereunder and the resolutions shall include specific reference to:
  - (i) the issuance of the Consideration to the Target Shareholders and authorizing the issuance of share certificates representing the Consideration
  - (ii) accepting the resignation of the existing directors and officers of the Acquiror as at the Closing Date;
  - (iii) appointing the nominees of the Target to the board of directors of the Acquiror and as applicable, as officers of the Acquiror; and
- (h) all other necessary consents, waivers, including waivers of rights of first refusal and pre-emptive rights, authorizations and instruments of transfer required to enable the issuance of the Consideration, in accordance with the terms hereof, free and clear of any Encumbrance; and
- (i) such further documents and assurances as the Target may reasonably require in order to give effect to the provisions hereof.

## ARTICLE 8 CONFIDENTIALITY AND DISCLOSURE

### 8.1 Confidentiality

Each of Acquiror and the Target will provide access to information (the “**Information**”) in accordance with Section 5.2 above. For the purposes of this section 8.1, the Party disclosing Information is referred to as the “**Disclosing Party**” and the Party receiving such Information is referred to as the “**Receiving Party**”. With respect to such Information, the Receiving Party shall:

- (a) protect and maintain the Information in the strictest confidence and will not disclose the Information to any person, other than to a limited number of Representatives of the Receiving Party and its Affiliates who have an actual need to know the Information. For purposes of this section 8.1, “Representative” means any director, officer, employee, consultant or advisor (financial, legal or otherwise) of the Receiving Party or any of its Affiliates;
- (b) prior to disclosing Information to any Representative, inform each Representative of the confidential nature of the Information and will require each Representative to agree and undertake to treat the Information as confidential;
- (c) safeguard the Information with the same degree of care against disclosure that it affords to its own confidential information of a similar nature or a reasonable degree of care, whichever standard is higher;
- (d) use the Information only for the purpose of evaluating and/or completing the Qualifying Transaction;
- (e) at the request of the Disclosing Party, return to the Disclosing Party all materials comprising the Information delivered to the Receiving Party hereunder and destroy any copies thereof made by the Receiving Party forthwith and further shall destroy any summaries, notes, analyses, compilations, studies or other records prepared by the Receiving Party that contain or have been generated, wholly or partly, or derived from, the Information; and
- (f) at the request of the Disclosing Party, deliver a certificate executed by an authorized officer of the Receiving Party confirming compliance with respect to subparagraph 8.1(e).

This Section 8.1 shall not apply to any Information that: (a) is part of the public domain at the time it made known to the Receiving Party or its Representatives; (b) is made known to the Receiving Party or its Representatives without an obligation of confidentiality by a third party who did not acquire knowledge of the details, either directly or indirectly, under an obligation of confidentiality; (c) after it is made known to the Receiving Party or its Representatives, becomes part of the public domain through no fault, act or omission of the Receiving Party or of any party to whom the Receiving Party has properly disclosed details of the Information; or (d) the Receiving Party can establish was in its possession, without an obligation of confidentiality to the Disclosing Party, prior to the date of disclosure of such details by the Disclosing Party.

Notwithstanding the foregoing, nothing contained in this Section 8.1 shall be deemed to prevent disclosure of Information that, after consultation with the Receiving Party’s legal counsel, is required to be made as a matter of law or stock exchange rule or by an order of a court or administrative body of competent jurisdiction; provided that the Receiving Party shall give the Disclosing Party prompt notice of any such requirement and shall take all reasonable efforts to preserve the confidentiality of the Information or assist the Disclosing Party in doing so, including seeking protective orders or other

remedies, and further provided that in making such disclosure, the Receiving Party shall disclose only that portion thereof required to be disclosed.

## **8.2 Restrictions on Disclosure; Public Announcements**

No disclosure or announcement, public or otherwise, in respect of this Agreement or the transactions contemplated herein will be made by any party without the prior written agreement of Acquiror and the Target, each acting reasonably, as to timing, content and method, provided that the obligations herein will not prevent any Party from making, after making reasonable efforts to obtain the other Party's approval, such disclosure as its legal counsel advises is required by Applicable Securities Laws or as is required to carry out the transactions contemplated in this Agreement or the obligations of any of the Parties hereto.

## **ARTICLE 9 UNAVOIDABLE DELAYS**

### **9.1 Delays**

If any Party should be delayed in or prevented from performing any of the terms, covenants or conditions of this Agreement by reason of a cause beyond the control of such Party, other than a lack of funds, but including fires, floods, earthquakes, subsidence, ground collapse or landslides, interruptions or delays in transportation or power supplies, labour disputes, strikes, lockouts, wars, acts of God, government regulation or interference, including but without restricting the generality of the foregoing, forest or highway closures or any other cause beyond such Party's control, then any such failure on the part of such Party to so perform shall not be deemed to be a breach of this Agreement and the time within which such Party is obliged to comply with any such term, covenant or condition of this Agreement shall be extended by the total period of all such delays plus a corrective period of seven (7) Business Days. In order that the provisions of this Article may become operative, such Party shall give notice in writing to the other Parties, forthwith and for each new cause of delay or prevention and shall set out in such notice particulars of the cause thereof and the day upon which the same arose, and shall give like notice forthwith following the date that such cause ceased to subsist.

## **ARTICLE 10 TERMINATION**

### **10.1 Termination**

This Agreement shall terminate on the date any of the following occurs (the "**Termination Date**"):

- (a) By written agreement of the Parties to terminate this Agreement;
- (b) By either party by providing written notice to the other Party in the event that any of the conditions precedent set forth in Article 6 for the benefit of such Party have not been fulfilled or waived at a prior to Closing (provided that the right to terminate this Agreement under this Section 10.1(b) shall not be available to any party where failure to fulfill any of its obligations under this Agreement has been the cause of or resulted in the failure of such condition precedent being satisfied);
- (c) By either Party by providing written notice to the other Party in the event that the Closing Date does not occur on or before 5:00 p.m. (Vancouver time) on or before February 28, 2019 or such later date as the Parties may agree in writing (provided that the right to terminate this Agreement under this Section 10.1(c) shall not be available to any party where failure to fulfill any of its obligations under this Agreement has been the cause of or resulted in the failure to consummate the transactions contemplated hereby by such date);

- (d) By either Party by providing written notice to the other Party in the event that either (i) any Governmental Entity has notified in writing any of the Parties that it will not permit the Transaction or the transactions contemplated by this Agreement to proceed, or (ii) the Target Shareholders shall have failed to approve the Merger in the manner required by the WBCA; or
- (e) By either Party by providing written notice to the other Party in the event that there has been a material misrepresentation, breach or non-performance by the other Party of any material representation, warranty, covenant or obligation contained in this Agreement, which could reasonably be expected to have a Material Adverse Effect on the other Party, provided the breaching Party has been given notice of and fourteen (14) days in which to cure any such misrepresentation, breach or non-performance.

Upon termination of the Agreement as provided for in this Section 10.1, this Agreement and the Letter Agreement shall have no further force and effect and the Parties shall have no further obligations to one another, provided that Section 1.4, Article 8, and Sections 11.1, 11.2, 11.5 and 11.9 shall survive the termination of this Agreement and the Letter Agreement and provided, however, that any such termination shall not prejudice the rights of a Party as a result of a breach by any other Party of its obligations hereunder or a liability resulting from the fraud or wilful misconduct of such Party in connection with the termination of this Agreement and the Letter Agreement.

## **ARTICLE 11 GENERAL**

### **11.1 Expenses**

Each Party shall be responsible for the payment of its own expenses relating to the Transaction including legal fees, financial advisory fees and all reasonable disbursements by such Parties and their advisors.

### **11.2 Time**

Time shall be of the essence hereof.

### **11.3 Regulatory Approval**

This Agreement is subject to regulatory approval, including the approval of the CSE.

### **11.4 Assignment**

This Agreement may not be assigned by any of the Parties hereto without the prior written consent of the other Parties.

### **11.5 Notices**

Any notice or other writing required or permitted to be given hereunder or for the purposes hereof shall be sufficiently given if delivered or sent via electronic mail to the Party to whom it is given or if mailed, by prepaid registered mail, addressed to such Party at:

- (a) If to Acquiror:

**Foreshore Exploration Partners Corp.**  
2040 – 885 West Georgia Street  
Vancouver, British Columbia, V6C 3E8

**Attention: Chris Beltgens**

Email: chris.beltgens@gmail.com

with a copy to Acquiror's legal counsel (which does not constitute notice):

Armstrong Simpson  
2080 – 777 Hornby Street  
Vancouver, British Columbia, V6Z 1S4

**Attention: Shauna Hartman**

Email: shartman@armlaw.com

(b) If to the Target:

**POSaBIT, Inc.**

1128 8th Street  
Kirkland, Washington, 98033, USA

**Attention: Ryan Hamlin**

Email: ryan@posabit.com

with a copy to the Target's legal counsel (which does not constitute notice):

AUM Law  
110 Yonge Street, Suite 400  
Toronto, Ontario, M5C 1T4, Canada

**Attention: David Coultice**

Email: dcoultice@aumlaw.com

or at such other address as the Party to whom such writing is to be given shall have last notified the Party giving the same in the manner provided in this section. Any notice mailed as aforesaid shall be deemed to have been given and received on the fifth Business Day next following the date of its mailing unless at the time of mailing or within five (5) Business Days thereafter there occurs a postal interruption which could have the effect of delaying the mail in the ordinary course, in which case any notice shall not be effectively given unless it is actually delivered or sent by email. Any notice delivered or sent by email to the Party to whom it is addressed shall be deemed to have been given and received on the day it was delivered, provided that if such day is not a Business Day then the notice shall be deemed to have been given and received on the Business Day next following such day.

## **11.6 Severability**

If any one or more of the provisions contained in this Agreement should be invalid, illegal or unenforceable in any respect in any jurisdiction, the validity, legality and enforceability of such provision or provisions shall not in any way be affected or impaired thereby in any other jurisdiction and the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby, unless in either case as a result of such determination this Agreement would fail in its essential purpose.

### **11.7 Amendment**

This Agreement may only be amended, supplemented or otherwise modified by written agreement signed by the Parties.

### **11.8 Waiver**

No waiver by any of the Parties hereto shall be effective unless in writing, and a waiver shall affect only the matter, and the occurrence thereof, specifically identified in the writing granting such waiver, and shall not extend to any other matter or occurrence.

### **11.9 Entire Agreement**

This Agreement, together with the Letter Agreement, constitutes the entire agreement between the parties hereto and supersedes all prior agreements and understandings, oral or written, by and between any of the parties hereto with respect to the subject matter hereof. In the event of any inconsistency between this Agreement and the Letter Agreement, this Agreement shall prevail.

### **11.10 Language**

The parties hereto acknowledge and confirm that they have requested that this Agreement as well as all notices and other documents contemplated hereby be drawn up in the English language.

### **11.11 Further Assurances**

The Parties hereto shall with reasonable diligence do all such things and provide all such reasonable assurances as may be required to consummate the transactions contemplated hereby, and each Party hereto shall provide such further documents or instruments required by the other party as may be reasonably necessary or desirable to effect the purpose of this Agreement and carry out its provisions whether before or after the Closing Date.

### **11.12 Enurement**

This Agreement and each of the terms and provisions hereof shall enure to the benefit of and be binding upon the Parties hereto and their respective heirs, executors, administrators, personal representatives, successors and assigns.

### **11.13 Counterparts**

This Agreement may be executed in as many counterparts as may be necessary or by facsimile and each such agreement or facsimile so executed shall be deemed to be an original and such counterparts together shall constitute one and the same instrument.

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

**FORESHORE EXPLORATION PARTNERS CORP.**

Per: "Chris Beltgens"  
Authorized Signatory

**POSABIT, INC.**

Per: "Ryan Hamlin"  
Authorized Signatory

## SCHEDULE “A” PLAN OF MERGER

**THIS AGREEMENT AND PLAN OF MERGER** (this “*Merger Agreement*”) is entered into as of the        day of        , 201    by and between POSaBIT Merger Sub, Inc., Inc., a Washington Corporation (“*Merging Corporation*”), POSaBIT, Inc., a Washington corporation (“*Surviving Corporation*”) and Foreshore Exploration Partners Corp., a corporation incorporated in British Columbia, Canada under the Business Corporations Act (British Columbia ) and listed on the TSX Venture Exchange under the trading symbol FORE.P (“*Parent*”). The Merging Corporation has been established in anticipation of the transaction contemplated herein as a wholly-owned subsidiary of Parent. Surviving Corporation and Merging Corporation are sometimes collectively referred to hereinafter as the “*Constituent Corporations.*”

### RECITALS

**WHEREAS**, the board of directors of each of the Merging Corporation, the Surviving Corporation and the Parent deems it advisable, upon the terms and subject to the conditions herein stated, that the Merging Corporation be merged with and into the Surviving Corporation, and that the Surviving Corporation be the surviving corporation (the “*Merger*”); and

**WHEREAS**, the holders of shares of common stock of the Merging Corporation have unanimously approved this Agreement;

### AGREEMENT

**NOW THEREFORE**, in consideration of the premises, the mutual covenants herein contained, and other valuable consideration the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree that Merging Corporation shall be merged with and into Surviving Corporation pursuant to the terms and conditions herein set forth:

#### 1.     **General.**

1.1     *The Merger.* On the Effective Date (as herein defined) of the Merger, Merging Corporation shall be merged with and into Surviving Corporation and the separate existence of Merging Corporation shall cease and Surviving Corporation shall survive such Merger. The name of Surviving Corporation shall be POSaBIT US, Inc., a Washington corporation. The Merger shall have the effects specified in the Washington Business Corporation Act, as amended (the “*WBCA*”) and in accordance with the following paragraphs the Surviving Corporation shall succeed, without other transfer, to all of the assets and property (whether real, personal or mixed), rights, privileges, franchises, immunities and powers of the Merging Corporation, and shall assume and be subject to all of the duties, liabilities, obligations and restrictions of every kind and description of the Merging Corporation, including, without limitation, all outstanding indebtedness of the Merging Corporation.



1.2 *Articles of Incorporation and Bylaws.* The articles of incorporation of Merging Corporation in form attached hereto as **Exhibit A** shall be the articles of incorporation of Surviving Corporation after consummation of the Merger. The Bylaws of Surviving Corporation as in effect immediately prior to the Effective Date shall be the Bylaws of Surviving Corporation after consummation of the Merger.

1.3 *Directors and Officers.* The directors and officers of Surviving Corporation in office on the Effective Date shall remain in office after consummation of the Merger, subject to the applicable provisions of the certificate of incorporation and bylaws of Surviving Corporation, until their successors shall have been elected and qualified.

1.4 *Stock Plans.* Parent will assume all obligations for the issuance of shares of common stock to option holders under the 2015 Stock Option Plan of Surviving Corporation, provided that any such issuances will be subject to such modifications as may be required pursuant to the stock option plan of the Parent and the rules and policies of the Canadian Securities Exchange.

1.5 *Property and Liabilities of Constituent Corporations.* On the Effective Date, the separate existence of Merging Corporation shall cease and Merging Corporation shall be merged into Surviving Corporation. Surviving Corporation, from and after the Effective Date, shall possess all the rights, privileges, powers and franchises of whatsoever nature and description, of a public as well as of a private nature, and be subject to all the restrictions, disabilities and duties of each of the Constituent Corporations; all rights, privileges, powers and franchises of each of the Constituent Corporations, and all property, real, personal and mixed, of and debts due to either of the Constituent Corporations on whatever account as well for stock subscriptions as all other things in action or belonging to each of the Constituent Corporations shall be vested in Surviving Corporation; and all property, rights, privileges, powers and franchises, and all other interests shall be thereafter as effectually the property of Surviving Corporation as they were of the several and respective Constituent Corporations and the title to any real estate vested by deed or otherwise in either of the Constituent Corporations shall not revert or be in any way impaired by reason of the Merger. All rights of creditors and all liens upon the property of the Constituent Corporations shall be preserved unimpaired, and all debts, liabilities and duties of the Constituent Corporations thenceforth shall attach to Surviving Corporation, and may be enforced against it to the same extent as if said debts, liabilities and duties had been incurred or contracted by it. Any claim existing or action or proceeding, whether civil, criminal or administrative, pending by or against either Constituent Corporation may be prosecuted to judgment or decree as if the Merger had not taken place, or Surviving Corporation may be substituted in such action or proceeding.

1.6 *Further Assurances.* Merging Corporation agrees that, at any time, or from time to time, as and when requested by Surviving Corporation, or by its successors and assigns, it will execute and deliver, or cause to be executed and delivered in its name by its last acting officers, or by the corresponding officers of Surviving Corporation, all such conveyances, assignments, transfers, deeds or other instruments, and will take or cause to be taken such further or other action as Surviving Corporation, its successors or assigns may deem necessary or desirable in order to evidence the transfer, vesting or devolution of any property, right, privilege or franchise or to vest or perfect in or confirm to Surviving Corporation, its successors and assigns, title to and possession of all the property, rights,

privileges, powers, franchises and interests referred to in this Section 1 herein and otherwise to carry out the intent and purposes hereof.

1.7 *Effective Date.* An executed copy of Statement of Merger shall be filed with the Secretary of State of Washington (the “*Washington Statement of Merger*”) in the manner required by the WBCA. The Merger shall become effective as prescribed by law (the “Effective Date”).

## 2. **Conversion of Securities on Merger.**

At the Effective Time, as an effect of the Merger, and without any action on the part of either of the Constituent Corporations or any officer, director shareholder, or stockholder of either of the Constituent Corporations:

2.1 *Effect of Merger on Capital Stock.* Each share of Surviving Corporation’s common stock and preferred stock (“Surviving Corporation Stock”) issued and outstanding immediately before the Effective Date of the Merger shall, by virtue of the Merger and without any action on the part of the holder thereof, be converted into and become that number of validly issued, fully paid and nonassessable common shares of Parent (the “Parent Stock”) as indicated on the Merger exchange schedule approved by shareholders of the Surviving Corporation. Each share of Merging Corporation’s common stock issued and outstanding immediately before the Effective Date of the Merger shall be canceled without any consideration being issued or paid therefore, and without any further action on the part of the holder thereof. There are no shares owned by shareholders that are dissenting shares pursuant to Chapter 13 of the WBCA, RCW 23B.13.

2.2 *Effect of Merger on Options and Warrants.* Each option or warrant to purchase shares of Surviving Corporation Stock issued and outstanding immediately before the Effective Date of the Merger shall, by virtue of the Merger and without any action on the part of the holder thereof, be assumed by Parent on the existing terms of the agreements issued in respect thereof, and converted into and become an option or warrant to purchase that number of validly issued, fully paid and nonassessable common shares of Parent (the “Parent Stock”) and at the respective exercises price as indicated on the Merger exchange schedule approved by shareholders of the Surviving Corporation. There were no options or warrants of Merging Corporation outstanding prior to the Merger.

2.3 *Certificates.* At and after the Effective Time, all of the outstanding certificates which immediately prior thereto represented shares of Surviving Corporation Stock, or other securities of the Surviving Corporation, shall be deemed for all purposes to evidence ownership of and to represent the shares of Parent Stock into which the shares of Surviving Corporation Stock represented by such certificates have been converted as herein provided and shall be so registered on the books and records of the Parent or its transfer agent. The registered owner of any such outstanding certificate shall, until such certificate shall have been surrendered for transfer or otherwise accounted for to the Parent or its transfer agent, have and be entitled to exercise any voting and other rights with respect to, and to receive any dividends and other distributions upon, the shares of Parent securities, as the case may be, evidenced by such outstanding certificate, as above provided.

2.4 *Dissenters' Rights.* No Dissenting Shareholder shall be entitled to shares of Parent Stock hereunder unless and until the holder thereof shall have failed to perfect or shall have effectively withdrawn or lost such holder's right to dissent from the Merger. If any person or entity who otherwise would be deemed a Dissenting Shareholder shall have failed to properly perfect or shall have effectively withdrawn or lost the right to dissent with respect to any shares which would be Dissenting Shares but for that failure to perfect or withdrawal or loss of the right to dissent, such Dissenting Shares shall thereupon be treated as though such Dissenting Shares had been converted into shares of Parent Stock.

3. **Approval by Stockholders; Amendments.**

3.1 *Approval by Stockholders.* This Merger Agreement and the Merger contemplated hereby are subject to approval by the requisite vote of the shareholders of Surviving Corporation in accordance with Washington law. As promptly as practicable after approval of this Merger Agreement by such shareholders in accordance with applicable law, duly authorized officers of the Constituent Corporations shall make and execute a Certificate of Merger and Statement of Merger or other applicable certificates or documentation effecting this Agreement and shall cause such document or documents to be filed with the Secretary of State of Washington and Washington, respectively in accordance with the applicable Washington law.

3.2 *Amendment.* The respective Boards of Directors of the Constituent Corporations may amend this Merger Agreement at any time prior to the Effective Date, provided that an amendment made subsequent to the approval of the Merger by the shareholders of Surviving Corporation shall not (1) alter or change the amount or kind of shares, securities, cash, property or rights to be received in exchange for or on conversion of all or any Surviving Corporation Stock; (2) alter or change any term of the Certificate of Incorporation of Surviving Corporation; or (3) alter or change any of the terms and conditions of this Merger Agreement if such alteration or change would adversely affect the holders of any Surviving Corporation Stock.

4. **Miscellaneous.**

4.1 *Counterparts.* This Merger Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, and all of which taken together shall constitute one Merger Agreement.

4.2 *Termination.* This Merger Agreement may be terminated and the Merger abandoned at any time prior to the Effective Date, whether before or after shareholder or stockholder approval of this Merger Agreement, by the consent of the Board of Directors of either of the Constituent Corporations.

4.3 **GOVERNING LAW.** THIS AGREEMENT SHALL BE DEEMED TO BE MADE AND IN ALL RESPECTS SHALL BE INTERPRETED, CONSTRUED AND GOVERNED BY AND IN ACCORDANCE WITH THE LAW OF THE STATE OF WASHINGTON WITHOUT REGARD TO THE CONFLICT OF LAW PRINCIPLES THEREOF PROVIDED THAT WASHINGTON LAW SHALL GOVERN WHEN APPLICABLE.

4.4 *Entire Agreement.* This Agreement constitutes the entire agreement and supersedes all other prior agreements, understandings, representations and warranties, both written and oral, among the parties, with respect to the subject matter hereof.

4.5 *No Third-Party Beneficiaries.* This Agreement is not intended to confer upon any person other than the parties hereto any rights or remedies hereunder.

4.6 *Severability.* The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof. If any provision of this Agreement, or the application thereof to any person or any circumstance, is determined by any court or other authority of competent jurisdiction to be invalid or unenforceable, (a) a suitable and equitable provision shall be substituted therefor in order to carry out, so far as may be valid and enforceable, the intent and purpose of such invalid or unenforceable provision and (b) the remainder of this Agreement and the application of such provision to other persons or circumstances shall not be affected by such invalidity or unenforceability, nor shall such invalidity or unenforceability affect the validity or enforceability of such provision, or the application thereof, in any other jurisdiction.

4.7 *Headings.* The headings therein are for convenience of reference only, do not constitute part of this Agreement and shall not be deemed to limit or otherwise affect any of the provisions hereof.

*(The remainder of this page has been intentionally left blank.)*

IN WITNESS WHEREOF, the Constituent Corporations have executed this Merger Agreement  
as of .

**SURVIVING CORPORATION:**

POSaBIT, Inc., a Washington corporation

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**Ryan Hamlin**, *President and Chief Executive Officer*

**MERGING CORPORATION:**

POSaBIT Merger Sub, Inc., a Washington corporation

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**Chris Beltgens**, *President*

**AGREED BY PARENT:**

**Foreshore Exploration Partners Corp.**, a company  
incorporated pursuant to the laws of British Columbia,  
Canada

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**Chris Beltgens**, *Chief Executive Officer, Chief Financial  
Officer, Corporate Secretary and Director*

*Signature page to Agreement and Plan of Merger*

*Exhibit A to Agreement and Plan of Merger*

*Articles of Incorporation of Merging Corporation, renamed "POSaBIT US, Inc."*

**SCHEDULE "B"**  
**SECURITIES OF THE TARGET**

[REDACTED: Personal information of holders of Target securities]