

## STRATEGIC PARTNERSHIP & SUPPLY AGREEMENT

This Supply Agreement (“**Agreement**”) dated as of January 13, 2020 (the “**Effective Date**”) is between PharmaCielo Ltd (the “**Company**”), a British Columbia corporation with its principal office at 1 Toronto Street, Toronto, Ontario M5C 2V6 and **XPhyto Therapeutics Corp**; a corporation with its principal office at Suite 270 – 1820 Fir Street, Vancouver, BC V6J 3B1 (the “**Customer**”).

The Company is engaged in the business of cultivation and supply of medicinal-grade cannabis oil extracts and related products that the Company supplies to customers at its discretion in both a branded and white label format. The products are more particularly described in Schedule 1, which is subject to amendment at the Company’s sole discretion from time to time (the “**Products**”). The Customer is a strategic supplier and distributor of high-quality cannabis products to the burgeoning German medical cannabis market. The Company and the Customer desire that the Customer act as the distributor of the Products in the territories described and qualified in Schedule 2 (the “**Territory**”). The Customer desires to purchase Products from the Company in accordance with the terms and conditions set out in this Agreement.

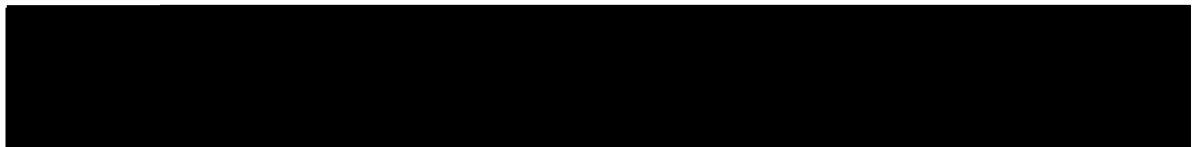
Now therefore, in consideration of the foregoing premises and the mutual representations and agreements set forth herein, and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Company and Customer, intending to be legally bound, hereby agree as follows.

### SECTION I SALE AND PURCHASE OF PRODUCTS

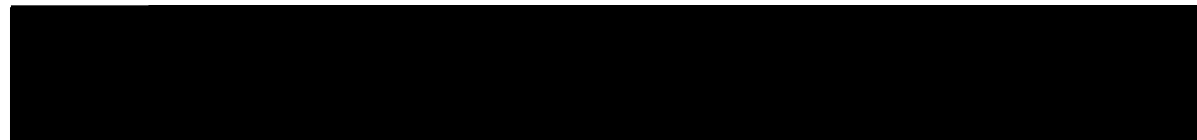
The Company will sell the Products to the Customer on the following terms and conditions.

- 1.1. **Products.** The Company may amend the Products in whatever manner determined by the Company (including, without limitation, removing or adding certain products or modifying their composition) from time to time in the sole and absolute discretion of the Company by providing ninety (90) days’ notice to the Customer. The Company and the Customer will work together to identify industry trends to predict future Product demand and amend the Products accordingly.
- 1.2. **Price.** The Company will sell the Products to the Customer at the prices set out in Schedule 3. The prices shall be reviewed quarterly based on demonstrated production costs incurred by the Company and adjusted accordingly by the Company within 30 days of the quarterly review process. The prices the Company will charge the Customer as of the Effective Date of this Agreement are set out in Schedule 3.
- 1.3. **Purchasing Process.**

(a)



(b)



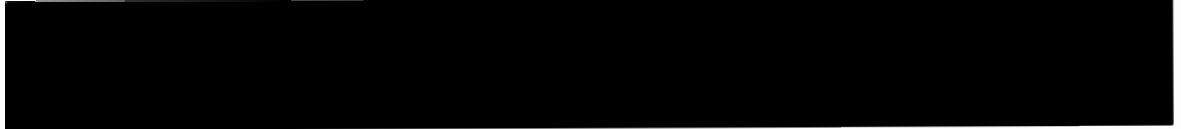
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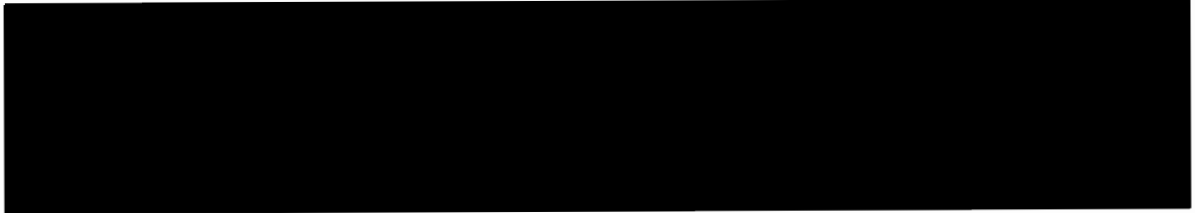
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(e)



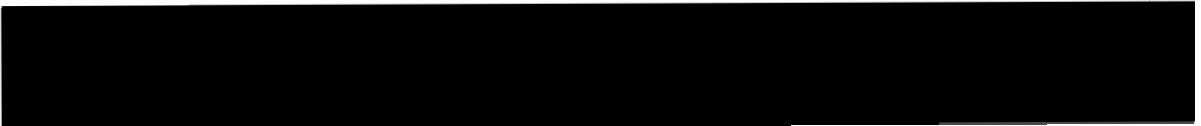
(f)



(g)



(h)



[Redacted - procedural details for Customer's purchases from Company]

- 1.4. **Transportation.** The Company and the Customer will arrange for all transportation of the Products from the Company's facilities in Colombia, and any other locations that the Company establishes from time to time as instructed by the Company from time to time. The Customer will be solely responsible for all costs associated with transportation of the Products including all importation and exportation processes and expenses.
- 1.5. **Title.** All title and risk to the Products shall be transferred to the Customer from the time of collection from the Company's facilities. For greater certainty: (i) any damage or loss arising from collection of the Products from the Company's facilities (and transportation of same) shall be the responsibility of the Customer, and (ii) all liability relating to the importation and exportation of the Products shall be on account of the Customer.

## SECTION II STRATEGIC INVESTMENT

- 2.1. Subject to Board approval, the Company will participate in the Customer's convertible debenture financing in the amount of \$500,000.00 CDN at a conversion price of \$1.00 CDN per debenture for a period of two years (the "Investment"). The Investment shall be administered through a separate subscription agreement. Board approval and closing the Investment is a condition precedent to this Agreement.
- 2.2. The Company may decide to increase its investment in the Customer's Convertible Debenture Raise later subject to the Customer's review and approval.
- 2.3. The Customer will ensure that the use of proceeds from the Investment will be primarily used for the purchase, import permitting, development, licencing, manufacturing, storage and distribution of Products in the Territory.
- 2.4. The Customer shall issue to the Company, upon delivery of the first Product purchase order by the Customer to the Company, 500,000 common share purchase warrants at an exercise price of \$1.50 CDN per warrant for a period of two years and 500,000 common share purchase warrants at an exercise price of \$2.00 CDN per warrant for a period of two years.

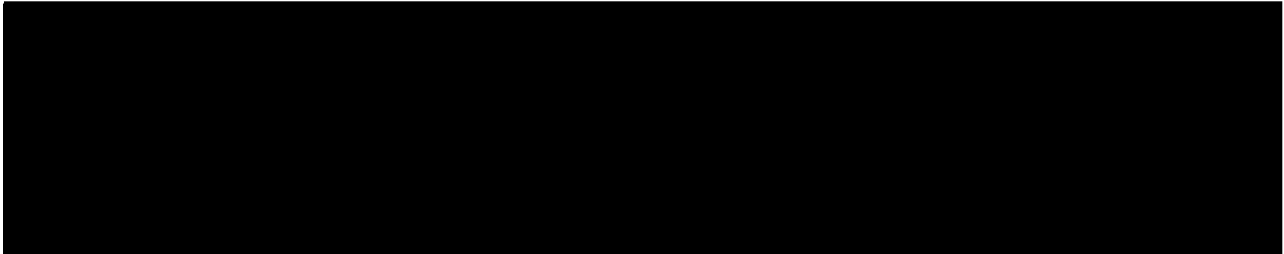
**SECTION III  
TERM AND TERMINATION**

- 3.1. **Term.** This Agreement will become effective on the Effective Date and will remain in effect for an initial **3-year term** followed by successive automatic renewal terms of 1 year (the “**Term**”). This Agreement is terminable only as described below.
- 3.2. **Termination upon Default.** This Agreement may be terminated immediately by the non-defaulting party upon a default under Section 7.2.
- 3.3. **Termination for Change of Laws or Lack of Market Acceptance.** Notwithstanding any other provision in this Agreement, this Agreement may be terminated by the Company or the Customer upon 60 day’s written notice if either party reasonably determines in its discretion that the laws or regulations or a change of thereof in any part of the Territory, or an unsatisfactory market acceptance for the Products in any part of the Territory, makes the arrangements the subject of this Agreement unprofitable for the Company or the Customer.

**SECTION IV  
CUSTOMER’S OBLIGATIONS**

- 4.1. **Forecasts.** The Customer will provide the Company with a monthly forecast and will use its commercially reasonable efforts to anticipate increased volume requirements and communicate said requirements to Company on a monthly basis.
- 4.2. **Review of Reports and Inspection.** Upon reasonable notice, the Customer will allow the Company (or its representative) to review the Customer’s reports and other business and finance records applicable to the use and sale of the Products and derivatives of Products (“Derivatives Products”) and allow the inspection by the Company (or its representative) of the Customer’s facilities, equipment and vehicles used in connection with its business activities in this regard.

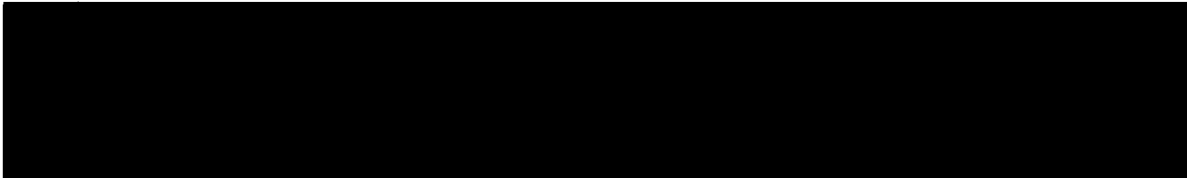
4.3.



[Redacted - Customer's minimum purchase obligations]

4.4. **Operations and Sale Restrictions.**

(a)



(b)



(c)



[Redacted - Customer’s obligations regarding sale and distribution of Products]

- 4.5. Confidentiality.** During and after the Term of this Agreement, the Company and the Customer will maintain the confidentiality of all documents, confidential information, trade secrets, marketing and operating methods, and data of the other party relating to the Products, Derivative Products, and the respective businesses and business relationships of the parties (“**Trade Secrets**”) and shall not use or disclose any Trade Secrets without the other parties’ prior written consent.

## **SECTION V MUTUAL OBLIGATIONS**

- 5.1. Compliance with Laws.** The Company and the Customer shall fulfill their respective obligations under this Agreement in compliance with the applicable federal, state, provincial and local laws in the respective jurisdictions of their respective business operations. Moreover, the Company and the Customer will ensure that they (and their affiliates) obtain all requisite permits, licenses, certifications and other approvals necessary to conduct their respective business activities including their obligations under this Agreement.
- 5.2. Tax.** Without in any way limiting the above, the parties are responsible for complying with all federal, state, provincial and local laws in the respective jurisdictions of their respective business operations including all taxes, permits, licenses, regulations, or any other matter with respect to the purchase, distribution, marketing and sale of the Products and for all other purposes contemplated by this Agreement. Neither party shall hold the other responsible for a failure to abide by any applicable law as it pertains to taxes owing by such party.
- 5.3. Stock Exchange Compliance.** The Company and the Customer (as applicable) will ensure that they in all ways comply with the rules of any stock exchange on which the Company or the Customer are listed from time to time and, moreover, that this Agreement shall be subject to such exchange rules and approval.

## **SECTION VI DEFAULTS**

- 6.1. Force Majeure Events.** To the extent that the Company or the Customer may be substantially deprived of or is unable to sell and distribute Products because of force majeure events as defined in Section 9.3 (“**Force Majeure**”), the suffering party will be excused from failure to perform according to the terms of this Agreement for so long as such Force Majeure event continues.
- 6.2. Default.** The following will be defaults pursuant to the terms of this Agreement.
- (a) A breach of this Agreement by either party continuing for a period of five (5) days after receipt of written notice from the other party with respect thereto (unless such notice specifies a longer period).
  - (b) An assignment by either party for the benefit of creditors; the institution of involuntary or voluntary proceedings against or by either party under the relevant bankruptcy or insolvency laws of each party’s respective jurisdiction that is not dismissed within thirty (30) days, or the appointment of a receiver or trustee for either party, or any interest in its business, unless vacated within thirty (30) days.
  - (c) The abandonment by either party of its business by the discontinuation of normal service to its customers for a period of sixty (60) consecutive days.
  - (d) A determination by a court of competent jurisdiction that one party made a material misrepresentation or false statement or materially misled the other in order to procure a benefit or right from the other party.
  - (e) The Customer fails, or is unable to, pay its obligations as they become due.
  - (f) A change of control, consolidation, merger or sale of all or substantially all of the assets of Customer, without the prior written consent of the Company, which shall not be unreasonably withheld.

- (g) The Customer exhibits materially poor performance of its obligations as determined by the Company where the Company has given the Customer at least three successive warnings of poor performance in any calendar year.

**6.3. Remedies.**

- (a) If the Customer defaults, as described in Section 7.2, the Company may at its option do one or more of the following:
  - (i) terminate this Agreement, effective immediately, for cause without any termination payment;
  - (ii) declare all indebtedness of the Customer to it immediately due and payable, and repossess all the Products, marketing materials and any other materials relating to the Products that are in the possession of the Customer;
  - (iii) exercise all legal remedies available to it.
- (b) If the Company defaults, as described in Section 7.2, the Customer may at its option:
  - (i) terminate this Agreement, effective immediately; and
  - (ii) exercise any other legal remedies available to it.

**SECTION VII  
WARRANTIES, INDEMNIFICATION, LIABILITY AND INSURANCE**

- 7.1. Company Warranty and Indemnification.** The Company represents and warrants that all Products, on the date of delivery to the Customer, will be of merchantable and suitable quality in the Territory, and fit for their particular purpose, and will not be contaminated.
- 7.2.** The Company agrees to indemnify and hold the Customer, its officers, directors, employees, successors, and assigns harmless against all losses, damages, or expenses of whatever form or nature, including attorneys' fees and other costs of legal defense, whether direct or indirect, that they, or any of them, may sustain or incur as a result of any acts or omissions of the Company or any of its directors, officers, employees, or agents, including, but not limited to, (a) breach of any of the provisions of this Agreement, (b) negligence or other tortious conduct, (c) representations, warranties or statements not specifically authorized by the Customer herein or otherwise in writing, or (d) violation by the Company (or any of its directors, officers, employees or agents) of any applicable law, regulation, or order in a jurisdiction of operation.
- 7.3. Customer Warranty and Indemnification.** The Customer represents and warrants to the Company that: (a) the Customer's promotion, distribution and sale of Products and other performance under this Agreement will otherwise comply with all applicable laws including all federal, state, provincial and local laws, statutes, rules and regulations within the Territory; and (b) the Customer has the necessary knowledge, experience, and expertise to perform the duties and obligations provided herein.

The Customer agrees to indemnify and hold the Company, its officers, directors, employees, successors, and assigns harmless against all losses, damages, or expenses of whatever form or nature, including attorneys' fees and other costs of legal defense, whether direct or indirect, that they, or any of them, may sustain or incur as a result of any acts or omissions of the Customer or any of its directors, officers, employees, or agents, including, but not limited to, (a) breach of any of the provisions of this Agreement, (b) negligence or other tortious conduct, (c) representations, warranties or statements not specifically authorized by the Company herein or otherwise in writing, or (d) violation by the Customer (or any of its directors, officers, employees or agents) of any applicable law, regulation, or order in the Territory.

- 7.4. **Limitation of Liability.** NOTWITHSTANDING ANYTHING TO THE CONTRARY, NEITHER PARTY SHALL BE LIABLE TO THE OTHER PURSUANT TO THIS AGREEMENT FOR ANY AMOUNTS REPRESENTING LOSS OF PROFIT, LOSS OF BUSINESS OR INCIDENTAL, INDIRECT, CONSEQUENTIAL, EXEMPLARY, OR PUNITIVE DAMAGES OF THE OTHER PARTY, INCLUDING COSTS OR DAMAGES RELATED TO DEVELOPMENT/PRODUCTION DELAYS OR STOPPAGES AND PRODUCT DELAYS, PRODUCT RECALLS OR PRODUCT LIABILITY.

## SECTION VIII MISCELLANEOUS

- 8.1. **Relationship of Parties.** The relationship between the parties is that of independent contracting parties, as buyer and seller of goods, and not that of partners, joint ventures, or principal and agent. Neither party has or will hold itself out as having the authority to bind or act in the name of or on behalf of the other.
- 8.2. **Currency.** Unless otherwise expressly specified, all dollar amounts in this Agreement, including those amounts using the symbol "\$", refer to the lawful currency of the **United States of America**.
- 8.3. **Force Majeure.** Fires, floods, wars, acts of war, strikes, lockouts, labor disputes, accidents to machinery, delays or defaults of common carriers, orders, decrees or judgments of any court, or any other contingency beyond the control of the Company or the Customer, whether related or unrelated, or similar or dissimilar to any of the foregoing, will be sufficient excuse for any resulting delay or failure in the performance by either party hereto of its respective obligations under the Agreement, but such performance will be excused only as long as the force majeure continues.
- 8.4. **Entire Agreement.** This Agreement supersedes all previous and contemporaneous agreements and understandings between the parties and is intended as the complete and exclusive statement of the terms of their agreement with respect to the subject matter hereof. There are no representations, oral or written, upon which the Company or the Customer has relied as an inducement to enter into this Agreement, other than those set forth herein.
- 8.5. **Amendment.** No change, modification, or alteration to this Agreement, or to the distribution relationship evidenced hereby will be effective unless set forth in writing and signed by both parties.
- 8.6. **No Assignment.** Neither party may assign any of its rights or delegate any of its obligations under this Agreement without the prior written consent of the other, which will not be unreasonably withheld.
- 8.7. **Binding on Successors.** This Agreement will bind and inure to the benefit of the parties and their respective successors and permitted assigns.
- 8.8. **Notices.** Any notice required by this Agreement will be sent to the address of the party to be noticed set forth in the first paragraph hereof and will be effective upon receipt.
- 8.9. **Severability.** If any provision of this Agreement is held invalid, for any reason by a court, government agency, body or tribunal, the remaining provisions will be unaffected and will remain in effect.
- 8.10. **Construction.** The language used in this Agreement is the language chosen by the parties to express their mutual intent, and no rule of strict construction will be applied against either party.
- 8.11. **Waiver.** Failure of either party to enforce at any time any right or remedy it may have under this Agreement will be not be a waiver of such provisions or rights, and will not preclude or prejudice such party from thereafter exercising the same or any other right or remedy it may have under this Agreement.
- 8.12. **Governing Law.** Subject to applicable laws specifically requiring otherwise, this Agreement will be governed by and interpreted and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein without reference to principles of conflicts or choice of law. The parties irrevocably and exclusively submit to the jurisdiction of the courts of the Province of Ontario.

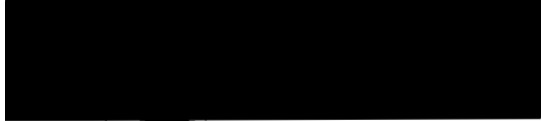
**8.13. Counterparts.** This Agreement may be executed in any number of counterparts, each of which will be deemed to be an original and all of which taken together will be deemed to constitute one and the same instrument. Delivery by electronic transmission is as effective as delivery of an originally executed counterpart of this Agreement.

*[signature page follows]*

Executed under seal and delivered as of the date first above written.

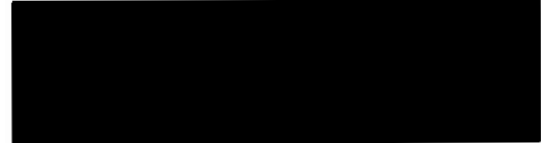
**PHARMACIELO LTD.**

By:



Title: Chief Executive Officer

By:



Title: Chief Financial Officer

**XPhyto Therapeutics Corp.**

By:



Title: Chief Executive Officer

[Redacted - signature blocks]



**SCHEDULE 1- PRODUCTS**



[Redacted - list of Products authorized for sale]

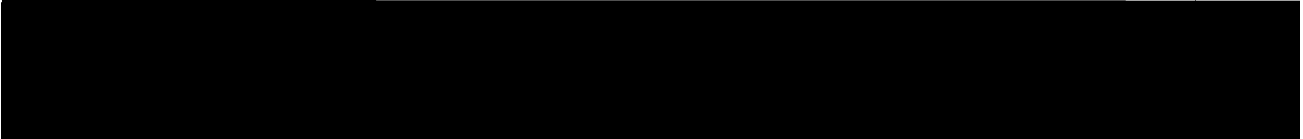
**SCHEDULE 2 - TERRITORY**

The “**Territory**” means the territories collectively described in Part 1. below qualified by, and with the exception of the excluded channels of distribution and customers referred to in, Part 2 below.

**1. Territory**

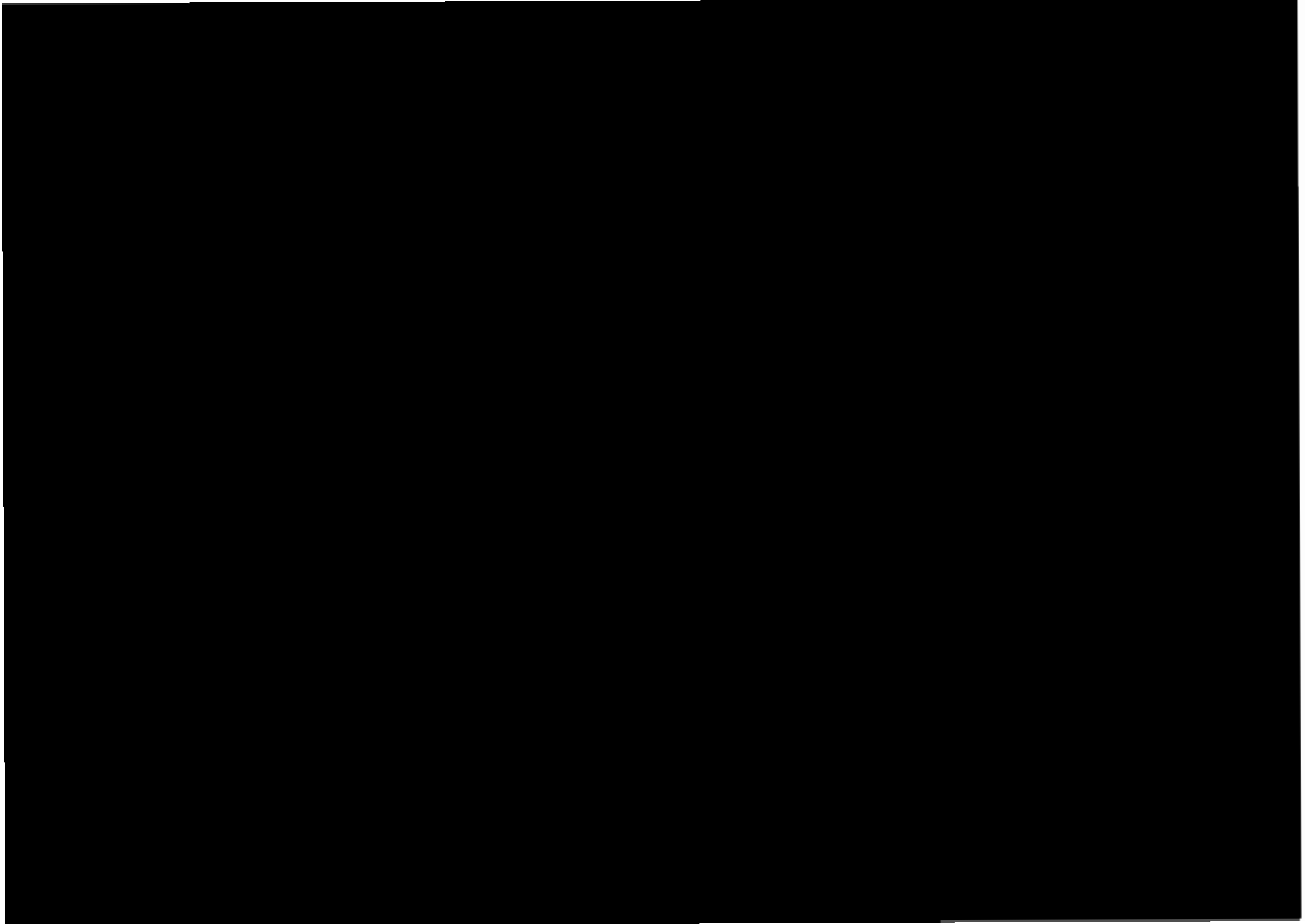


**2. Excluded Channels of Distribution and Customers**



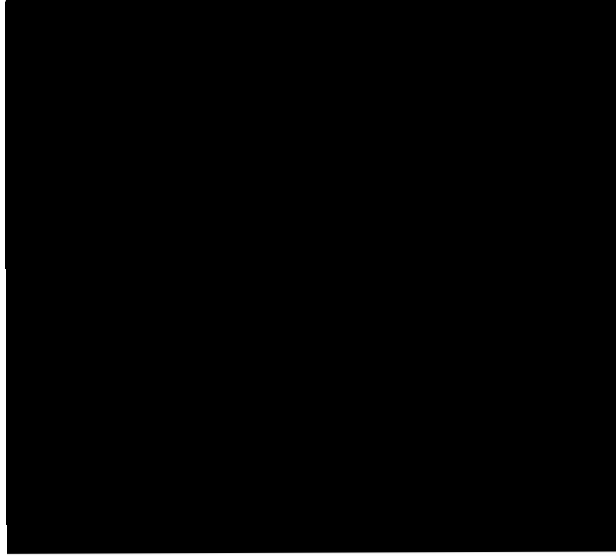
[Redacted - territorial locations for sale and distribution of Product under the Agreement]

**SCHEDULE 3 - PRICES**



[Redacted - prices]

**SCHEDULE 4 - MINIMUM ANNUAL PURCHASE COMMITMENT**



[Redacted - minimum purchase requirements]