

## DDIC – PRODUCT MANUFACTURING AGREEMENT

THIS AGREEMENT made the 7<sup>th</sup> day of December, 2018.

BETWEEN:

**Cannabunker Development Corp.,**

a company having its registered office at 1055 West Georgia Street 1500 Royal Centre, P.O. Box  
11117, Vancouver, BC V6E 4N7

(the "Client")

- and -

**The Governors of the University of Alberta,**

a corporation continued under the *Post-Secondary Learning Act* (Alberta)

(the "University")

The Client and the University agree as follows:

- 1 UNIVERSITY TO MAKE THE PRODUCT** - The University, as an independent contractor, agrees to manufacture the product for the Client (the "Service") to the specifications given to the University by the Client, as outlined in Schedule A (the "Product"). The University and the Client will use reasonable efforts to begin manufacturing of the Product by January 2019.
- 2 EXCLUSIVE FIVE-YEAR AGREEMENT** - The University agrees to produce the Product exclusively for the Client for a period of five years commencing on January 1, 2019 with automatic successive renewal terms of five years each.
- 3 PRINCIPAL INVESTIGATOR** - The Product will be produced under the direction of Dr. Raimar Löbenberg of the Drug Development and Innovation Centre in the University's Faculty of Pharmacy and Pharmaceutical Sciences ("Principal Investigator").
- 4 LABORATORY & EQUIPMENT** - The University agrees to provide use, not to be unreasonably restricted, of room 3075A and 3075A1, Faculty of Pharmacy and Pharmaceutical Sciences, to produce the Product and the Client agrees to provide, for use by the Principal Investigator, any necessary equipment for manufacture of the Product.
- 5 PAYMENT** - The Client will pay to the University the Fee provided in Schedule B (the "Fee") in accordance with the payment provisions set forth in Schedule B.
- 6 CONFIDENTIALITY** - Each of the University and the Client may disclose information it considers confidential to the other to facilitate the production of the Product. Each party will use all reasonable efforts to treat and keep confidential, and cause its officers, servants and employees to treat and keep confidential, any such information received by it from the other marked "Confidential" and in no event will such efforts be less than the degree of care and discretion the recipient exercises in protecting its own confidential information. Any such information will be disclosed within the recipient's organization on a "need to know" basis.

**EXCLUSION** - Any obligation to keep confidential any information will not apply to information which was already known to the party to which it was disclosed and will cease to apply when through no fault or omission of such party or its officers or employees such information becomes public knowledge, is received by the recipient from a third party without a duty of confidentiality, when the party is ordered by *judicial or administrative process to disclose any or all of the information* or when the other party gives prior written consent to disclosure.

## **7 MATERIALS TRANSFER**

- 7.1 Material transferred from the Client to the University by this agreement (the "Material") includes any replications or progeny of the Material made by the University and any derivatives and parts thereof made by the University. The Material is owned by and is Confidential Information of the Client.
- 7.2 The University shall only use the Material for the production of the Product. The Material will not be used by the University in research that is subject to consulting or licensing obligations to a third party, or for any commercial product or process, or for commercial product development without the knowledge and permission of the Client.
- 7.3 The University agrees not to transfer the Material to any other person or entity without prior written approval of an officer of the Client, and without such person or entity entering into a Material Transfer Agreement with the Client that contains terms substantially similar to those in this section.
- 7.4 This Agreement and the resulting transfer of Material constitute a bailment and grants the University a license to use the Material owned by the Client for the production of the Product only. This agreement and the resulting transfer of Material do not constitute a transfer to the University of ownership rights or title to the Material.
- 7.5 The University agrees to use the Material in compliance with all applicable laws and regulations.
- 7.6 The Client agrees to reimburse the University for all costs incurred by the delivery of Material from the Client to the University.

**8 INTELLECTUAL PROPERTY** - The Product includes intellectual property developed by or utilized by the University in the provision of the Product.

**9 USE OF PRODUCT** - The Product is not to be used commercially, but only for the purposes of research and clinical trials, unless it can be legally sold pursuant to government legislation and government approval in Canada and in the respective jurisdiction of purchase and intended use.

**10 ACADEMIC USE** - Subject to approval by the Client on a case-by-case basis, the Client will provide access to the Product for educational and non-commercial internal research purposes by the University.

**11 PUBLICATION OF SERVICE RESULTS** - Unless approved by the client, the University will have no rights to utilize or publish the results of the Service (the "Service Results").

## **12 REPRESENTATIONS AND WARRANTIES ON SERVICE RESULTS**

12.1 The University will carry out the Service in accordance with appropriate scientific and professional

standards. The University warrants that the Service Results shall meet the specifications recommended by the University (in the process of providing the Service Results) and agreed to between the University and the Client. For greater clarity, the Service Results shall include analytical testing of the product. The Client shall have fourteen (14) days from receipt of the Service Results to ensure that they meet such specifications.

12.2 In the event that the Client notifies the University that the Service Results do not meet the specifications agreed to between the University and the Client, the University shall be under no obligation to repeat the process, unless mutually agreed upon between the University and the Client. If repeating the process is not mutually agreed upon within fourteen (14) days after receipt by the Client of the Service Results, the University shall refund to the Client the Fee with respect to the Service Results that do not meet the specifications.

12.3 The University makes no other representations or warranties, either express or implied, as to any matter including, without limitation, the Service Results to be achieved, whether the Service Results or any part or aspect of the same will be capable of statutory protection, the existence or non-existence of competing technology, the condition, quality or freedom from error of the Services and Service Results or any part thereof, or the merchantability or fitness for any particular purpose of the Services or Service Results. All warranties and conditions, expressed or implied, statutory or otherwise, are hereby disclaimed. The Client assumes all risk of defects or inaccuracies in the Services and Service Results supplied by the University. After any of the events in Section 11.1 occur, or after the Client notifies the University that the Service Results meets the specifications, the Client assumes all risk of defects or inaccuracies in the Service Results supplied by the University.

**13 TERMINATION** - In the event that either party fails to remedy any breach or default on its part pursuant to this Agreement within ten days of notice from the other to that effect, the party not in default may upon written notice to the party in default terminate the Service and any further right of the party in default under this Agreement. Any such termination is without prejudice to or limitation of any other right or remedies of the party not in default including the right to collect sums due to it at the time of such termination.

#### **14 INDEMNIFICATION AND INSURANCE**

14.1 The Client will defend, indemnify and hold harmless the University (including its officers, employees, students and agents) from any and all liabilities, demands, damages, expenses and losses arising out of the use by the Client or by any party acting on behalf of or under authorization from the Client of the Service Results or out of any use, sale or other disposition by the Client, or by any party acting on behalf of or under authorization from the Client of any product or technique which is the subject of the Service or is created or modified based on the Service Results.

14.2 Each of the University and the Client will insure its operations under a contract of Comprehensive General Liability insurance in an amount not less than Five Million Dollars per occurrence insuring against bodily injury, personal injury and property damage.

**15 LIMITATION OF LIABILITY** - The University will have no liability, consequential, special, punitive or otherwise which might arise from the use by the Client or others, whether or not claiming through the Client, resulting from the Client's development (on its own or through others) of the Services or Service Results or any other materials delivered hereunder, or any invention, technology or product

produced in the course of or using the Services or the Service Results or any other materials delivered hereunder. The University shall not be liable to the Client for any indirect or consequential damages or any economic losses of any kind, regardless of whether the liability to which such damages relate arises in contract, tort or otherwise in law.

*Neither party shall be liable for losses or damages resulting from the non-performance of its obligations under this Agreement for any reason or event (other than lack of finances) beyond the reasonable control of the party relying on such reason or event.*

In no event will the University be liable to the Client for any breaches of contract or for torts or otherwise arising from or in relation to this Agreement or the matters or activities dealt with herein in excess of the aggregate amounts paid by the Client to the University pursuant hereto.

**16 USE OF UNIVERSITY NAME** - The Client will not utilize the name of the University or any identifying marks of the University in relation to this Agreement or the Product unless prior approval is received by the Client from University.

**17 USE OF CLIENT NAME** - The University will not utilize the name of the Client or any identifying marks of the Client in relation to this Agreement or the Product unless prior approval is received by the University from the Client.

**18 FOIPP** - The Client acknowledges that all records prepared by the University in the performance of this Agreement are in the custody and control of the University. The University is subject to the access and privacy provisions of the *Freedom of Information and Protection of Privacy Act (Alberta)* which creates a right of access to records under the custody and control of public bodies subject to specific, limited exceptions. Except as required by law or as otherwise permitted pursuant to the terms of this Agreement, neither the University nor the Client will disclose the contents of this Agreement or the foregoing records other than for the purpose of implementation or enforcement of the same or for a general statement on the parties to the Agreement, the amount being paid for the Service and the general nature of the Service, either party being entitled to publish that information.

**19 NOTICES** - All notices, requests, directions or other communications required or permitted herein will be in writing and will be delivered to the parties hereto respectively as follows:

**The Client:**

Cannabunker Development Corp.  
1055 West Georgia Street  
1500 Royal Centre  
P.O. Box 11117  
Vancouver, BC V6E 4N7  
Phone: (604) 250 - 6162  
Email: hrogers@xphyto.com

**The University:**

**For Contract/Finance Matters:**  
Andrew MacIsaac Dean's Office  
Faculty of Pharmacy and Pharmaceutical Sciences

University of Alberta  
Edmonton, Alberta  
Phone: 780-492-8084  
Email: andrew.macisaac@ualberta.ca

**For Service Matters:**  
Dr. Raimar Löbenberg  
Drug Development and Innovation Centre  
Faculty of Pharmacy and Pharmaceutical Science  
University of Alberta  
Edmonton, Alberta  
Phone: (780) 492-1255  
Email: rloebenber@pharmacy.ualberta.ca

In order for any notices, requests, directions, or other communications to be effective, the same will either be delivered in person or sent by registered mail or facsimile addressed to the party for whom it is intended at the above-mentioned address or fax number and will be deemed to have been received, if sent by registered mail, when the postal receipt is acknowledged by the other party; and, if sent by facsimile, when transmitted. The address or fax number of either party may be changed by notice in the manner set out in this Section.

**20 GOVERNING LAW** - This Agreement will be governed by and interpreted in accordance with the laws in force in the Province of Alberta and the parties expressly attorn to the exclusive jurisdiction of the courts of Alberta for enforcement thereof.

**21 ENTIRE AGREEMENT** - This Agreement constitutes the entire understanding between the parties relating to the Services. There are no agreements, representations or warranties except as set forth in this Agreement. No modification or amendment to this Agreement shall be binding unless executed in writing by the parties.

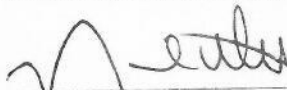
**22 ASSIGNMENT** - Neither party shall assign this Agreement, in whole or in part, except with the prior written consent of the other party, provided that the Company may assign this Agreement to a wholly-owned subsidiary in Alberta without the University's prior written consent.

**23 COUNTERPARTS** - This Agreement may be executed in counterparts and delivered by facsimile or electronic mail and such counterparts shall constitute the one and same instrument.

IN WITNESS WHEREOF the duly authorized officers of the parties have executed this Agreement on the date first above written.

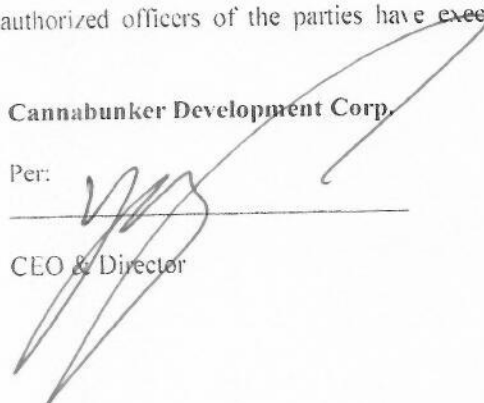
**The Governors of the University of Alberta**

Per:

  
\_\_\_\_\_  
Dean, Faculty of Pharmacy and  
Pharmaceutical Sciences

**Cannabunker Development Corp.**

Per:

  
\_\_\_\_\_  
CEO & Director

SCHEDULE A

THE PRODUCT

*Extracted and isolated Cannabis-derived compounds including acid and non-acid cannabinoids, such as THC, CBD, THCA, and CBDA.*



## SCHEDULE B

PAYMENT

**B.1 Fee** -The Client will pay to the University for the University's production of the Product an estimated annual Fee of \$140,000, \$14,000 of which is payable by the Client, concurrently with delivery of this Agreement (invoice to follow). The total Fee includes both total direct costs of Product plus a minimum of 20% indirect costs (indirect costs calculation = total direct costs x 20%). The Client agrees that any remaining money in the University account will go to the Faculty's general account at the end of the contract or the end of the project whichever occurs first.

**B.2 Invoicing** – The University will invoice the Client for the balance of the Fee, after allowance for the amount due with delivery of this Agreement, on a monthly basis.

**B.3 Payment** – Invoiced amounts are due and payable by the Client within thirty (30) days of receipt of invoice or within such shorter time as provided in Section B.2. Interest will be paid on overdue amounts at a rate as specified on the invoice. The Fee is exclusive of GST which, if applicable, will be paid by the Sponsor at the same time as the payment of the Fee on which the same is based.

**INVOICE TO BE SENT TO:**

**Name:** Hugh Rogers & Chris Ross

**Email address:** hrogers@xphyto.com , cross@xphyto.com

**CHEQUES SHOULD BE MADE PAYABLE TO: The University of Alberta**  
**PLEASE REFERENCE Cannabunker Extraction Project AND FORWARD TO THE FOLLOWING ADDRESS:**

Dean's Office  
Faculty of Pharmacy  
University of Alberta  
Medical Sciences Building  
131 University Campus NW  
Edmonton. AB T6G 2H7