

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

IN THE MATTER OF THE *COMPANIES' CREDITORS
ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF SPROUTLY, INC. and TORONTO
HERBAL REMEDIES INC.

(each an “**Applicant**” and collectively, the “**Applicants**”)

**APPLICATION RECORD
(returnable on June 24, 2022 at 10:00 a.m.)**

June 22, 2022

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Lawyers for the Applicants

**TO: THIS HONOURABLE COURT
AND TO: THE SERVICE LIST**

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

IN THE MATTER OF THE *COMPANIES' CREDITORS
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Court File No. CV-22-_____ -00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

IN THE MATTER OF THE *COMPANIES' CREDITORS
ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF SPROUTLY, INC. and TORONTO
HERBAL REMEDIES INC.

(each an "Applicant" and collectively, the "Applicants")

NOTICE OF APPLICATION

TO THE RESPONDENTS:

A LEGAL PROCEEDING HAS BEEN COMMENCED by the Applicants. The claim made by the Applicants appears on the following pages.

THIS APPLICATION will come on for a hearing (*choose one of the following*)

- In person
- By telephone conference
- By video conference

before a Judge presiding over the Ontario Superior Court of Justice (Commercial List) **on June 24, 2022 at 10:00 am** and heard by judicial video conference via Zoom at Toronto, Ontario, in accordance with the Changes to Commercial List operations in light of COVID-19 and the updated Notice to the Profession updated on February 16, 2022. The conference details will be provided by the Court. Please advise if you intend to join the hearing by emailing Adrienne Ho at aho@tgf.ca.

IF YOU WISH TO OPPOSE THIS APPLICATION, to receive notice of any step in the application or to be served with any documents in the application, you or an Ontario lawyer acting for you must forthwith prepare a notice of appearance in Form 38A prescribed by the *Rules of Civil Procedure*, serve it on the Applicants' lawyer or, where the Applicants do not have a lawyer, serve it on the Applicants, and file it, with proof of service, in this court office, and you or your lawyer must appear at the hearing.

IF YOU WISH TO PRESENT AFFIDAVIT OR OTHER DOCUMENTARY EVIDENCE TO THE COURT OR TO EXAMINE OR CROSS-EXAMINE WITNESSES ON THE APPLICATION, you or your lawyer must, in addition to serving your notice of appearance, serve a copy of the evidence on the Applicants' lawyer or, where the Applicants do not have a lawyer, serve it on the Applicants, and file it, with proof of service, in the court office where the application is to be heard as soon as possible, but at least four days before the hearing.

IF YOU FAIL TO APPEAR AT THE HEARING, JUDGMENT MAY BE GIVEN IN YOUR ABSENCE AND WITHOUT FURTHER NOTICE TO YOU. IF YOU WISH TO OPPOSE THIS APPLICATION BUT ARE UNABLE TO PAY LEGAL FEES, LEGAL AID MAY BE AVAILABLE TO YOU BY CONTACTING A LOCAL LEGAL AID OFFICE.

Date: June ____, 2022

Issued by: _____

Local Registrar

Address of court office: 330 University Avenue, 9th Floor
Toronto ON M5G 1R7

TO: THIS HONOURABLE COURT
AND TO: THE SERVICE LIST

APPLICATION

THE APPLICANTS make an application for:

1. An initial order (the “**Initial Order**”), which will be sought by the Applicants at the initial application hearing before the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) on June 24, 2022, among other things:
 - (a) abridging the time for service of this Notice of Application and dispensing with service on any person other than those served;
 - (b) declaring that the Applicants are parties to which the *Companies’ Creditors Arrangement Act*, RSC 1985, c C-36 (the “**CCAA**”) applies;
 - (c) authorizing the Applicants to carry on business in a manner consistent with the preservation of their business and property;
 - (d) appointing BDO Canada Limited (“**BDO**”) as monitor (in such capacity, the “**Monitor**”) to oversee the business and financial affairs of the Applicants;
 - (e) approving the DIP Term Sheet (as defined below), the DIP Financing (as defined below), and the authority to initially borrow up to \$160,000;
 - (f) granting the following charges over the Applicants’ property:
 - (i) an initial charge in favour of 0982244 B.C. Ltd., operating as Isle of Mann Property Group (the “**DIP Lender**”) of up to \$160,000 (the “**DIP Lender’s Charge**”);
 - (ii) an administration charge (the “**Administration Charge**”) in favour of counsel to the Applicants, the Monitor and counsel to the Monitor to secure

payment of their professional fees and disbursements to a maximum amount of \$150,000; and

(iii) a directors' charge (the "**Directors' Charge**" and together with the DIP Lender's Charge and the Administration Charge, the "**Priority Charges**") in favour of the directors and officers of the Applicants to a maximum amount of \$50,000;

(g) staying all proceedings taken or that might be taken in respect of the Applicants, their directors and officers, or the Proposed Monitor until July 4, 2022, subject to further Order of the Court (the "**Stay of Proceedings**");

(h) approving the Applicants' ability to borrow up to the principal amount of \$750,000 under a debtor-in-possession credit facility (the "**DIP Facility**") to finance their working capital requirements and other general corporate purposes, post-filing expenses and costs;

(i) authorizing the Applicants to pay the reasonable fees and disbursements of the Monitor and its counsel and the Applicant's counsel;

2. An amended and restated initial order (the "**ARIO**"), which will be sought by the Applicants at the "comeback hearing" to be scheduled by the Court, which will take place within ten (10) days of the date of the initial hearing, including but not limited to the following relief:

(a) confirming the relief granted pursuant to the Initial Order;

(b) extending the Stay Period by 90 days;

(c) increase the DIP Lenders' Charge;

- (d) such further and other relief as this Court may deem just and equitable; and
3. Such other relief as counsel may request and this Court may deem just.

THE GROUNDS FOR THE APPLICATION ARE:

General

4. Toronto Herbal Remedies Inc. (“**THR**”, and jointly with Sproutly, Inc., the “**Applicants**”) is engaged in the production, processing and sale of cannabis products at a facility in Toronto, Ontario. Sproutly, Inc. has no assets other than 100% of the shares of THR.
5. THR was incorporated under the Ontario *Business Corporations Act*. Sproutly, Inc. was incorporated under the *Canada Business Corporations Act*.
6. THR holds the Applicants’ primary assets, which include real property located in Toronto, Ontario (the “**Real Property**”), a 15,913 square foot production facility, located on the Real Property, that was built to cultivate pharmaceutical grade cannabis (the “**THR Facility**”), a Health Canada license permitting the processing, cultivation, and sale of cannabis in accordance with the *Cannabis Act* and the *Cannabis Regulations* (collectively the “**Cannabis Regulations**”), and various equipment and inventory.
7. At this time, THR is no longer operating to grow or produce cannabis products; however, cannabis remains at the licenced facility.
8. The Applicants are debtor companies to which the CCAA applies with total claims against them in excess of \$5 million.

Immediate Need for a Stay of Proceedings

9. This Application has been commenced as a result of the Applicants' current financial circumstances.
10. Following the COVID-19 pandemic in March 2020, sales declined significantly. As well, some key financing opportunities also came to a halt.
11. Ultimately, as a result of an inability to access liquidity and the downturn in the cannabis market, THR had to cease regular operations of its cannabis facility.
12. The Applicants are insolvent, face an imminent liquidity crisis, and require urgent relief under the CCAA. The Applicants have a critical and immediate need for interim financing, and without it, the Applicants are unable to meet its working capital needs and conduct a sale, investment and solicitation process.
13. The Applicants have managed to secure interim debtor-in-possession financing ("**DIP Financing**") pursuant to the term sheet (the "**DIP Term Sheet**"), which will provide it with sufficient liquidity to support working capital requirements through the proceedings under the CCAA (the "**CCAA Proceedings**").
14. The Applicants require the protection afforded by the CCAA to facilitate the DIP Financing and complete a sales and investment solicitation process, which will allow the Applicants to preserve and maximize the value of their business for the benefit of the Applicants' secured creditors and other stakeholders.

15. It is necessary and in the best interest of the Applicants and their stakeholders that the Applicants be afforded the protection provided by the CCAA as they attempt to sell their business.

Court Ordered Charges

16. Certain priority charges are required in order to obtain the DIP Financing, ensure the continued cooperation of the Applicants' directors and officers, and secure the professional services required to complete the CCAA Proceedings. Without these charges, it is unlikely that the beneficiaries thereof would assume the risks associated with the CCAA Proceedings.

Other Grounds

17. BDO has consented to act as the Monitor in the CCAA Proceedings;
18. The provisions of the CCAA and the inherent and equitable jurisdiction of this Honourable Court;
19. Rules 2.03, 3.02, 14.05(2) and 16 of the Ontario *Rules of Civil Procedure*, R.R.O. 1990, Reg. 194, as amended and section 106 of the Ontario *Courts of Justice Act*, R.S.O. 1990, c. C.43 as amended; and
20. Such further and other grounds as counsel may advise and this Court may permit.

THE FOLLOWING DOCUMENTARY EVIDENCE will be used at the hearing of this application:

21. The Affidavit of Craig Loverock, to be sworn;

22. The Pre-Filing Report of the Proposed Monitor, BDO;
23. The Consent of BDO to act as Monitor; and
24. Such further and other evidence as counsel may advise and this Court may permit.

June 22, 2022

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Lawyers for the Applicants

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED
AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF SPROUTLY, INC. and TORONTO HERBAL
REMEDIES INC. (each an "Applicant" and collectively, the "Applicants")

Court File No. CV-22-_____-00CL

ONTARIO
**SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

Proceedings commenced at Toronto, Ontario

NOTICE OF APPLICATION

Thornton Grout Finnigan LLP

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Lawyers for the Applicants

**ONTARIO
SUPERIOR COURT OF JUSTICE
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HERBAL REMEDIES INC.

(each an “**Applicant**” and collectively, the “**Applicants**”)

**SERVICE LIST
(as at June 22, 2022)**

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------------	---

AND TO:	<p>SPROUTLY INC. 595 Howe Street, 10th floor Vancouver, BC V6C 2T5</p> <p>Craig Loverock Email: craig.loverock@sproutly.ca</p> <p>Applicant</p>
AND TO:	<p>TORONTO HERBAL REMEDIES INC. 70 Raleigh Avenue Toronto, ON M1K 1A3</p> <p>Craig Loverock Email: craig.loverock@sproutly.ca</p> <p>Applicant</p>
AND TO:	<p>BDO CANADA LIMITED 20 Wellington E, Suite 500 Toronto, ON M5E 1C5</p> <p>Clark Lonergan Email: clonergan@bdo.ca Tel: (647) 730-0934</p> <p>Anna Koroneos Email: akoroneos@bdo.ca Tel: (647) 798-1459</p> <p>Proposed Monitor</p>

AND TO:	<p>AFFLECK GREENE MCMURTRY LLP 365 Bay Street, Suite 200 Toronto, ON M5H 2V1 Fax: (416) 360-5385</p> <p>Kyle J. Peterson Email: kpeterson@agmlawyers.com Tel: (416) 360-5385</p> <p>Lawyers for the proposed Monitor</p>
AND TO:	<p>LOOPSTRA NIXON LLP Richmond-Adelaide Centre 120 Adelaide Street West, Suite 1901 Toronto, ON M5H 1T1</p> <p>R. Graham Phoenix Email: gphoenix@loonix.com Tel: (416) 748-4776</p> <p>Sarah White Email: swhite@loonix.com Tel: (416) 748-6545</p> <p>Lawyers for 0982244 B.C. Ltd. o/a as Isle of Mann Property Group</p>
AND TO:	<p>INFUSION BIOSCIENCES INC. 181 Bay Street, Suite 1030 Toronto, ON M5J 2T3</p> <p>Dr. Arup Sen <i>President</i> Email: arup@infusionbiosciences.com</p> <p>Mortgagee and PPSA registrant</p>
AND TO:	<p>SPROUTLY CANADA, INC. 595 Howe Street 10th floor Vancouver, BC V6C 2T5</p> <p>Craig Loverock <i>Director</i> Email: craig.loverock@sproutly.ca</p>

AND TO:	<p>DEPARTMENT OF JUSTICE (CANADA) Ontario Regional Office 120 Adelaide Street West, Suite 400 Toronto, ON M5H 1T1</p> <p>Diane Winters Tel: (416) 973-3712 Email: diane.winters@justice.gc.ca</p> <p>Maria Vujnovic Tel: (647) 256-7455 Email: maria.vujnovic@justice.gc.ca</p> <p>Daphne Jurgens Email: daphne.jurgens@canada.ca</p>
AND TO:	<p>HEALTH CANADA Controlled Substances and Cannabis Branch 150 Tunney's Pasture Driveway Ottawa, ON K1A 0K9</p> <p>Licensing and Security Division Email: licensing-cannabis-licenses@hc-sc.gc.ca</p> <p>Cassandra Scullion Email: cassandra.scullion@hc-sc.gc.ca</p>

AND TO:	<p>HER MAJESTY THE QUEEN IN RIGHT OF THE PROVINCE OF ONTARIO AS REPRESENTED BY THE MINISTER OF FINANCE Ministry of Finance - Account Management and Collections Branch 33 King Street West, 6th Floor Oshawa, ON L1H 8H5</p> <p>Kimberly Denise Winkley Tel: (905) 433-5292 Fax: (905) 433-6760 c/o: insolvency.unit@ontario.ca</p> <p>Steven Groeneveld Tel: (905) 431-8380 Email: steven.groeneveld@ontario.ca</p> <p>Dominique Ferland Email: dominique.ferland@ontario.ca</p> <p>Lien and PPSA registrant (pursuant to <i>Employer Health Tax Act</i>)</p>
AND TO:	<p>HER MAJESTY THE QUEEN IN RIGHT OF THE PROVINCE OF ONTARIO AS REPRESENTED BY THE MINISTER OF FINANCE INSOLVENCY UNIT 6th Floor, 33 King Street West Oshawa, ON L1H 8H5</p> <p>Leslie Crawford Tel: (905) 433-5657 Email: leslie.crawford@ontario.ca</p> <p>Insolvency Unit Email: insolvency.unit@ontario.ca</p>

AND TO:	<p>ROYAL BANK OF CANADA c/o RBC Legal Department RBC Centre 19-155 Wellington St. W Toronto, ON M5V 3K7</p> <p>Maria Arzoumanidis <i>Senior Legal Counsel</i> Tel: (416) 955-4730 Email mary.arzoumanidis@rbc.com</p> <p>CEBA Loan financial institution</p>
AND TO:	<p>ROYAL BANK OF CANADA 1025 West Georgia St. Vancouver, BC V6E 3N9</p> <p>Accom Azimi <i>Business Account Manager, Business Financial Services</i> Tel: 1 (236) 333-5168 Email: accom.azimi@rbc.com</p> <p>CEBA Loan financial institution</p>
AND TO:	<p>BMO BANK OF MONTREAL Canadian Commercial Banking 6th Floor, First Bank Tower 595 Burrard Street Vancouver, BC V7X 1L7</p> <p>Quinn Hinch <i>Sales Associate (Cannabis), Treasury & Payments Solutions</i> Email: quinn.hinch@bmo.com Tel: 1 (778) 783-4676 Fax: 1 (604) 687-3666</p> <p>CEBA Loan financial institution</p>

AND TO:	<p>BANK OF MONTREAL c/o BMO Financial Group First Canadian Place 20-100 King St W Toronto, ON M5X 1A1</p> <p>Kellie Seaman <i>Senior Counsel, Canadian Personal & Commercial Banking</i> Tel: (416) 999-7956 Email: kellie.seaman@bmo.com</p> <p>CEBA Loan financial institution</p>
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**EMAIL SERVICE LIST
(as at June 22, 2022)**

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TAB 2

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

IN THE MATTER OF THE *COMPANIES' CREDITORS*
ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF SPROUTLY INC. and TORONTO
HERBAL REMEDIES INC.
(each an “**Applicant**” and collectively, the “**Applicants**”)

Applicants

AFFIDAVIT OF CRAIG LOVEROCK
(Sworn June 22, 2022)

I, Craig Loverock, of the Municipality of York, in the Province of Ontario, MAKE
OATH AND SAY AS FOLLOWS:

I. INTRODUCTION

1. I am the Chief Financial Officer and Director of Sproutly, Inc. I am the Director, President, Chief Financial Officer and Secretary of Toronto Herbal Remedies Inc. (“**THR**”). In my executive roles with Sproutly, Inc. and THR (collectively, the “**Applicants**”), I have knowledge of the operations and structure of each of the Applicants. As such, I have knowledge of the matters hereinafter deposed to, save where I have obtained information from others and public sources. Where I have obtained information from others and public sources, I have stated the source of the information and believe it to be true.

2. This affidavit is sworn in support of an application by the Applicants for an order (the “**Initial Order**”) pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36,

as amended (the “**CCAA**”) substantially in the form of the draft order included at Tab 3 of the Application Record, approving, among other things,

- (a) the appointment of BDO Canada Limited (“**BDO**”) as the proposed Monitor of the Applicants (in such capacity, the “**Proposed Monitor**”);
 - (b) the DIP Term Sheet (as defined below), the DIP Loan (as defined below), the authority to initially borrow up to \$160,000, and an initial charge in favour of 0982244 B.C. Ltd., operating as Isle of Mann Property Group (the “**DIP Lender**”) of up to \$160,000 (the “**DIP Lender’s Charge**”);
 - (c) an administration charge of \$150,000 (the “**Administration Charge**”);
 - (d) a directors’ charge of \$50,000 (the “**Directors’ Charge**” and together with the DIP Lender’s Charge and the Administration Charge, the “**Priority Charges**”); and
 - (e) an initial stay of proceedings to July 4, 2022 (the “**Stay Period**”).
3. If the Initial Order is granted, the Applicants intend to return to Court on July 4, 2022 (the “**Comeback Hearing**”) to seek amendments to the Initial Order (the “**Amended and Restated Initial Order**”), including but not limited to extending the Stay Period and increasing the amount of the Priority Charges. At the same time, the Applicants also intend to seek a sale and investment solicitation process.
4. All monetary amounts referred to in this Affidavit are in Canadian dollars, unless otherwise noted.

II. OVERVIEW OF THE APPLICANTS

A. *Background*

5. THR is engaged in the production, processing and sale of cannabis products. It holds the Applicants' primary assets, which include the Real Property (as defined below), various equipment and inventory, and the Health Canada license permitting the processing, cultivation, and sale cannabis in accordance with the *Cannabis Act* and the *Cannabis Regulations* (collectively the "**Cannabis Regulations**"). Currently, THR is no longer growing or producing cannabis products; however, cannabis remains at the licenced facility.

6. Sproutly, Inc. has no assets other than 100% of the shares of THR. Sproutly, Inc. is the employer of key individuals responsible for, and required to remain involved with the business, to maintain the Health Canada license under the Cannabis Regulations.

7. The Applicants are facing a liquidity crisis and were actively marketing their assets for sale prior to filing. The Applicants require immediate interim financing and the protections afforded under the CCAA in order to stay the actions of Toronto Hydro and to commence a court ordered sales process for the benefit of its stakeholders.

B. *Corporate Structure*

8. Sproutly Canada Inc. ("**Sproutly Canada**") is a publicly-traded corporation on the Canadian Securities Exchange under the symbol "SPR" and is quoted on certain other international exchanges, including on the Frankfurt, Berlin, Munich and Stuttgart exchanges under the symbol "38G" and on the OTCQB Venture Marketplace under the symbol "SRUTF". Sproutly Canada is not an applicant in these proceedings.

9. Sproutly Canada was incorporated as “Stone Ridge Exploration Corp.” (“**Stone Ridge**”) in 2012. In 2018, Stone Ridge effected a plan of arrangement under the *Canada Business Corporations Act* (“**CBCA**”), which included a reverse takeover of Stone Ridge by Sproutly, Inc. Stone Ridge changed its name to “Sproutly Canada, Inc.” and Sproutly, Inc. became a wholly owned subsidiary of the corporation now known as Sproutly Canada.

10. Sproutly, Inc. was incorporated on January 17, 2017 under the CBCA and maintains its registered office at 10th Floor – 595 Howe Street, Vancouver, British Columbia.

11. THR was incorporated on January 17, 2013 under the Ontario *Business Corporations Act*, and maintains its registered office at 70 Raleigh Ave, Toronto, Ontario.

12. Copies of the corporate registry searches with respect to the Applicants and Sproutly Canada are attached hereto as **Exhibit “A”**. A copy of an organizational chart for these entities is attached as **Exhibit “B”**.

C. *The Business*

(i) Operations

13. THR owns a 15,913 square foot production facility (the “**THR Facility**”) located at 64-70 Raleigh Avenue, Toronto, Ontario (the “**Real Property**”). The THR Facility was built to cultivate pharmaceutical grade cannabis. It has 12 grow rooms, and approximately 10,528 square feet dedicated to production support.

(ii) Cannabis License

14. THR holds a license, a copy of which is attached hereto as **Exhibit “C”**, under the Cannabis Regulations (the “**Cannabis License**”) in respect of the THR Facility. The Cannabis License is currently due to expire on November 26, 2026. The Cannabis License permits THR to:

- (a) possess cannabis;
- (b) obtain dried cannabis, fresh cannabis, cannabis plants or cannabis plant seeds by cultivating, propagating, and harvesting cannabis;
- (c) for the purposes of testing, obtain cannabis by altering its chemical or physical properties by any means;
- (d) produce cannabis, other than by obtaining it by cultivating, propagating or harvesting it; and
- (e) sell cannabis in accordance with the Cannabis Regulations.

15. The Cannabis License is subject to THR meeting Health Canada requirements for cannabis testing, and THR selling and distributing cannabis products to authorized license holders and distributors.

(iii) Permit

16. THR is also registered under the Saskatchewan Liquor and Gaming Authority to supply cannabis to the Saskatchewan market from the Real Property. THR’s Licenced Producer

Registration is up for renewal on March 16, 2023. Attached hereto as **Exhibits “D” and “E”** are copies of the permit and email advising of the renewal date.

D. *Employees*

17. Presently, THR has 2 employees whereas Sproutly has 2 employees and 1 consultant required to maintain the Cannabis License. The employees are not unionized and do not maintain a pension plan.

18. Payroll was paid biweekly. It is anticipated that the first payment of \$30,000 will include a small catch-up portion of missed payroll for the THR employees whose salaries were postponed prior to filing.

E. *Material Contracts*

19. THR has entered into supply agreements with six provinces: British Columbia, Saskatchewan, Manitoba, Alberta, New Brunswick and Ontario, through the applicable provincial wholesaler or liquor and gaming authorities. These agreements permit THR to supply dried flower products.

F. *Cash Management*

20. THR primarily conducts its banking with the Royal Bank of Canada. Sproutly, Inc. primarily conducts its banking with the Bank of Montreal.

III. FINANCIAL SITUATION OF THE APPLICANTS

A. *Applicants’ Financial Statements*

21. The Applicants do not produce stand alone financial statements but are consolidated into Sproutly Canada's financial statements. Full copies of Sproutly Canada's annual audited and recent quarterly unaudited financial statements are attached hereto as **Exhibits "F" and "G"**, respectively.

B. Assets of the Applicants

22. As outlined above, Sproutly, Inc. does not have any assets other than shares in THR.

23. THR's assets consist primarily of the THR Facility, the Real Property, equipment, and the Cannabis License.

C. The Applicants' Secured Creditors

24. Sproutly, Inc. has no secured creditors.

25. THR has three secured creditors: the DIP Lender, Infusion Biosciences Inc. ("**Infusion**"), and Her Majesty in Right of Ontario Represented by the Minister of Finance ("**Minister of Finance**"), and together with the DIP Lender and Infusion, the "**Secured Creditors**").

26. There was a previous secured lender, Jane Bailey ("**Bailey**"), who had an interest in specific gummy production equipment of THR. In April 2022, a purchaser acquired this specific equipment and as part of that transaction the Bailey debt was repaid and the security interests against THR were released. A copy of the release of security is attached as **Exhibit "H"**

27. A summary of the Secured Creditors, with security interests registered pursuant to the *Personal Property Security Act* (Ontario) (the "**PPSA**") for THR can be found below:

Date of Registration	Secured Party	Registration Number	Expiry Date
February 5, 2020	Infusion	20200205 1105 1862 8027	February 5, 2025
December 30, 2020	Minister of Finance	20201230 1818 1031 0702	December 30, 2025
June 16, 2022	DIP Lender	20220616 1423 1590 7490	June 16, 2027

28. The DIP Lender and Infusion entered into a subordination agreement with respect to the security interests of each party. A copy of the subordination agreement is attached as **Exhibit “I”**.

29. There are no security interests registered under the PPSA against Sproutly, Inc. as of June 16, 2022. Copies of a certified search of the Ontario Personal Property Security Registration System with respect to Sproutly, Inc. and THR are attached hereto as **Exhibits “J” and “K”** respectively. A copy of a search of the Personal Property Security Registration for British Columbia in respect of Sproutly, Inc. is attached hereto as **Exhibit “L”**.

(i) **The DIP Lender**

30. On June 18, 2015, THR entered into a loan agreement (the “**Loan Agreement**”) with the DIP Lender, as lender, and Bray Limited Partnership (“**Bray**”) in the aggregate principal amount of \$3.25 million (the “**Original Loan**”) to provide financing for the construction of the THR Facility. A copy of the Loan Agreement is attached as **Exhibit “M”**. Bray has since dissolved, evidenced by the corporate search attached hereto as **Exhibit “N”**.

31. In connection with the Original Loan, THR also provided the following:

(a) A promissory note in the same amount as the Original Loan (the “**2015 Promissory Note**”). A copy of the Promissory Note and receipt is attached hereto as Exhibit “**O**”;

(b) A charge/mortgage of land in favour of the DIP Lender in the principal amount as the Original Loan (the “**Mortgage**”). This Mortgage was registered against title to the Real Property on August 31, 2015 as Instrument Number AT3995694. A copy of instrument is attached hereto as **Exhibit “P”**. A copy of the abstract in respect of the Real Property is attached hereto as **Exhibit “Q”**;

(c) A General Assignment of Rents in favour of the DIP Lender as a condition precedent to the Mortgage. This was registered against the Real Property on August 31, 2015 as Instrument Number AT3995695. A copy of Instrument, enclosing the General Assignment of Rents, is attached hereto as **Exhibit “R”**;

(d) A general security agreement dated August 28, 2015 in favour of the DIP Lender, a copy of which is attached hereto as Exhibit “**S**”;

(e) Various security documents including an assignment of sale proceeds and assignment of material contracts; and

(f) A share purchase and loan conversion option in favour of the DIP Lender pursuant to a share purchase option and loan conversion agreement dated August 28, 2015 (the “**2015 Option Agreement**”), a copy of which is attached hereto as **Exhibit “T”**.

32. The 2015 Option Agreement was then amended, and the DIP Lender exercised its option to purchase 23% of the common shares in THR pursuant to an option amendment, exercise and loan conversion agreement dated February 28, 2018 (the “**2018 Conversion Agreement**”). A copy

of 2018 Conversion Agreement, excluding Exhibit A, is attached hereto as **Exhibit “U”**. In connection with this conversion:

(a) The principal amount of the Original Loan was reduced by \$1.5 million, and a new loan in the principal amount of \$1.5 million was issued to the DIP Lender (the “**Converted Loan**”). A promissory note, dated February 28, 2018, for the Conversion Loan is attached hereto as Exhibit “**V**” (the “**2018 Promissory Note**”);

(b) The Mortgage was amended and restated pursuant to the registration of a notice of agreement amending charge, which was registered as Instrument AT4812828 on March 1, 2018 (the “**Notice of Amendment**”). A copy of registration is attached hereto as **Exhibit “W”**; and

(c) THR signed a General Security Agreement, dated February 28, 2018, a copy of which is attached hereto as **Exhibit “X”**.

33. Following the 2018 Conversion, THR and the DIP Lender also amended the 2015 Promissory Note and the 2018 Promissory Note to change, amongst other things, the interest and maturity terms. Copies of the amendments for the 2015 Promissory Note and the 2018 Promissory Note, both dated August 7, 2018, are attached hereto as **Exhibits “Y”** and “**Z**” respectively.

34. THR and the DIP Lender agreed to increase the amount of the Mortgage to \$4.5 million. Pursuant to this increase, a Notice of Agreement Amending Charge of Land was registered on title to the Real Property as Instrument AT5352062 on January 28, 2020. A copy of this instrument is attached hereto as **Exhibit “AA”**.

35. On June 16, 2022, the DIP Lender registered a security interest pursuant to the Ontario PPSA THR against all classes of collateral except Consumer goods which registration expires on June 16, 2027. I have been advised by counsel to the Applicants that this registration was made as a renewal for a lapsed registration.

36. As of June 21, 2022, the amount outstanding on the Mortgage, as advised by counsel to the mortgagee, is \$3,596,130.60, with daily interest accruing at \$1,127.40. A copy of the email from lender's counsel, with a breakdown of amounts owed, is attached as **Exhibit "BB"**.

37. The DIP Lender is a key stakeholder of the Applicants. The DIP Lender and the Applicant have worked together prior to this filing to ensure the DIP Lender supported these proceedings. As a result, the DIP Lender has agreed to provide the DIP financing, described herein, and to support the CCAA proceeding of the Applicants.

(ii) Infusion Loan

38. THR, Sproutly Canada and Infusion entered into a loan agreement whereby Infusion agreed to lend \$1 million to Sproutly Canada ("**Infusion Loan**"). A copy of the loan agreement, dated January 21, 2020, is attached hereto as **Exhibit "CC"**.

39. In connection with the Infusion Loan, THR provided the following:

(a) A guarantee for the Infusion Loan (the "**Guarantee**"). A copy of the Guarantee is attached hereto as **Exhibit "DD"**;

(b) A second charge/mortgage of land in favour of Infusion over the Real Property as security for the Guarantee (the "**Infusion Mortgage**"). The Infusion Mortgage was

registered on March 6, 2020 as instrument number AT5382792. A copy of the registration is attached hereto as **Exhibit “EE”** respectively. The DIP Lender consented to THR granting the Infusion Mortgage as consideration of the principal amount of the 2018 Mortgage being increased to \$4.5 million, as described above; and

(c) A general security agreement in favour of Infusion. A copy of this agreement, dated January 21, 2020, is attached hereto as **Exhibit “FF”**.

40. On February 5, 2020, Infusion registered a security interest pursuant to the PPSA against THR against the following classes of collateral: Inventory, Equipment, Accounts, and Other which registration expires February 5, 2025.

41. The Infusion Loan was subsequently amended in August 2020. Attached hereto as **Exhibit “GG”** is a copy of the amendment.

42. Infusion agreed to lend an additional \$855,000 to Sproutly Canada, Inc. in the form of convertible debenture and obtained additional security from Infusion Biosciences Canada Inc. (another subsidiary of Sproutly Canada). A copy of this loan agreement, of which THR is party to, is attached hereto as **Exhibit “HH”**.

43. The amount outstanding on the Infusion Loan is \$1,190,596.35 as of May 31, 2022.

(iii) Ministry of Finance

44. The Minister of Finance registered a security interest against THR pursuant to the PPSA on December 30, 2020 against the following classes of collateral: Inventory, Equipment, Accounts, and Other which registration is set to expire on December 30, 2025.

45. The Minister of Finance also registered a lien against the Real Property on May 27, 2021 in the amount of \$8,782.32 (the “**Lien**”) for taxes and other amounts unpaid pursuant to the *Employer Health Tax Act*, R.S.O. 1990, c. E. 11, as amended pursuant to Instrument Number AT5748147. A copy of the Lien is attached as **Exhibit “II”**.

D. Unsecured Creditors of the Applicants

46. Based on the Applicants’ books and records, as of June 9, 2022, THR’s unsecured obligations totaled approximately \$1.202 million to various trade creditors. Of particular note, these amounts include:

(a) \$355,810.03 for amounts owing for excise taxes associated with the Cannabis License. As a licensed cannabis producer, THR is required to pay a federal excise duty under the *Excise Act, 2002* (Canada) when the cannabis products they package are delivered to a purchaser. This excise duty payable is in addition to any HST payable;

(b) \$161,694.56 owing pursuant to supply agreements with Alberta and New Brunswick;

(c) \$16,598.89 in connection to WSIB premiums; and

(d) \$60,000 in connection with a loan under the *Canada Emergency Business Account* (“**CEBA**”) program through Royal Bank of Canada.

47. Sproutly, Inc. also owes \$60,000 under the same CEBA Program through the Bank of Montreal.

F. Litigation

48. In May 2022, the DIP Lender commenced power of sale proceedings against THR to obtain vacant possession of the THR Facility. THR defended this action. The power of sale proceedings will be stayed by these CCAA proceedings; however, through the efforts of the Applicants, the DIP Lender now supports the commencement of these proceedings and the sales process that will be sought at the comeback hearing.

IV. CASH FLOW FORECAST

49. Attached hereto as **Exhibit “JJ”** is a statement of the projected 14-week cash flow forecast (the “**Cash Flow Forecast**”) of the Applicants for the week ending June 26, 2022 to the week ending September 25, 2022 (the “**Cash Flow Period**”). The Cash Flow Forecast was prepared by the Applicants with the assistance of the Proposed Monitor.

50. The Cash Flow Forecast demonstrates that if the relief requested is granted, including the approval of the DIP Term Sheet and the DIP Lender’s Charge, the Applicants will have sufficient liquidity to meet its obligations during the initial 10-day Stay Period.

V. LIQUIDITY CRISIS & PRESSING NEED FOR RELIEF

51. Following the COVID-19 pandemic in March 2020, the Applicant’s sales declined significantly. As well, some key financing opportunities also came to a halt. As a result of an inability to access liquidity and the downturn in the cannabis market, THR had to cease regular operations at the THR Facility.

52. As the Cash Flow Forecast indicates, the Applicants project estimated disbursements of approximately \$748,898 during the Cash Flow Period. The Applicants have a critical and

immediate need for interim financing, and without it, the Applicants are unable to conduct the close out a proposed sales process.

53. Accordingly, the Applicants have sought interim debtor-in-possession financing (“**DIP Financing**”). The Applicants were able to secure DIP Financing from the DIP Lender pursuant to a Term Sheet dated June 22, 2022 (the “**DIP Term Sheet**”), wherein the DIP Lender agreed to loan a maximum principal amount of \$750,000 to the Applicants to support working capital requirements (the “**DIP Facility**”), subject to the terms and conditions prescribed therein. A copy of the DIP Term Sheet is attached hereto as **Exhibit “KK”**.

54. The key material terms of the DIP Term Sheet are as follows:

- (a) The provision of a non-revolving demand credit facility up to a maximum amount of \$750,000;
- (b) The purpose of the DIP Facility is to:
 - (i) Fund working capital needs in accordance with cash flow projections approved by the Proposed Monitor and the DIP Lender;
 - (ii) fees and expenses (including interest) incurred by the DIP Lender, incurred in connection with the DIP Facility and the within CCAA proceedings;
 - (iii) professional fees and expenses incurred by the Applicants and the Proposed Monitor in respect of the CCAA Proceedings; and
 - (iv) such other costs and expenses of the Applicants as may be agreed to by the DIP Lender;

(c) advances under the DIP Facility (individually an “**Advance**”) are to be issued as follows:

- (i) on a weekly request by THR to the DIP Lender;
- (ii) irrespective of the amount requested, the DIP Lender is only required to fund the portion of the Advance that is consistent with the weekly funding set out in cash flow projections, plus a maximum variation of 20% (“**Maximum Advance Value**”);
- (iii) the DIP Lender has the sole discretion to fund any portion of an Advance in excess of the Maximum Advance Value;

(d) Availability of the DIP Facility is conditional upon certain terms including:

- (i) An Initial Order approving the borrowing under the DIP Facility that provides:
 - 1) Subject only to the priority of the Administration Charge, a first ranking charge in favour of the DIP Lender;
 - 2) Granting the DIP Lender the right, upon the occurrence of an Event of Default under the DIP Facility (“**Event of Default**”), to terminate the DIP Facility;
 - 3) Declaring that the DIP Charge, documents related to the DIP Facility, and payments made to the DIP Lender do not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive

conduct, or other challengeable or voidable transactions under any applicable law;

4) declaring the DIP Financing Order, including the DIP Charge, be binding upon a trustee in bankruptcy of the Applicants, the Monitor, any receiver, interim-receiver, receiver-manager or any other officer of the Court appointed in respect of the Applicants; and

5) declaring the DIP Lender to be an “unaffected creditor” under any restructuring plan that may be made by the Applicants and that the indebtedness to the DIP Lender under the DIP Facility shall not be compromised under any such restructuring plan;

(ii) The Administration Charge not exceeding \$150,000;

(iii) The D&O Charge not exceeding \$50,000;

(e) Subsequent Advances are conditional upon:

(i) The Applicants obtaining an order approving a sales process, in a form satisfactory to the DIP Lender, no later than July 4, 2022 (the “**Sales Process Order**”), and that such order cannot be amended without the DIP Lender’s consent;

(ii) That there be no Event of Default under the DIP Facility; and

(iii) The conditions in the DIP Term Sheet continue to be satisfied;

- (f) Interest at a base rate of 14% per annum shall be calculated monthly on the daily balance outstanding under the DIP Facility;
- (g) Monthly interest only payments with the balance of principal and all obligations owing under the DIP Facility on the Maturity Date, which is defined to be earlier of:
 - (i) the occurrence of an event of default under the DIP Facility
 - (ii) termination of the CCAA proceedings
 - (iii) the sale of THR's real property or substantially all of its assets and business;
and
 - (iv) September 30, 2022 (or such other date as the DIP Lender may agree);
- (h) A facility fee of 2% of the amount of each Advance will be applied, with all fees to be accrued and repaid on the Maturity Date;
- (i) THR not incurring any expense other than as included in the Cash Flow Projections, or as reasonably required for the operation of the business up to a maximum of \$10,000, without the prior written consent of the DIP Lender;
- (j) THR is to maintain adequate insurance, with the DIP Lender named as first loss payee;
- (k) The Applicants to pay Priority Claims, which is defined in the DIP Facility to include, amongst other things, amounts that may rank prior to or *pari passu* with the DIP

Charge for amounts such as wages, vacation pay, source deductions, workers' compensation, and suppliers' claims; and

(l) The DIP Lender having the right to declare all amounts of the DIP Facility to be due and payable and seek a court order for such enforcement should an Event of Default occur. Events of Default include:

- (i) Failure to pay any principal, fees or other amounts when due;
- (ii) Failure to pay any of the Priority Claims;
- (iii) Breach of any covenant, term or condition of the DIP Term Sheet;
- (iv) The Sales Process Order or DIP Financing Order set aside, stayed, or varied in a manner adverse to the DIP Lender without its consent;
- (v) Any order made in the within proceedings that is prejudicial to the DIP Lender's interests;
- (vi) Sale of THR's business or assets except otherwise approved by the DIP Lender; and
- (vii) THR becoming bankrupt, or placed in a receivership.

55. The DIP Facility is required in order for Applicants to meet its ongoing working capital requirements and for the closing of the Transaction.

VI. THE PROPOSED SALES PROCESS

56. As outlined, the DIP Lender and other key stakeholders support the initiation of these CCAA proceedings to effect a sale of the business or the facility. At the Comeback Hearing, the Applicants anticipate requesting that this Court approve the sales process.

VII. OBJECTIVE OF CCAA FILING

57. As described above, the Applicants immediately require the protections afforded under the CCAA and the DIP Financing in order to maintain the *status quo* and obtain the breathing room required to run a sales process for the benefit of its stakeholders.

58. On June 6, 2022, THR received a notice from Toronto Hydro indicating that the power will be disconnected at the THR Facility between June 21, 2022 and July 4, 2022. A copy of the disconnection notice is attached as **Exhibit “LL”**. The urgent granting of a stay provided for under the CCAA is required to prevent this disconnection and to allow the business to be marketed and sold in an orderly process following the comeback hearing.

VIII. RELIEF BEING SOUGHT

A. *The Monitor*

59. BDO has consented to act as the Court-appointed Monitor of the Applicants, subject to Court approval. A copy of BDO’s consent is attached hereto as **Exhibit “MM”**. I am advised by external counsel that BDO is a trustee within the meaning of section 2 of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended, and is not subject to any of the restrictions on who may be appointed as Monitor set out in section 11.7(2) of the CCAA.

B. *Proposed Treatment of Creditors*

60. The Applicants propose to stay their pre-filing trade obligations as part of its CCAA filing.

C. *Administration Charge*

61. The Applicants seek an Administration Charge against the Property (as defined in the proposed form of the Initial Order) in the maximum amount of \$150,000 to secure the fees and disbursements incurred in connection with services rendered to the Applicants both before and after the commencement of the CCAA proceedings by counsel to the Applicants, the Proposed Monitor, and counsel to the Proposed Monitor.

62. It is contemplated that each of the aforementioned parties: (i) will have extensive involvement during the CCAA proceedings; (ii) have contributed and will continue to contribute to the restructuring of the Applicants; and (iii) will ensure there is no unnecessary duplication of roles among the parties.

63. I am advised by legal counsel that the Proposed Monitor believes that the proposed quantum of the Administration Charge is reasonable and appropriate in light of the Applicants' CCAA proceedings and the services provided and to be provided by the beneficiaries of the Administration Charge.

D. *DIP Charge*

64. The Applicants' cash resources are already exhausted. The last pay period the employees were paid was for the two week period ending March 4, 2022. The Applicants seek Court approval of the DIP Term Sheet as part of its restructuring strategy.

65. The Applicant's access to the DIP Facility is conditional upon the provision of an order of this Court, among other things, approving the DIP Term Sheet and approving the DIP Charge on the Property in the initial amount of \$160,000 subject to the terms of the DIP Term Sheet.

66. The Applicants worked with the Proposed Monitor in determining the proposed quantum of the DIP Charge and believe that the DIP Charge is appropriately limited to what is reasonably necessary in the circumstances. I have been advised by counsel that the Proposed Monitor is of the view that the DIP Charge is appropriate and limited to what is reasonably necessary in the circumstances.

E. *Directors' Charge*

67. To ensure the ongoing stability of the Applicants' business during the CCAA proceedings, the Applicants require the continued participation of their directors and officers who manage the business and commercial activities of the Applicants. The directors and officers of the Applicants have considerable institutional knowledge and valuable experience.

68. There is a concern that certain directors and officers of the Applicants may discontinue their services during this restructuring unless the Initial Order grants the Directors' Charge (as defined below) to secure the Applicants' indemnity obligations to the directors and officers that may arise post-filing in respect of potential personal statutory liabilities.

69. The Applicants do not maintain directors' and officers' liability insurance.

70. The proposed Initial Order contemplates the establishment of the Directors' Charge against the Property in the amount of \$50,000 to protect the directors and officers against obligations and liabilities they may incur as directors and officers of the Applicants after the commencement of

the CCAA proceedings, except to the extent that the obligation or liability is incurred as a result of the director's or officer's gross negligence or wilful misconduct.

71. The Applicants worked with the Proposed Monitor in determining the proposed quantum of the Directors' Charge and believe that the Directors' Charge is reasonable and appropriate in the circumstances.

F. *Proposed Ranking of Court-Ordered Charges*

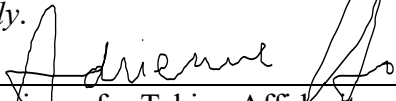
72. To summarize, the proposed ranking of the Priority Charges is as follows:

- (a) Administration Charge;
- (b) The DIP Lender's Charge; and
- (c) Directors' Charge.

IX. CONCLUSION

73. This affidavit is sworn in support of the Applicants' application for protection pursuant to the CCAA and for no improper purpose.

SWORN before me via videoconference with CRAIG LOVEROCK located in the City of Newmarket, in the Province of Ontario, before me at the City of Toronto, in the Province of Ontario, this 22nd day of June, 2022, in accordance with O. Reg 431/20, *Administering Oath or Declaration Remotely*.

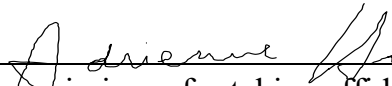


Commissioner for Taking Affidavits
Adrienne Ho (LSO# 68439N)



CRAIG LOVEROCK

This is Exhibit "A" referred to in the Affidavit of Craig Loverock sworn by Craig Loverock located in the City of Newmarket, in the Regional Municipality of York, in the Province of Ontario, before me at the City of Toronto, in the Province of Ontario, this 22nd day of June, 2022 in accordance with *O.Reg. 431/20, Administering Oath or Declaration Remotely*.


A Commissioner for taking affidavits

ADRIENNE HO



BC Company Summary

For SPROUTLY CANADA, INC.

Date and Time of Search: June 20, 2022 08:13 AM Pacific Time
Currency Date: March 28, 2022

ACTIVE

Incorporation Number: BC0931133
Name of Company: SPROUTLY CANADA, INC.
Business Number: 834986101 BC0001
Recognition Date and Time: Incorporated on January 26, 2012 09:05 AM Pacific Time **In Liquidation:** No
Last Annual Report Filed: January 26, 2020 **Receiver:** No

COMPANY NAME INFORMATION

Previous Company Name	Date of Company Name Change
STONE RIDGE EXPLORATION CORP.	July 06, 2018

REGISTERED OFFICE INFORMATION

Mailing Address:	Delivery Address:
10TH FLOOR, 595 HOWE ST. VANCOUVER BC V6C 2T5 CANADA	10TH FLOOR, 595 HOWE ST. VANCOUVER BC V6C 2T5 CANADA

RECORDS OFFICE INFORMATION

Mailing Address:	Delivery Address:
10TH FLOOR, 595 HOWE ST. VANCOUVER BC V6C 2T5 CANADA	10TH FLOOR, 595 HOWE ST. VANCOUVER BC V6C 2T5 CANADA

DIRECTOR INFORMATION

Last Name, First Name, Middle Name:
Constandis, Constantine

Mailing Address:	Delivery Address:
2060 STERLING MARSH LANE JOHNS ISLAND SC 29455 UNITED STATES	2060 STERLING MARSH LANE JOHNS ISLAND SC 29455 UNITED STATES

Last Name, First Name, Middle Name:

Loverock, Craig

Mailing Address:

48 UNION AVE
PORT PERRY ON L9L 1G2
CANADA

Delivery Address:

48 UNION AVE
PORT PERRY ON L9L 1G2
CANADA

Last Name, First Name, Middle Name:

Marcellino, Paul

Mailing Address:

31501 SOUTH HIGHWAY 125, UNIT 9
MONEY ISLAND OK 74331
UNITED STATES

Delivery Address:

31501 SOUTH HIGHWAY 125, UNIT 9
MONEY ISLAND OK 74331
UNITED STATES

Last Name, First Name, Middle Name:

Sen, Arup

Mailing Address:

7631 NW 36TH PLACE
GAINSVILLE FL 32606
UNITED STATES

Delivery Address:

7631 NW 36TH PLACE
GAINSVILLE FL 32606
UNITED STATES

NO OFFICER INFORMATION FILED AS AT January 26, 2020.



Corporate Profile / Profil corporatif

Date and time of Corporate Profile (YYYY-MM-DD)	2022-06-20 11:07 AM	(AAAA-MM-JJ) Date et heure du Profil corporatif
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CORPORATE INFORMATION		RENSEIGNEMENTS CORPORATIFS
Corporate name	Dénomination	
	SPROUTLY, INC.	
Corporation number	1006536-6	Numéro de société ou d'organisation
Business number	733763296RC0001	Numéro d'entreprise
Governing legislation	Régime législatif	
	<i>Canada Business Corporations Act (CBCA) - 2017-01-17</i> <i>Loi canadienne sur les sociétés par actions (LCSA) - 2017-01-17</i>	
Status	Statut	
	Active	
	Active	

REGISTERED OFFICE ADDRESS	ADRESSE DU SIÈGE
	10TH FLOOR - 595 HOWE STREET Vancouver BC V6C 2T5 Canada

ANNUAL FILINGS	DÉPÔTS ANNUELS
Anniversary date (MM-DD)	01-17 (MM-JJ) Date anniversaire
Filing period (MM-DD)	01-17 to/au 03-18 (MM-JJ) Période de dépôt
Status of annual filings	Statut des dépôts annuels
	Filed 2022 Déposé
	Filed 2021 Déposé
	Filed 2020 Déposé
Date of last annual meeting (YYYY-MM-DD)	2021-01-17 (AAAA-MM-JJ) Date de la dernière assemblée annuelle
Type	Type
	Non-distributing corporation with 50 or fewer shareholders
	Société n'ayant pas fait appel au public et comptant 50 actionnaires ou moins

DIRECTORS		ADMINISTRATEURS
Minimum number	1	Nombre minimal
Maximum number	10	Nombre maximal
Current number	1	Nombre actuel
Craig Loverock	48 Union Ave., Port Perry ON L9L 1G2, Canada	

CORPORATE HISTORY		HISTORIQUE CORPORATIF
Corporate name history (YYYY-MM-DD)		(AAAA-MM-JJ) Historique de la dénomination
2017-01-17 to present / à maintenant	SPROUTLY, INC.	
Certificates issued (YYYY-MM-DD)		(AAAA-MM-JJ) Certificats émis
Certificate of Incorporation	2017-01-17	Certificat de constitution en société
Certificate of Arrangement	2018-07-06	Certificat d'arrangement
Amendments details are only available for amendments effected after 2010-03-20. Some certificates issued prior to 2000 may not be listed.	Seuls les renseignements concernant les modifications effectuées après 2010-03-20 sont disponibles. Certains certificats émis avant 2000 pourraient ne pas être listés.	
Documents filed (YYYY-MM-DD)		(AAAA-MM-JJ) Documents déposés

The Corporate Profile sets out the most recent information filed with and accepted by Corporations Canada as of the date and time set out on the Profile.	Le Profil corporatif fait état des renseignements fournis et acceptés par Corporations Canada à la date et à l'heure indiquées dans le profil.
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Profile Report

TORONTO HERBAL REMEDIES INC. as of June 20, 2022

Act	Business Corporations Act
Type	Ontario Business Corporation
Name	TORONTO HERBAL REMEDIES INC.
Ontario Corporation Number (OCN)	1888934
Governing Jurisdiction	Canada - Ontario
Status	Active
Date of Incorporation	January 17, 2013
Registered or Head Office Address	70 Raleigh Ave, Toronto, Ontario, Canada, M1K 1A3

Certified a true copy of the record of the Ministry of Government and Consumer Services.

V. Quintanilla W.

Director/Registrar

This report sets out the most recent information filed on or after June 27, 1992 in respect of corporations and April 1, 1994 in respect of Business Names Act and Limited Partnerships Act filings and recorded in the electronic records maintained by the Ministry as of the date and time the report is generated, unless the report is generated for a previous date. If this report is generated for a previous date, the report sets out the most recent information filed and recorded in the electronic records maintained by the Ministry up to the "as of" date indicated on the report. Additional historical information may exist in paper or microfiche format.

Active Director(s)

Minimum Number of Directors 1
Maximum Number of Directors 10

Name Craig LOVEROCK
Address for Service 48 Union Avenue, Port Perry, Ontario, Canada, L9L 1G2
Resident Canadian Yes
Date Began June 01, 2020

Name Arup SEN
Address for Service 7631 Northwest 36th Place, Gainesville, Florida, United States, 32606
Resident Canadian No
Date Began August 11, 2021

Certified a true copy of the record of the Ministry of Government and Consumer Services.

V. Quintanilla W.

Director/Registrar

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Active Officer(s)

Name Craig LOVEROCK
Position Chief Financial Officer
Address for Service 48 Union Avenue, Port Perry, Ontario, Canada, L9L 1G2
Date Began November 15, 2018

Name Craig LOVEROCK
Position President
Address for Service 48 Union Avenue, Port Perry, Ontario, Canada, L9L 1G2
Date Began June 01, 2020

Name Craig LOVEROCK
Position Secretary
Address for Service 48 Union Avenue, Port Perry, Ontario, Canada, L9L 1G2
Date Began February 01, 2019

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V. Quintanilla W.

Director/Registrar

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Corporate Name History

Name

TORONTO HERBAL REMEDIES INC.

Effective Date

January 17, 2013

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V. Quintanilla W.

Director/Registrar

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Active Business Names

This corporation does not have any active business names registered under the Business Names Act in Ontario.

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Director/Registrar

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Expired or Cancelled Business Names

This corporation does not have any expired or cancelled business names registered under the Business Names Act in Ontario.

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Director/Registrar

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Document List

Filing Name	Effective Date
CIA - Notice of Change PAF: CRAIG LOVEROCK - DIRECTOR	August 12, 2021
CIA - Notice of Change PAF: CRAIG LOVEROCK - DIRECTOR	March 23, 2021
Annual Return - 2018 PAF: KEITH DOLO - DIRECTOR	May 12, 2019
CIA - Notice of Change PAF: JESSE BLINICK - OTHER	April 23, 2019
CIA - Notice of Change PAF: JESSE BLINICK - OTHER	December 04, 2018
CIA - Notice of Change PAF: JESSE BLINICK - OTHER	July 04, 2018
CIA - Notice of Change PAF: JESSE BLINICK - OTHER	July 04, 2018
Annual Return - 2017 PAF: PAMUDRI A HEMACHANDRA - DIRECTOR	July 18, 2017
Annual Return - 2016 PAF: PAMUDRI A HEMACHANDRA - DIRECTOR	January 15, 2017
Annual Return - 2015 PAF: PAMUDRI A HEMACHANDRA - DIRECTOR	September 19, 2015
Annual Return - 2014 PAF: PAMUDRI A HEMACHANDRA - DIRECTOR	September 19, 2015
Annual Return - 2013 PAF: PAMUDRI A HEMACHANDRA - DIRECTOR	September 19, 2015
CIA - Initial Return PAF: KUDA HEMACHANDRA - OFFICER	February 19, 2013

Certified a true copy of the record of the Ministry of Government and Consumer Services.

V. Quintanilla W.

Director/Registrar

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BCA - Articles of Incorporation

January 17, 2013

All "PAF" (person authorizing filing) information is displayed exactly as recorded in the Ontario Business Registry. Where PAF is not shown against a document, the information has not been recorded in the Ontario Business Registry.

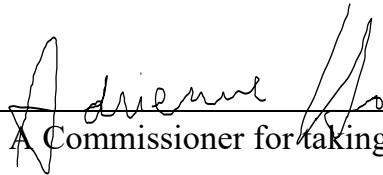
Certified a true copy of the record of the Ministry of Government and Consumer Services.

V. Quintanilla W.

Director/Registrar

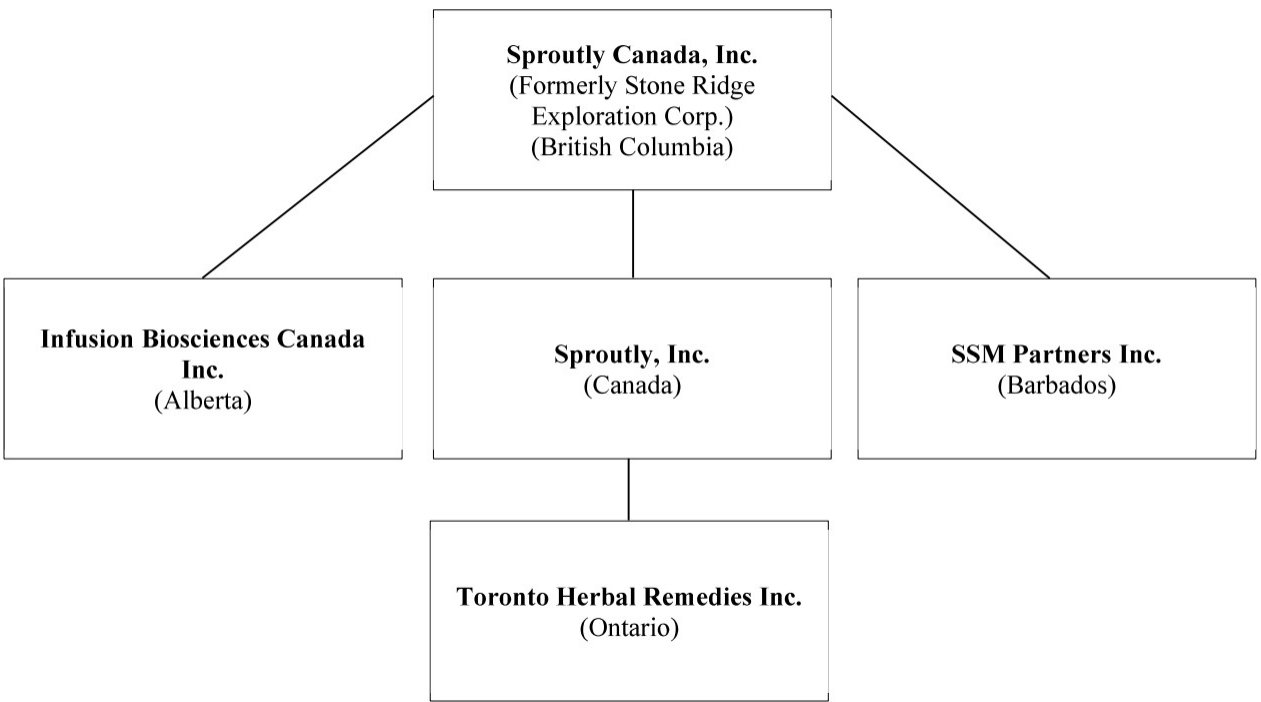
This report sets out the most recent information filed on or after June 27, 1992 in respect of corporations and April 1, 1994 in respect of Business Names Act and Limited Partnerships Act filings and recorded in the electronic records maintained by the Ministry as of the date and time the report is generated, unless the report is generated for a previous date. If this report is generated for a previous date, the report sets out the most recent information filed and recorded in the electronic records maintained by the Ministry up to the "as of" date indicated on the report. Additional historical information may exist in paper or microfiche format.

This is Exhibit “**B**” referred to in the Affidavit of Craig Loverock sworn by Craig Loverock located in the City of Newmarket, in the Regional Municipality of York, in the Province of Ontario, before me at the City of Toronto, in the Province of Ontario, this 44th day of June, 2022 in accordance with *O.Reg. 431/20, Administering Oath or Declaration Remotely*.

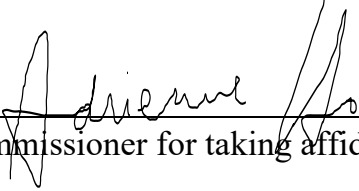
A handwritten signature in black ink, appearing to read "Adrienne Ho", is written over a horizontal line.

A Commissioner for taking affidavits

ADRIENNE HO



This is Exhibit "C" referred to in the Affidavit of Craig Loverock sworn by Craig Loverock located in the City of Newmarket, in the Regional Municipality of York, in the Province of Ontario, before me at the City of Toronto, in the Province of Ontario, this 22nd day of June, 2022 in accordance with *O.Reg. 431/20, Administering Oath or Declaration Remotely*.



A Commissioner for taking affidavits

ADRIENNE HO

Licence No. - N° de licence
LIC-UXRNPV3ZX-2021

LICENCE

This licence is issued in accordance with the *Cannabis Act* and *Cannabis Regulations*

LICENCE

Cette licence est délivrée conformément à la *Loi sur le cannabis* et le *Règlement sur le cannabis*

Licence Holder / Titulaire de la licence :
Toronto Herbal Remedies Inc.

Licensed Site / Lieu autorisé :
64-70 RALEIGH AVENUE
SCARBOROUGH, ON, CANADA, M1K 1A3

The above-mentioned person is authorized to conduct, at the site specified on this licence, the activities listed below for the following licence classes and subclasses.

La personne susmentionnée est autorisée à effectuer, sur le site spécifié sur cette licence, les activités énumérées ci-dessous pour les catégories et les sous-catégories de licence suivantes.

Standard Cultivation

Culture standard

Activities	Activités
<ul style="list-style-type: none"> To possess cannabis To obtain dried cannabis, fresh cannabis, cannabis plants or cannabis plant seeds by cultivating, propagating and harvesting cannabis For the purposes of testing, to obtain cannabis by altering its chemical or physical properties by any means To sell cannabis in accordance with subsection 11(5) of the Cannabis Regulations 	<ul style="list-style-type: none"> Avoir du cannabis en sa possession Obtenir du cannabis séché, du cannabis frais, des plantes de cannabis ou des graines provenant de telles plantes par la culture, la multiplication et la récolte de cannabis Afin d'effectuer des essais sur du cannabis, obtenir du cannabis par l'altération, par tout moyen, de ses propriétés physiques ou chimiques Vendre du cannabis en vertu du paragraphe 11(5) du Règlement sur le cannabis

Conditions	Conditions
The licence holder must meet the requirements set out in the Health Canada document entitled "Mandatory cannabis testing for pesticide active ingredients - Requirements".	Le titulaire de la licence doit respecter les exigences énoncées dans le document de Santé Canada intitulé « Analyse obligatoire du cannabis pour les résidus de principes actifs de pesticides-Exigences ».

Standard Processing

Transformation standard

Activities	Activités
<ul style="list-style-type: none"> To possess cannabis To produce cannabis, other than obtain it by cultivating, propagating or harvesting it To sell cannabis in accordance with subsection 17(5) of the Cannabis Regulations 	<ul style="list-style-type: none"> Avoir du cannabis en sa possession Produire du cannabis, sauf en l'obtenant par la culture, la multiplication et la récolte Vendre du cannabis en vertu du paragraphe 17(5) du Règlement sur le cannabis

Conditions	Conditions
The licence holder must meet the requirements set out in the Health Canada document entitled "Mandatory cannabis testing for pesticide active ingredients - Requirements".	Le titulaire de la licence doit respecter les exigences énoncées dans le document de Santé Canada intitulé « Analyse obligatoire du cannabis pour les résidus de principes actifs de pesticides-Exigences ».
The only cannabis products that the licence holder may sell or distribute to (i) a holder of a licence for sale, and (ii) a person that is authorized under a provincial Act referred to in subsection 69(1) of the Act to sell cannabis, are as follows: cannabis plants; cannabis plant seeds; dried cannabis; fresh cannabis; cannabis topicals; cannabis extracts; and edible cannabis.	Les seuls produits du cannabis que le titulaire de la licence peut vendre ou distribuer (i) à un titulaire d'une licence de vente et (ii) à une personne autorisée sous le régime d'une loi provinciale visée au paragraphe 69(1) de la Loi à vendre du cannabis sont les suivants : plantes de cannabis; graines provenant d'une plante de cannabis; cannabis séché; cannabis frais; cannabis topiques; cannabis extraits; et cannabis comestible.





Conditions	Conditions
<p>The only cannabis products that the licence holder may send or deliver to the purchaser at the request of (i) a holder of a licence for sale, and (ii) a person that is authorized under a provincial Act referred to in subsection 69(1) of the Act to sell cannabis, are as follows: cannabis plants; cannabis plant seeds; dried cannabis; fresh cannabis; cannabis topicals; cannabis extracts; and edible cannabis.</p>	<p>Les seuls produits du cannabis que le titulaire de la licence peut expédier ou livrer à l'acheteur à la demande (i) d'un titulaire d'une licence de vente et (ii) d'une personne autorisée sous le régime d'une loi provinciale visée au paragraphe 69(1) de la Loi à vendre du cannabis sont les suivants : plantes de cannabis; graines provenant d'une plante de cannabis; cannabis séché; cannabis frais; cannabis pour usage topique; extrait de cannabis; et cannabis comestible.</p>

Indoor Area(s) / Zone(s) intérieure(s)

The possession of cannabis and the other activities mentioned above are authorized in the following building(s) / La possession de cannabis et les autres activités mentionnées ci-haut sont autorisées dans les bâtiment(s) suivant(s) :

Building 1

Effective date of the licence:

This licence is effective as of **November 26, 2021**

Date d'entrée en vigueur de la licence:

Cette licence entre en vigueur à compter du **26 novembre 2021**

Expiry date of the licence:

This licence expires on **November 26, 2026**

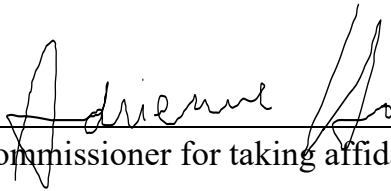
Date d'expiration de la licence:

La présente licence expire le **26 novembre 2026**

Director, Licensing and Security, Controlled Substances and Cannabis Branch

Directeur, Licences et sécurité, Direction générale des substances contrôlées et du cannabis

This is Exhibit “D” referred to in the Affidavit of Craig Loverock sworn by Craig Loverock located in the City of Newmarket, in the Regional Municipality of York, in the Province of Ontario , before me at the City of Toronto, in the Province of Ontario, this 22nd day of June, 2022 in accordance with *O.Reg. 431/20, Administering Oath or Declaration Remotely*.



A Commissioner for taking affidavits

ADRIENNE HO



**NATIONAL
CANNABIS
DISTRIBUTION**

PO Box 1659 – 502 North Railway Street W
Warman, Saskatchewan, S0K 4S0 Canada

W: www.ncdcanada.ca
E: info@ncdcanada.ca
T: 306.242.5111

This Reseller Agreement is entered into on _____ (the “Effective Date”) by and between:

Toronto Herbal Remedies Inc.

“Company”

64-70 Raleigh Ave.
Toronto, ON
M1K 1A3

Contact Person:

and:

National Cannabis Distribution

“Buyer”

#200 110 E Cordova
Vancouver, BC
V6A 1K9

Contact Person:

James Budd james@kiaro.com (604) 351-0731

subject to the following terms and conditions:



PO Box 1659 – 502 North Railway Street W
Warman, Saskatchewan, S0K 4S0 Canada

W: www.ncdcanada.ca
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TERMS AND CONDITIONS

1. SUPPLY AND PURCHASE OF PRODUCT

1.1 Supply and Purchase

The Company hereby agrees to sell the Product to the Buyer and the Buyer hereby agrees to purchase the Product from Company in accordance with the terms and conditions of this Agreement.

1.2 Ordering Product

The Parties will comply with the ordering process set forth in Exhibit B for all orders of Product (the “Ordering Process”). Buyer will order Product by submitting a Purchase Order Form to Company via electronic mail to the address specified by Company. Company will confirm receipt of a Purchase Order by reply via electronic mail no more than 2 business days after receipt of the Purchase Order.

1.3 Forecasts

Company will deliver to Buyer a written three (3) month rolling forecast, in an agreed upon format (“**Forecast**”). Company will deliver its initial Forecast promptly following the Effective Date and subsequent Forecasts one month after the Effective Date, and every month thereafter through the duration of this Agreement. Each Forecast will specify the quantity of each type of Product that Company expects to sell on a month-to-month basis during the Forecast period.

1.4 Exclusivity

During the term of this Agreement, in the Province of Saskatchewan, Company will sell Cannabis Products exclusively to Buyer, subject to the provisions of the Regulations and Applicable Law.

2. DELIVERY AND PAYMENT

2.1 Payment

With respect to each Purchase Order, Buyer shall pay Company the Purchase Price within thirty (30) days from the date of invoice (the “**Payment Due Date**”). Buyer will pay by wire transfer to the account designated by the Company in writing. Buyer will be responsible for any costs associated with such wire transfer.

2.2 Delivery

- (a) In addition to any requirements under Section 3.1, prior to each delivery of Product (each, a “**Product Delivery**”), each Party shall promptly, at their own expense,



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seek such consents or approvals from, or deliver such notices to, such Governmental Authorities as may be required by Applicable Law to effect the sale, purchase, delivery and acceptance of the Products under the Purchase Order.

- (b) Company shall include with each Product Delivery the tested percentage of THC and CBD for the applicable Lot or Batch.
- (c) Company shall pay Shipping Costs. Unless otherwise agreed, the Purchase Price includes the Shipping Costs.
- (d) Company shall ship the Products in containers compliant with Applicable Law ready for retail sale. Products will be shipped to Buyer at the applicable Delivery Point.
- (e) Promptly after shipping the Products, Company will provide Buyer with tracking information for the Product Delivery.
- (f) Company shall make commercially reasonable efforts to ship the Products in advance of the Target Delivery Date set out in the respective Purchase Order in order for the Products to arrive by such date.
- (g) Buyer shall promptly inform Company in writing of any shortages, damage, errors or other deficiencies in a Product Delivery as against the applicable Purchase Order, as well as documentation of any damage or other problem with the Product Delivery, if applicable. The Parties will then schedule (i) shipping and delivery of the replacement Product, or (ii) reimbursement of Buyer.
- (h) All applicable Taxes on a Product Delivery shall be borne solely by the Buyer, provided that the Federal Excise Tax and Saskatchewan Cannabis Tax will be included in the Purchase Price by Company.
- (i) If both Parties mutually agree, the Company shall deliver Products ordered pursuant to a Purchase Order by making separate partial shipments of the Products to Buyer provided that all such partial shipments have the timing expectations described in subsection (d) above.

2.3 Title and Risk of Loss

With respect to each Product Delivery hereunder, title to and risk of loss of the Product shall pass to Buyer delivery duty paid, once such Product is delivered at the Delivery Point.

2.4 Recalls and Serious Adverse Reactions

- (a) In the event of a Recall, the Buyer will promptly:
 - (i) cease to sell the Recalled Lot or Batch and provide reasonable assistance to the Company with such Recall;



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- (ii) return any unsold quantity of the Recalled Lot or Batch to the Company (the "**Recall Returned Quantity**"), unless the Parties otherwise agree, by shipping the Recall Returned Quantity to the Company in accordance with the Regulations and other Applicable Law; and
 - (iii) invoice Company for all associated Shipping Costs and applicable Taxes that relate directly to return of the Recalled Lot or Batch to Company.
- (b) In the event of a Recall, Company will promptly after its receipt of the Recall Returned Quantity and invoice for all associated Shipping Costs and applicable Taxes, reimburse the Buyer for the Shipping Costs and all applicable Taxes and the Recall Returned Quantity.

3. SALE OF PRODUCT BY THE BUYER

3.1 Sale to Consumers or Provincially Authorized Sellers

Buyer will only sell Product to end consumers or other Provincially Authorized Sellers in compliance with the Provincial Regime and all other Applicable Laws.

3.2 Buyer Responsibilities and Reports

Buyer will be responsible for all inventory management, order processing, packing and shipping required to distribute Products to end consumers and Provincially Authorized Sellers.

3.3 Compliance with Applicable Law

The Parties shall receive, handle, store, package, label, sell, ship, promote, process and otherwise deal with the Product in accordance with the Regulations and all other Applicable Law. Buyer agrees that all resale of Products by Buyer to its customers shall be in compliance with the Regulations, the Provincial Regime and all other Applicable Law.

4. RECORD KEEPING

4.1 Required Records

With respect to the Products, Company and Buyer will each maintain (collectively, the "**Records**"):

- (a) all such documents, records and other information as required by the Provincial Regime, Regulations and other Applicable Laws; and
- (b) all such additional documents, books, records and other information as required to comply with the terms of this Agreement including, copies of Purchase Orders and Purchase Order Forms, invoices, confirmation of shipment, distribution reports, and any notices issued or received hereunder.



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4.2 Record Retention

Company and Buyer will retain the Records for a period equal to the longer of (i) the retention period for such Records required by Applicable Law; or (ii) three (3) years after the termination or expiration of this Agreement.

5. REPRESENTATIONS, WARRANTIES & COVENANTS

5.1 Mutual Representations, Warranties and Covenants

Each Party hereby represents and warrants to and in favor of, and covenants with, the other Party as follows, and acknowledges that the other Party is relying upon the following representations, warranties and covenants in connection with its execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereunder:

- (a) the Party is a corporation validly formed and existing in good standing under the laws of its jurisdiction of incorporation in Canada;
- (b) the Party has all necessary corporate power, authority and capacity to enter into this Agreement and to perform its obligations under this Agreement. The execution, delivery and performance of this Agreement have been duly authorized by all necessary corporate action of the Party. This Agreement has been duly and validly executed by the Party, and constitutes a valid and binding obligation of the Party enforceable against it in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, moratorium, reorganization and similar laws affecting creditors generally and by general principles of equity, regardless of whether asserted in a proceeding in equity or law;
- (c) the authorization of, execution and delivery of, and the performance by the Party of its obligations under, this Agreement and every other agreement or document to be entered into or delivered hereunder, will not constitute or result in the violation or breach of or default under, or cause the acceleration of, any obligations of the Party under:
 - (i) any term or provision of the articles, by-laws or other constating documents of the Party;
 - (ii) the terms of any material agreement (written or oral), indenture, instrument or understanding or other obligation or restriction to which the Party is a party or by which it is bound, except as would not reasonably be expected to have a material adverse effect on the Party's ability to perform its obligations under this Agreement;
 - (iii) any Applicable Law or consent or approval issued by a Governmental Authority; or
 - (iv) any term or provision of any order of any court applicable to the Party;



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- (d) other than any applicable notices to be provided by each Party to the relevant Governmental Authority in connection with each purchase and sale of Product hereunder, no consent or approval of any Governmental Authority, or filing with or notice to, any Governmental Authority, court or other Person, is required in connection with the execution, delivery or performance of this Agreement (and each of the agreements to be executed and delivered pursuant to the terms hereof) by the Party, except for any such consent, approval, filing or notice that would not have a materially adverse effect on the Party's ability to perform its obligations under this Agreement (and each of the agreements to be executed and delivered pursuant to the terms hereof) in a timely manner;
- (e) the Party holds, in good standing, all Licenses issued under the Provincial Regime, Regulations or Applicable Law as may be required to cultivate, produce, possess, process, transfer, sell, purchase or resell the Products, as the case may be;
- (f) the Party has conducted and is conducting its business in compliance in all material respects with all Applicable Law, and has held and maintained and will hold and maintain in good standing all necessary licenses, leases, permits, authorizations and other approvals necessary to permit it to conduct its business or to own, lease or operate its properties and assets (including without limitation any rights or registrations relating to any intellectual property rights);
- (g) there are no actions, suits or proceedings, judicial or administrative (whether or not purportedly on behalf of the Party) pending, or to the best of the knowledge of the Party after due inquiry, threatened against or affecting the Party at law or in equity, or before or by any court or other Governmental Authority, domestic or foreign, that would materially adversely affect the Party's ability to perform its obligations under this Agreement (and each of the agreements to be executed and delivered pursuant to the terms hereof) in a timely manner; and
- (h) there are no Bankruptcy Proceedings pending or being contemplated by the Party or, to the best of its knowledge after due inquiry, threatened against or affecting the Party.

5.2 Representations and Warranties of Company and Buyer

- (a) The Company represents and warrants that at the time that the Company transfers the Product to the Buyer, the Company is the owner of the Product with good title to the Product.
- (b) The Company represents and warrants that the Products (i) have been produced in compliance with Good Production Practices as defined in the Regulations and under Applicable Law; (ii) have been approved for wholesale by the Company's Quality Assurance Person, and; (iii) have undergone, and comply with, all required quality assurance product testing as outlined in Applicable Laws.



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- (c) Buyer represents and warrants that Buyer will not use, duplicate, modify, sell or transfer the Products for any purpose other than as specified in this Agreement.

5.3 Trademarks and Tradenames

Other than as expressly agreed to in this Agreement, nothing in this Agreement shall be construed as a grant of a license by one Party to the other Party to use any trademarks or tradenames owned or controlled by such Party or its Affiliates, nor shall this Agreement be construed in any way as a grant of license by one Party to the other Party to use any trademarks or tradenames used by such Party under license from the relevant holder thereof.

5.4 Additional Covenants of the Parties

Each Party shall:

- (a) take all such commercially reasonable steps and perform all commercially reasonable actions as are necessary to (i) maintain the Licenses required pursuant to and in accordance with the Regulations or Provincial regime (as applicable), and (ii) maintain any other such Licenses as may be required to perform its obligations under this Agreement;
- (b) give the other Party promptly written notice of any revocation of, suspension of or other change to the Party's Licenses, including any material inquiry, investigation or proceeding instituted by a Governmental Authority relating to the Party's Licenses;
- (c) obtain and maintain in good standing all consents and approvals of any Governmental Authority necessary to carry on its business in all applicable jurisdictions and perform its obligations under this Agreement; and
- (d) upon the written request of the other Party, provide the other Party with all documentation necessary to demonstrate to the reasonable satisfaction of the other Party that it holds the applicable Licenses in good standing and has obtained all of the consents and approvals of any Governmental Authority necessary to carry on its business in all applicable jurisdictions and perform its obligations under this Agreement.

6. CONFIDENTIAL INFORMATION

6.1 Confidentiality

- (a) The Parties shall treat all Confidential Information as confidential and may not either disclose Confidential Information or use it other than for *bona fide* purposes connected with this Agreement or any other agreements or instruments to be executed and delivered pursuant to the terms hereof without the prior written



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consent of the other Party to this Agreement, except that consent is not required for disclosure to:

- (i) an Affiliate of a Party or their respective directors, officers, or employees, as long as they in turn are required to treat the Confidential Information as confidential on terms substantially the same as those set out in this Section 6.1;
 - (ii) accountants, professional advisers and bankers and other lenders, whether current or prospective, as long as they are subject to statutory professional secrecy rules or similar legal concepts under Applicable Laws or, in turn, are required to treat the Confidential Information as confidential on terms substantially the same as those set out in this Section 6.1;
 - (iii) any Governmental Authority having jurisdiction over a Party, to the extent legally required, and then only after, to the extent permitted by Applicable Law, informing the other Parties thereof and, to the extent possible, with sufficient notice in advance to permit the other Parties to seek a protective order or other remedy;
 - (iv) any Person to the extent required by any Applicable Laws, judicial process or the rules, regulations or requests of any recognized stock exchange and then only subject to prior notice given to the other Party; or
 - (v) any intended assignee of the rights and interests of a Party under this Agreement or to a Person intending to acquire an interest in a Party to this Agreement as long as the intended assignee or acquirer in turn is required by that Party to treat the Confidential Information as confidential in favor of the other Party on terms substantially the same as those set out in this Section 6.1.
- (b) The Parties shall treat the existence of this Agreement, its terms and conditions, and the Purchase Price of Products hereunder as Confidential Information.

6.2 Public Statements

No public announcement or statement concerning the execution and delivery of this Agreement and the transactions contemplated by this Agreement shall be made by a Party, its Affiliates or their respective directors, officers, employees or shareholders without the prior written consent of the other Party (in each such case such consent not to be unreasonably withheld or delayed) unless such disclosure is required by Applicable Law. If such disclosure is required by Applicable Law, each Party shall use commercially reasonable good faith efforts to enable the other Party to review and comment on such disclosure prior to the release thereof and, if such prior review and consultation is not possible, to give oral and written notice of such disclosure immediately following the making of such disclosure. For the avoidance of doubt, the Parties may disclose the existence of this Agreement, and/or a copy of this Agreement, to Health Canada, the Canadian Securities Exchange, the TSX Venture Exchange, the Toronto Stock Exchange, any other stock



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exchange on which the Party's securities are listed, and any other Governmental Authority, including applicable provincial or territorial securities commissions. In the event a Party determines to make such disclosure to Health Canada, or any other Governmental Authority, such Party will first advise the other Party of its intention to do so and use commercially reasonable good faith efforts to enable the other Party to review and comment on such disclosure prior to the release thereof. Such prior notice is not necessary for a stock exchange on which the Party's securities are listed. Notwithstanding the foregoing, nothing in this Agreement shall preclude either Party from making public statements regarding aggregate sales, average sales price and other statements relating to the sale of Product pursuant to its License without the prior written consent of the other Party, provided that such statements do not identify the other Party.

7. RISK MANAGEMENT

7.1 Mutual Indemnification

Each Party shall, at all times and without limitation, indemnify and save harmless the other Party, its, directors, officers, employees, contractors, agents and representatives from and against all liabilities, losses, costs, damages, legal fees (on a solicitor and his own client full indemnity basis), disbursements, fines, penalties, expenses, all manner of actions, causes of action, claims, demands and proceedings, all of whatever nature and kind which any of the other Party, its directors, officers, employees, contractors, agents, insurers and representatives may sustain, pay or incur or which may be brought or made against all or any of them, and whether or not incurred in connection with any action or other proceedings or claims or demands made by third parties, with respect to any occurrence, event, incident or matter caused by, and/or arising as a direct or indirect result of:

- (a) the misconduct, negligent action or negligent failure to act, as the case may be, of the Party and/or any of those persons for whom the Party is responsible at law (including, without limitation, any of its employees or contractors); or
- (b) any breach, violation or non-performance of any representation, warranty, obligation, covenant, condition or agreement in this Agreement set forth and contained on the part of the Party to be fulfilled, kept, observed or performed, as the case may be; or
- (c) any damages to third parties caused by, resulting at any time from, arising out of or in consequence of the misconduct, negligent action or negligent failure to act of the Party and/or any of those persons for whom the Party is responsible at law (including, without limitation, any of its employees or contractors).

Notwithstanding the foregoing, in no event shall either Party be liable for consequential or punitive damages (including without limitation, loss of profits, loss of opportunity, loss of business or loss of reputation) relating to this Agreement, whether in relation to the indemnity provisions under this section or otherwise.



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The provisions of this Section are in addition to and shall not prejudice any other rights of the Parties at law or in equity. This Section shall survive the termination or expiry of this Agreement for any reason whatsoever.

7.2 Duty to Mitigate and Claim Under Insurance Policies

Each Party shall take all reasonable steps to mitigate its Losses upon and after becoming aware of any event that would reasonably be expected to give rise to any Losses. Each Party agrees to promptly make a claim against any applicable insurance policies with respect to any Loss which is covered by such insurance policies and any such Losses shall be net of any insurance recoveries or payments received by the Party suffering the Loss.

7.3 Disclaimer of Other Warranties

Other than as expressly set out in this Agreement, neither Party makes any other warranties, express or implied and each Party expressly disclaims, to the maximum extent permitted by law, all other warranties or conditions, express or implied by statute or otherwise including but not limited to any implied warranties of merchantability, and fitness for a particular purpose, and non-infringement.

8. TERM AND TERMINATION

8.1 Term

This Agreement starts on the Effective Date and continues for a term of (1) one year. This Agreement will automatically renew without further notice or action of the Parties for successive one (1) year terms, unless terminated earlier as provided herein.

8.2 Events of Default

The occurrence of any one or more of the following events shall constitute an "**Event of Default**" hereunder:

- (a) a Party is in breach of any material provision of this Agreement, and such breach is not cured within fourteen (14) calendar days of written notice from the non-defaulting Party to the defaulting Party, provided, however, to the extent that the breach consists of Buyer's failure to timely pay any Purchase Price, in lieu of termination the Company may suspend sales of Product to the Buyer pending cure of such breach;
- (b) the commencement of any Bankruptcy Proceeding in respect of a Party; or
- (c) a Party loses or suffers a material change to or suspension of any required License.



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8.3 Termination for Default

Except with respect to the 14-day cure period described in Section 8.2(a), either Party (when not the defaulting Party) may terminate this Agreement immediately on written notice following the occurrence of an Event of Default.

8.4 Effect of Termination

- (a) Termination of this Agreement will not have any bearing on the obligations and liabilities of each Party accruing up to the date of such termination, including without limitation (i) Buyer's payment obligations with respect to Products ordered, and (ii) Company's obligations to fulfill outstanding Purchase Orders.
- (b) Upon the termination or expiration of this Agreement, each Party shall promptly return to the other Party, or certify the destruction of, all Confidential Information of the other Party in the possession or control of the Party or its Affiliates and their respective officers, directors, employees, agents, Affiliates, representatives, successors or assigns.

9. DISPUTE RESOLUTION

9.1 Arbitration Procedures

All disputes, controversies or claims arising out of, relating to, or in respect of this Agreement, including any issue regarding its existence, validity, enforceability, interpretation, breach or termination (each a "**Dispute**") shall be resolved in accordance with the terms of this Agreement.

- (a) Any Dispute the Parties are unable to amicably resolve or settle between themselves through negotiations between senior executives of Parties within fifteen (15) Business Days (or such longer period as the Parties may mutually agree to in writing) of a Party being provided notice of such Dispute or difference in accordance with Section 10.7 of this Agreement (the "**Consultation Period**") shall be referred to and finally determined by final and binding arbitration. The arbitration shall be confidential and shall be conducted by one independent and impartial arbitrator selected in accordance with the terms of this Agreement (the "**Arbitrator**").
- (b) The arbitration shall be governed by the *Arbitration Act* (Saskatchewan) to the extent that such rules do not conflict with the terms of this Section. The language of the arbitration shall be English.
- (c) Within thirty (30) calendar days of the expiry of the Consultation Period, the Parties agree to jointly select the Arbitrator who shall be trained in the Saskatchewan. The Arbitrator shall be impartial and independent of the Parties and shall be experienced and knowledgeable about the subject matter of the Dispute (generally and not as to the express facts concerning the Dispute). If the Parties are unable



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to agree upon the Arbitrator, either Party may apply to elect an Arbitrator in accordance with the provisions of the *Arbitration Act* (Saskatchewan).

- (d) It is specifically acknowledged and confirmed that any Dispute that cannot be resolved between the Parties prior the expiry of the Consultation Period shall be submitted to arbitration irrespective of the magnitude thereof or the amount in question.
- (e) The Arbitrator shall have jurisdiction: (i) to apply all Applicable Laws, common law and equity (including without limitation the scope of the agreement to arbitrate, any statute of limitations, conflict of laws rules, tort claims and interest claims); and (ii) to make an award or awards in respect of interest and the payment of the costs of the arbitration (including arbitrators' fees and the legal costs of the Parties). The Arbitrator also may, where requested by a Party, determine the nature and extent of production of documents and oral depositions.
- (f) The award of the Arbitrator shall be reduced to writing and be final and binding on the Parties and not subject to any appeal (a "**Final Determination**"). Any monetary award shall be made and payable, free of any Taxes or other deduction, and shall bear interest from the date of any breach or other violation of this Agreement to the date on which the award is paid, at a rate determined by the Arbitrator.
- (g) Judgment upon the award(s) rendered by the Arbitrator may be entered and execution had in any court of competent jurisdiction, or application may be made to such court for a judicial acceptance of the award and order of enforcement.
- (h) Each Party shall bear its own expenses of preparing for and participating in connection with the arbitration, including legal fees but the Party against whom judgment is rendered shall bear all legal fees of the Arbitrator.
- (i) By agreeing to arbitration, the Parties do not intend to deprive any court of its jurisdiction to issue a pre-arbitral injunction, pre-arbitral attachment or other order in aid of the arbitration proceedings and the enforcement of any award. Without prejudice to such provisional remedies in aid of arbitration as may be available under the jurisdiction of a legal court, the Arbitrator shall have full authority to grant provisional remedies, statutory remedies and to award damages for the failure of the Parties to respect the Arbitrator's orders to that effect.

9.2 Continued Performance

Except as expressly provided for in this Agreement or where otherwise reasonably prevented by the nature of the Dispute, the Parties shall continue to perform their respective duties, obligations and responsibilities under this Agreement while the Dispute is being resolved in accordance with this Section, unless and until such obligations are lawfully terminated or expire in accordance with the provisions thereof.



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9.3 Proceedings Confidential

All dispute resolution and arbitration proceedings (including all related information, communications, documents, materials, and evidence) shall be strictly confidential, and each Party shall have a fiduciary obligation to the other Party to protect, preserve and maintain the integrity of such confidentiality.

10. GENERAL MATTERS

10.1 Definitions

Capitalized terms used but not otherwise defined herein shall have the meaning ascribed thereto in the terms and conditions attached as Exhibit A: Definitions.

10.2 Exhibits

The following are the Exhibits to this Agreement as of the Effective Date:

Exhibit A	Definitions
Exhibit B	Ordering Process

The exhibits shall constitute part of this Agreement and are incorporated by this reference.

10.3 Interpretation

The division of this Agreement into articles, sections or subsections and the insertion of headings used throughout this Agreement are solely for convenience of reference and are not to be used as an aid in the interpretation of this Agreement. The words "Article" or "Section" followed by a number or letter refers to the specified Article or Section of this Agreement. A reference to an entity includes any entity that is a successor to such entity. Unless specified otherwise, reference in this Agreement to a statute refers to that statute as it may be amended, or to any restated legislation of comparable effect. Unless the context otherwise requires, words importing the singular include the plural and vice versa and words importing gender include all genders. The word "include", "includes" or "including" shall be interpreted on an inclusive basis and shall be deemed to be followed by the words "without limitation". The Parties confirm having requested that this Agreement and all notices or other communications relating hereto be drawn-up in the English language only.

10.4 Obligations Conditional

Notwithstanding anything to the contrary contained herein, the obligations of purchase and sale of each Party under this Agreement are conditional on (a) the Company maintaining its applicable Licenses in good standing; and (b) the Buyer maintaining its Licenses in good standing.



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10.5 Governing Law

This Agreement, the rights and obligations of the Parties under this Agreement, and any claim or controversy directly or indirectly based upon or arising out of this Agreement, the transactions contemplated by this Agreement (whether based in contract, tort or any other theory), including all matters of construction, validity and performance, shall in all respects be governed by, interpreted, construed and determined in accordance with, the laws of the Province of Saskatchewan and the federal laws of Canada applicable therein, without regard to the conflicts of law principles thereof. The Parties acknowledge that their respective legal counsel have participated in settling, or have reviewed the terms of, this Agreement, and the Parties hereby agree that any rule of construction to the effect that any ambiguity is to be resolved against the drafting party shall not be applicable in the interpretation of this Agreement.

The Provincial Regime as at the Effective Date, is the *Cannabis Control (Saskatchewan) Act* and all regulations made under it.

10.6 Assignment and Enurement

Other than as described herein, neither Party may assign its rights or transfer its obligations under this Agreement without the prior written consent of the other Party which shall not be unreasonably withheld or delayed. Notwithstanding the foregoing, (i) either Party may assign this Agreement to an Affiliate of that Party, and (ii) Buyer shall be entitled to assign this Agreement to any Person that acquires all or substantially all its business or assets whether by way merger, amalgamation, reverse take-over or arrangement ((i) and (ii), each a "Permitted Assignment"). Following a Permitted Assignment, the assigning Party shall provide the other Party with notice of such assignment. This Agreement shall enure to the benefit of and be binding upon the Parties and their respective successors, legal representatives and permitted assigns.

10.7 Notices

Any notice, consent, waiver, direction or other communication required or permitted to be given under this Agreement by a Party shall be in writing and may be given by sending same by email, prepaid first-class mail or by delivery by hand addressed to the Party to which the notice is to be given at the applicable address set out on the first page to this Agreement. Any such notice, consent, waiver, direction or other communication, if sent by email, shall be deemed to have been given and received at the time of receipt (if a Business Day or, if not, the next succeeding Business Day) unless actually received after 5:00 p.m. (local time) at the point of delivery in which case it shall be deemed to have been received on the next succeeding Business Day; if mailed by prepaid first-class mail at any time other than during a general discontinuance of postal service due to strike, lock-out or otherwise, shall be deemed to have been received on the fourth (4th) Business Day after the post-marked date thereof; or, if delivered by hand, shall be deemed to have been received on the day on which it is delivered (if a Business Day, if not, the next succeeding Business Day).

10.8 Independent Contactors

The Parties are independent contractors. There is no relationship of partnership, joint venture, employment, franchise, or agency between the Parties. Within this document, any terms used to describe the Parties or the nature of their activities is purely for convenience, and not of legal



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significance. Neither Party shall represent itself in any way that implies that it is an agent, branch or joint venture of the other Party.

10.9 Further Assurances

Each Party shall, from time to time and at all times hereafter, at the request of the other Party but without additional consideration, do all such other acts and execute and deliver all such further documents and instruments as shall be reasonably required in order to fully perform and carry out the terms and intent of this Agreement.

10.10 Currency and Calculation of Time

All amounts in this Agreement are stated and shall be paid in Canadian dollars. Unless otherwise specified, time periods within or following which any payment is to be made or act is to be done shall be calculated by excluding the day on which the period commences and including the day which ends the period and by extending the period to the next Business Day following if the last day of the period is not a Business Day.

10.11 Entire Agreement

This Agreement and any other documents required to be delivered pursuant to this Agreement, constitute the entire agreement between the Parties and set out all of the covenants, promises, warranties, representations, conditions and agreements between the Parties in connection with the subject matter of this Agreement and supersede all prior agreements, understandings, negotiations and discussions whether oral or written, pre-contractual or otherwise. There are no covenants, promises, warranties, representations, conditions, understandings or other agreements, whether oral or written, pre-contractual or otherwise, express, implied or collateral between the Parties in connection with the subject matter of this Agreement except as specifically set forth in this Agreement and any document required to be delivered pursuant to this Agreement.

10.12 Waiver

Except as expressly provided in this Agreement, no amendment or waiver of this Agreement, shall be binding unless executed in writing by each Party. No waiver or any provision of this Agreement shall constitute a waiver of any other provision nor shall any waiver of any provision of this Agreement constitute a continuing waiver unless otherwise expressly provided.

10.13 Severability

Each of the provisions contained in this Agreement are distinct and severable and a declaration of invalidity or unenforceability of any such provision or part thereof by a court of competent jurisdiction shall not affect the validity or enforceability of any other provision hereof.

10.14 Order of Priority

In the event of conflict or inconsistency between the provisions of this Agreement and the provisions of any other documents required to be delivered pursuant to this Agreement, the



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provisions of this Agreement shall govern to the extent necessary to remedy any such conflict or inconsistency.

10.15 Counterparts and Electronic Execution

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 of an executed signature page to this Agreement by any Party by electronic transmission will be as effective as delivery of a manually executed copy of the Agreement by such Party.

In witness whereof, the Parties have executed this Agreement.

Toronto Herbal Remedies Inc.

“Company”

By: Craig Loverock

Title: CFO

National Cannabis Distribution

“Buyer”

By: James Budd

Title: Supply Chain Manager



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EXHIBIT A DEFINITIONS

In this Agreement:

- (a) **"Act"** means the *Cannabis Act* SC 2018, c16 as the same may be amended from time to time and includes any successor or replacement legislation;
- (b) **"Affiliate"** of any Person means, at the time such determination is being made, any other Person directly or indirectly controlling, controlled by, or under common control with such Person, with "control" in such context meaning the ability to direct the management or policies of a Person through ownership of at least 50% of the voting shares or other securities, pursuant to a written agreement or otherwise;
- (c) **"Agreement"** means this Agreement and includes any Purchase Order entered into under this Agreement or definitive supply agreement between the Buyer and the Company (if applicable), and all exhibits referenced herein and attached hereto, in each case as the same may be supplemented, amended, restated or replaced from time to time;
- (d) **"Applicable Law"** means any domestic or foreign statute, law (including the common law), ordinance, rule, regulation, restriction, by-law (zoning or otherwise), order or any consent, exemption, approval or license of any Governmental Authority, that applies in whole or in part to the transactions contemplated by this Agreement, the Company, the Buyer, the Product including, without limitation, the Act, the Regulations and the Provincial Regime;
- (e) **"Arbitrator"** has the meaning ascribed thereto in Section 9.1(a);
- (f) **"Bankruptcy Proceedings"** means, in relation to a Party: (i) the making of an assignment or arrangement for the benefit of creditors; (ii) the filing by such Party of a petition or commencement of proceedings under any bankruptcy or similar law, or having such a petition filed or proceeding commenced with respect to such Party by another Person, where such petition or proceeding of such other Person is not dismissed for a period of thirty (30) days; (iii) the levy of an attachment for execution against the whole or any material part of its assets; (iv) such Party becoming insolvent or unable to pay its debts as they generally become due as determined by a court of competent jurisdiction; or (v) such Party stops, suspends or threatens to stop or suspend payment of all or a material part of its indebtedness;
- (g) **"Business Day"** means any day, other than a Saturday, Sunday or statutory holiday in the Province of Saskatchewan;
- (h) **"Cannabis Product"** has the meaning ascribed thereto in the Regulations;
- (i) **"Confidential Information"** means non-public, confidential, personal or proprietary information concerning a Party and its Affiliates and its and their respective businesses, affairs and employees that is or has been disclosed by one



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Party (a "**Disclosing Party**") to the other Party (the "**Recipient**") in connection with the transaction contemplated by this Agreement and the performance of this Agreement, including, without limitation, the existence of, the terms and conditions of, the status of the transactions contemplated by, or any other facts pertaining to, this Agreement, any information about identifiable individuals, any information provided by a Disclosing Party or otherwise obtained by a Recipient during or pursuant to an audit or any other information relating to a Party and its associates, customers, suppliers, partners, investors, employees and consultants, but in each case does not include: (a) information that the Recipient can demonstrate: (i) is or has become generally available to the public other than as a result of disclosure by the Recipient or its Affiliates or representatives; (ii) is received by the Recipient or its Affiliates or representatives from an independent third party that obtained it lawfully and was under no duty of confidentiality; (iii) was in its possession or the possession of its Affiliates or representatives prior to the disclosure of such information by the Disclosing Party; (iv) was independently developed by the Recipient or its Affiliates or representatives without the use of or reference to any Confidential Information; or (v) is disclosed pursuant to a valid and enforceable order of a court or other Governmental Authority having jurisdiction over a Recipient provided that the Recipient shall, to the extent possible, first notify the Disclosing Party in writing of such requirement and fully cooperate with respect to any reasonable steps possible to further protect the Confidential Information; nor (b) any information that is disclosed pursuant to a written or verbal request from Health Canada or the Minister provided that the Recipient shall, to the extent possible, first notify the Disclosing Party of such requirement;

- (j) "**Consultation Period**" has the meaning ascribed thereto in Section 9.1(a);
- (k) "**Delivery Point**" has the meaning ascribed thereto in Exhibit B;
- (l) "**Dispute**" has the meaning ascribed thereto in Section 9.1;
- (m) "**Effective Date**" means the date set out on the first page of the Agreement;
- (n) "**Event of Default**" has the meaning ascribed thereto in Section 8.2;
- (o) "**Final Determination**" has the meaning ascribed thereto in Section 9.1(f);
- (p) "**Forecast**" has the meaning ascribed thereto in Section 1.3;
- (q) "**Governmental Authority**" means any government, regulatory authority, governmental department, agency, commission, bureau, court, judicial body, arbitral body or other law, rule or regulation-making entity: (i) having jurisdiction over the Company, the Buyer, or the Product on behalf of any country, province, state, locality or other geographical or political subdivision thereof; or (ii) exercising or entitled to exercise any administrative, judicial, legislative, regulatory or taxing authority or power, and for greater certainty including, without limitation, Health



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Canada and any recognized stock exchange or over the counter exchange on which the securities of a Party are or are to be listed;

- (r) **"License"** means either (i) a license issued under either the Act, the Regulations or any Applicable Law which permits the holder to cultivate, produce, possess, process, transfer, purchase, sell or resell cannabis, or (ii) a license or other authorization to sell Cannabis Products pursuant to the Provincial Regime;
- (s) **"Losses"** means any loss, injury, liability, damage, cost, expense (including reasonable legal and consulting fees and disbursements), or deficiency of any kind or nature, suffered or incurred by a Party, including in respect of any proceeding, assessment, judgment, settlement or compromise relating thereto;
- (t) **"Lot or Batch"** means the lot or batch of Product from which any Product sold to and purchased by the Buyer pursuant to this Agreement was taken, derived or obtained;
- (u) **"Minister"** means the Minister of Health or such other successor or replacement Minister with general oversight and authority for the implementation, administration and enforcement of the Regulations;
- (v) **"Ordering Process"** has the meaning ascribed thereto in Section 2.2(a);
- (w) **"Ordered Quantity"** has the meaning ascribed thereto in Exhibit B;
- (x) **"Parties"** means, together, the Company and the Buyer and each is a **"Party"**;
- (y) **"Payment Due Date"** has the meaning ascribed thereto in Section 2.1;
- (z) **"Permitted Assignment"** has the meaning ascribed thereto in Section 10.6;
- (aa) **"Person"** means any individual, partnership, limited partnership, limited liability company, joint venture, syndicate, sole proprietorship, company or corporation with or without share capital, unincorporated association, trust, trustee, executor, administrator or other legal personal representative, Governmental Authority or other entity however designated or constituted;
- (bb) **"PO Amendment"** has the meaning ascribed thereto in Exhibit B;
- (cc) **"Product"** means any products sold by Company to Buyer under this Agreement, or made available by Company to Buyer under this Agreement, as applicable, including any Cannabis Accessories (as defined in the Act) or Cannabis Products;
- (dd) **"Product Delivery"** has the meaning ascribed thereto in Section 2.2;
- (ee) **"Product List"** has the meaning ascribed thereto in Exhibit B;



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- (ff) **"Provincial Regime"** the Provincial legislation and regulations for the Province covered by this Agreement, as the same may be amended from time to time and includes any successor or replacement legislation;
- (gg) **"Provincially Authorized Seller"** means a Person who is authorized to sell Cannabis Products under a Provincial Regime;
- (hh) **"Purchase Order"** has the meaning ascribed thereto in Exhibit B;
- (ii) **"Purchase Order Form"** meaning a purchase order, substantially in the form agreed upon by the Parties and that includes all the required Purchase Order Information, completed by Buyer but not yet confirmed in writing by Company;
- (jj) **"Purchase Order Information"** has the meaning ascribed thereto in Exhibit B;
- (kk) **"Purchase Price"** has the meaning ascribed thereto in Exhibit B;
- (ll) **"Quality Assurance Person"** or **"QAP"** of Company means the person designated as Company's quality assurance person for the purposes of the Regulations and who has been approved to act in such a capacity by the relevant Governmental Authority;
- (mm) **"Recall"** means Company has determined that it is required to initiate a recall with respect to a Lot or Batch of a Product;
- (nn) **"Recall Report"** means the report which must be provided to the Minister pursuant to the Regulations in connection with any recall of Product;
- (oo) **"Recalled Lot or Batch"** means the Lot or Batch of a Product that is the subject of a Recall;
- (pp) **"Records"** has the meaning ascribed thereto in Section 4.1;
- (qq) **"Regulations"** means the *Cannabis Regulations* SOR/2018-144 promulgated under the Act as the same may be amended from time to time and includes all written and publicly available notices, guidance, guidelines and ancillary rules or regulations promulgated thereunder or in connection therewith;
- (rr) **"Run-Down Products"** are Products that were already in the possession of Buyer prior to the expiration or termination of this Agreement;
- (ss) **"Serious Adverse Reaction"** has the meaning ascribed thereto in the Regulations;
- (tt) **"Shipping Costs"** means the costs associated with shipping Product from the Company to the Buyer, or, in the event of a Recall, from the Buyer to the Company, as the case may be;



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- (uu) **"Target Delivery Date"** has the meaning ascribed thereto in Exhibit B; and
- (vv) **"Tax"** and **"Taxes"** means taxes, duties, fees, premiums, assessments, imposts, levies and other charges of any kind whatsoever imposed by any Governmental Authority, including all interest, penalties, fines, additions to tax or other additional amounts imposed by any Governmental Authority 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, disability, severance, unemployment, social services, education and social security taxes, all surtaxes, all customs duties and import and export taxes, countervail and anti-dumping, all license, franchise and registration fees and all employment insurance, health insurance and Canada and other government pension plan premiums or contributions.



EXHIBIT B

ORDERING PROCESS

1. Request for Product Information

- (a) Product Information. Company will, following receipt of a request from Buyer, provide Buyer the information set out below ("**Product List**").
 - (i) Products available to Buyer including the SKU and GTIN for such Products;
 - (ii) Quantities of Product available to Buyer; and
 - (iii) Buyer's anticipated purchase price for the Product.
- (b) Pricing Information. For greater certainty, the Buyer's anticipated purchase price for the Product set out in the Product List is not binding on the Parties. The actual purchase price for each Product will be agreed in a Purchase Order and may be reduced, increased or adjusted from the purchase Price set out in the Product List.
- (c) Not Binding. The Product List is not an offer by Company to sell any particular Products to Buyer. Binding purchases of particular quantities and types of Produce are made only by a Purchase Order.

2. Ordering Process

- (a) General. Products may only be ordered by following the Ordering Process.
- (b) Purchase Order Information. Buyer will submit a Purchase Order Form which shall specify (collectively, the "**Purchase Order Information**"):
 - (i) the full legal name of the Buyer;
 - (ii) the Product being ordered;
 - (iii) the SKU and GTIN for the Product being ordered;
 - (iv) the quantity and unit of measure (e.g., units, cases, etc.) of each Product being ordered (the "**Ordered Quantity**");
 - (v) the purchase price for each unit of measure of Product being ordered (to the extent this price is different from the purchase price for the Product provided in the latest Product List, a specific and conspicuous notice of this fact);
 - (vi) the total purchase price for each Products ordered under the Purchase Order Form;



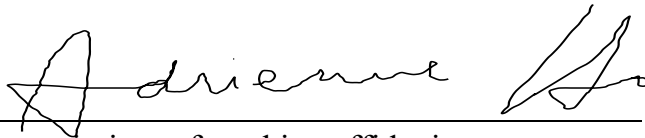
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Warman, Saskatchewan, S0K 4S0 Canada

W: www.ncdcanada.ca
E: info@ncdcanada.ca
T: 306.242.5111

- (vii) the total purchase price for all Products ordered under the Purchase Order Form (the “**Purchase Price**”),
 - (viii) the target delivery date for the Products (the “**Target Delivery Date**”) (Note the Target Delivery Date must provide Company at least five weeks to prepare the deliver the Products),
 - (ix) the street address for delivery of the Products (the “**Delivery Point**”),
 - (x) the street address for the billing address for the Buyer, and
 - (xi) any other information as may be required by Applicable Law.
- (c) Response. Company will: (i) confirm the Purchase Order Form in writing and issue an invoice to Buyer for the Purchase Price, (ii) reject the proposed Purchase Order Form, or (iii) will request changes to the proposed Purchase Order Form or additional information. If Company does not confirm the proposed Purchase Order Form within five (5) business days, it will be deemed to be rejected. If Company requests changes, Buyer will submit a fresh Purchase Order Form in accordance with Section 2(b) of this Exhibit B. If Company requests additional information, Buyer will respond to such request reasonably promptly.
- (d) Purchase Order. Once Company confirms a Purchase Order Form in writing, including by email (such confirmed Purchase Order Form, a “**Purchase Order**”), it shall be binding on the Parties. Until it is confirmed in writing it shall not be binding on Company.
- (e) Target Delivery Date Lead Time. Company will include with its confirmation a Target Delivery Date for the Products.
3. Amendments to Purchase Order. Subsequent to written confirmation of a Purchase Order, the parties may agree only in writing to an amendment to the Purchase Order (“**PO Amendment**”). Upon receipt of a PO Amendment, Buyer shall issue a revised Purchase Order, and Company shall issue a revised confirmation.

This is Exhibit “E” referred to in the Affidavit of Craig Loverock sworn by Craig Loverock located in the City of Newmarket, in the Regional Municipality of York, in the Province of Ontario, before me at the City of Toronto, in the Province of Ontario, this 22nd day of June, 2022 in accordance with *O.Reg. 431/20, Administering Oath or Declaration Remotely*.

A handwritten signature in black ink, appearing to read "Adrienne Ho", written over a horizontal line.

A Commissioner for taking affidavits

ADRIENNE HO

Khadija Waqqas

From: SLGA - Cannabis Inquiries <cannabisinquiries@slga.gov.sk.ca>
Sent: Friday, December 10, 2021 5:09 PM
To: Gary Li
Subject: RE: Process reminder - annual permit and registration fees
Attachments: Licensed Producer Registration for Toronto Herbal Remedies Inc. (L1118-2021)

Hi Gary,

Please see the attached for the original registration letter that was sent out.

Thank you.

*****Please ensure you have an up to date contact person on file*****

Jacklynne Gould

Licensing Specialist
Cannabis Licensing and Inspections Branch

Phone: 1-306-552-3246
Toll Free: 1-800-667-7565
Email: jgould@slga.gov.sk.ca
SLGA Website: www.slga.com



From: Gary Li [mailto:gary.li@sproutly.ca]
Sent: Friday, December 10, 2021 2:59 AM
To: SLGA - Cannabis Inquiries <cannabisinquiries@slga.gov.sk.ca>
Subject: RE: Process reminder - annual permit and registration fees

[EXTERNAL EMAIL ALERT] This email originated from outside of SLGA. Do not click links, open any attachments or reply, unless you recognize the sender's email address and know the content is safe.

Hi Jacklynne,

Thank you for the information. It will be great if you can resend a copy of the email.

Regards,

GARY LI
VP Finance



Email: gary.li@sproutly.ca

Website: sproutly.ca

300 – 1008 Homer Street

Vancouver, BC, V6B 2X1

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From: SLGA - Cannabis Inquiries <cannabisinquiries@slga.gov.sk.ca>

Sent: Wednesday, December 8, 2021 1:15 PM

To: Gary Li <gary.li@sproutly.ca>

Subject: RE: Process reminder - annual permit and registration fees

Hi Gary,

Your Licenced Producer Registration is not up for renewal until March 16, 2023. An email was sent out when your Licensed Producer was initially approved on March 17, 2020. The Licensed Producer registration is good for 3 years with annual payment required to maintain the registration. Would you like this email to be resent?

Thank you.

*****Please ensure you have an up to date contact person on file*****

Jacklynn Gould

Licensing Specialist

Cannabis Licensing and Inspections Branch

Phone: 1-306-552-3246

Toll Free: 1-800-667-7565

Email: jgould@slga.gov.sk.ca

SLGA Website: www.slga.com



From: Gary Li [<mailto:gary.li@sproutly.ca>]
Sent: Tuesday, December 07, 2021 4:33 PM
To: SLGA - Cannabis Inquiries <cannabisinquiries@slga.gov.sk.ca>
Subject: RE: Process reminder - annual permit and registration fees

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Hello Jacklynne,

Hope all is well. Are you able to send me a copy of the renewed permit for Toronto Herbal Remedies Inc. or direct me on where to find it on the SLGA portal if available?

Thank you,

GARY LI
VP Finance



Email: gary.li@sproutly.ca

Website: sproutly.ca

300 – 1008 Homer Street

Vancouver, BC, V6B 2X1

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From: SLGA - Cannabis Inquiries <cannabisinquiries@slga.gov.sk.ca>
Sent: Thursday, June 3, 2021 3:16 PM
To: Gary Li <gary.li@sproutly.ca>
Subject: RE: Process reminder - annual permit and registration fees

Hi Gary,

The outstanding amount owing for year two of your registration is \$1500.00. You may make a payment via credit card over the phone by calling 306-552-3246 or through EFT. Please see the attached for the EFT information.

If you have any other questions or concerns please let me know.

Thanks,

Jacklyne Gould
Licensing Specialist
Cannabis Licensing and Inspections Branch

Toll Free: 1-800-667-7565
Email: jgould@slga.gov.sk.ca
SLGA Website: www.slga.com



From: Gary Li [<mailto:gary.li@sproutly.ca>]
Sent: Thursday, June 03, 2021 2:01 AM
To: SLGA - Cannabis Inquiries <cannabisingquiries@slga.gov.sk.ca>
Cc: Reyndon Penas <reyndon.penas@torontoherbalremedies.com>
Subject: FW: Process reminder - annual permit and registration fees

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Hello Brandon,

Hope all is well. I have been assigned to look after the annual fee on behalf of Toronto Herbal Remedies Inc. Could you assist with providing me the amount we need to pay as well as any documents I need to complete as part of the renewal process?

Thank you,

GARY LI
VP Finance



Email: gary.li@sproutly.ca

Website: sproutly.ca

300 – 1008 Homer Street

Vancouver, BC, V6B 2X1

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From: SLGA - Cannabis Inquiries <cannabisinquiries@slga.gov.sk.ca>

Sent: Wednesday, June 2, 2021 2:46 PM

To: SLGA - Cannabis Inquiries <cannabisinquiries@slga.gov.sk.ca>

Subject: Process reminder - annual permit and registration fees

Hello,

I am writing to remind you of the importance of paying your permit or registration annual fee each year as it comes due. Under *The Cannabis Control (Saskatchewan) Regulations* (sections 3-12 for permittees and 3-21 for registered suppliers), if your annual fee is not paid on or before the day it is due, your permit or registration will expire the following day. If that happens, you will need to stop selling and/or distributing cannabis in Saskatchewan immediately and an inspector may attend your premises to make arrangements to secure any cannabis still in your possession. To avoid these issues entirely, you can also pay all three years of your permit or registration fees in advance, with any unused portion of these fees refunded if the business closes or is sold before the permit or registration ends.

To help keep your doors open, SLGA sends several reminders in advance of the fee payment due date. Going forward, we will notify you by mail one month before the due date, and follow up with an email reminder 10 business days before the payment is due. If the payment is still not received the business day before it is due, we will try one last time to contact you before suspending your permit or registration immediately following the due date. You will then have up to 90 calendar days to pay the fee before your permit or registration is cancelled. Once cancelled, you would need to submit a new application (including the non-refundable application fee) in order to operate the business again. Keep in mind that organizations cannot legally possess cannabis in Saskatchewan unless they hold a federal or provincial authorization.

If you have any questions about this process or the status of your annual fees, or if you would like to pre-pay your fees to the end of your permit or registration, please feel free to contact us at cannabisinquiries@slga.gov.sk.ca. You can also contact your Licensing Specialist directly and they will be happy to answer any questions.

Brandon Empringham

Manager, Cannabis Licensing

Cannabis Licensing and Inspections Branch

W: 306-787-3627

C: 306-570-3785

www.sлга.com

**Saskatchewan
Liquor and Gaming
Authority**



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Khadija Waqqas

From: Henry, Janice SLGA <IMCEAEX-_O=SASK_OU=EXCHANGE+20ADMINISTRATIVE+20GROUP+20+28FYDIBOHF23SPDLT+29_CN=RECIPIENTS_CN=HENRY+2C+20JANICE+20SLGA4C2@slga.gov.sk.ca>
Sent: Tuesday, March 17, 2020 10:46 AM
To: Kevin Lun; Melise Panetta; Keith Dolo; Paul Marcellino
Cc: SLGA - Cannabis Reporting; SLGA - Cannabis Inquiries
Subject: Licensed Producer Registration for Toronto Herbal Remedies Inc. (L1118-2021)

Dear Kevin Lun:

Please be advised that SLGA has completed its review of your application to register your company to supply cannabis to the Saskatchewan market from the following location:

- 64-70 Raleigh Avenue, Scarborough, ON, M1K 1A3

Based on the information provided, I am pleased to inform you that your application has been approved, and that SLGA has registered your company as a cannabis supplier for Saskatchewan. This determination may be revisited should SLGA become aware of changes to the status of your company's federal licenses enabling you to sell cannabis to the retail market.

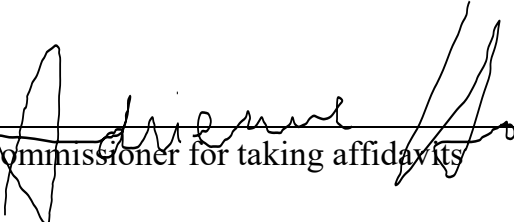
If you have any questions about this confirmation or about the reporting specifications, please contact cannabisinquiries@slga.gov.sk.ca. When submitting reports as will be required from time to time, please submit to cannabisreport@slga.gov.sk.ca.

Sincerely,

J.Janice Henry – Licensing Specialist
Sask Liquor and Gaming Authority www.slga.com
Cannabis Licensing and Inspections Branch
W (306)787-0826; TF 800-667-7565



This is Exhibit “F” referred to in the Affidavit of Craig Loverock sworn by Craig Loverock located in the City of Newmarket, in the Regional Municipality of York, in the Province of Ontario, before me at the City of Toronto, in the Province of Ontario, this 44th day of June, 2022 in accordance with *O.Reg. 431/20, Administering Oath or Declaration Remotely*.



A Commissioner for taking affidavits

ADRIENNE HO

Sproutly Canada Inc.

Consolidated Financial Statements

For the years ended February 28, 2021 and February 29, 2020
(In Canadian Dollars)

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Consolidated Statements of Loss and Comprehensive Loss.....	5
Consolidated Statements of Changes in Equity.....	6
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Independent Auditor's Report

To the Shareholders of Sproutly Canada Inc.:

Opinion

We have audited the consolidated financial statements of Sproutly Canada Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at February 28, 2021 and February 29, 2020, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at February 28, 2021 and February 29, 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 (b) in the consolidated financial statements, which indicates that the Company incurred a net loss during the year ended February 28, 2021 and, as of that date, had a working capital deficiency and an accumulated deficit. As stated in Note 2 (b), these events or conditions, along with other matters as set forth in Note 2 (b), indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Jo-Ann Lempert.

Montreal, Quebec

July 19, 2021

MNP SENCRL, s.r.l.¹

¹ FCPA auditor, FCA, public accountancy permit No. A122514

Sproutly Canada Inc.
Consolidated Statements of Financial Position
As at February 28, 2021 and February 29, 2020
(Expressed in Canadian Dollars)

	Notes	February 28, 2021	February 29, 2020
		\$	\$
Assets			
Current Assets			
Cash		171,818	32,287
Accounts receivable	6	94,864	258,211
Biological assets	7	-	10,401
Inventories	8	468,044	475,665
Prepaid and other assets		158,240	154,134
Net investment in the lease	12	25,298	-
Deferred loss	4	-	491,429
		918,264	1,422,127
Non-Current Assets			
Property, plant and equipment	10	3,225,522	3,455,005
Right-of-use assets	13	-	87,437
Net investment in the lease	12	54,174	-
Intangible assets and goodwill	11	-	11,628,310
Total assets		4,197,960	16,592,879
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	14, 19	2,649,765	1,679,277
Deferred revenue		48,593	-
Lease obligations	13	20,045	24,471
Loans and borrowings	15	4,062,599	195,448
Convertible loans payable	4, 16	2,917,955	7,845,341
Deferred gain		3,490	-
		9,702,447	9,744,537
Non-Current Liabilities			
Lease obligations	13	60,996	72,926
Loans and borrowings	15	48,206	2,495,641
Deferred tax liability	24	-	416,756
Total liabilities		9,811,649	12,729,860
Equity			
Share capital	17	80,120,572	73,188,162
Reserves		7,549,221	7,584,621
Accumulated other comprehensive loss		38,229	-
Accumulated deficit		(93,321,711)	(76,909,764)
Total deficit		(5,613,689)	3,863,019
Total liabilities and equity		4,197,960	16,592,879

Nature and continuance of operations (Note 1)
Going Concern (Note 2b)
Commitments (Note 26)
Subsequent events (Note 27)

Approved on behalf of the board July 19, 2021

"Arup Sen" , Director

"Con Constandis" , Director

The accompanying notes are an integral part of these Consolidated Financial Statements

Sproutly Canada Inc.
Consolidated Statements of Loss and Comprehensive Loss
For the years ended February 28, 2021 and February 29, 2020
(Expressed in Canadian Dollars)

	Notes	2021	2020
		\$	\$
Revenue		649,855	1,021,141
Excise duties		(333,431)	(94,169)
Net revenue		316,424	926,972
Cost of sales	8	600,110	790,676
Loss related to inventory impairment	8	255,705	2,086,985
Gross loss before fair value adjustments of biological assets		(539,391)	(1,950,689)
Realized fair value adjustments on inventory sold	8	(199,547)	411,313
Unrealized gain on changes in fair value of biological assets	7	(24,701)	(2,016,854)
Gross loss		(315,143)	(345,148)
Operating Expenses			
General and administration	20	1,696,855	6,260,327
Marketing		22,411	273,663
Depreciation and amortization	10,11, 13	116,663	564,217
Share-based payments	18	220,075	1,506,728
Impairment charge for non-financial assets	9, 10, 11	11,743,875	50,351,000
Total operating expenses		13,799,879	58,955,935
Loss from Operations		14,115,022	59,301,083
Other Expenses (Income)			
Other expense (income)		(753)	84,694
Finance and other costs	21	2,957,946	3,350,380
Government grants and subsidies		(98,598)	-
Foreign exchange		31,969	3,828
Gain on disposal of assets		(20,892)	-
Gain on sublease		(9,525)	-
Gain on extinguishment and modification of loans	4, 15(a), 15(b), 16(i), 16(ii)	(597,855)	(356,234)
Recognition of deferred loss on convertible bridge loan financing	4, 16(ii)	491,429	80,528
Recognition of deferred gain on related party loan	15(b)	(40,040)	-
Gain on extinguishment of lease obligation	13	-	(18,304)
Loss on settlement on contingent consideration		-	296,965
Changes in fair value of contingent consideration		-	5,198
		2,713,681	3,447,055
Net loss before tax		16,828,703	62,748,138
Income tax recovery	24	(416,756)	(1,137,144)
Net loss for the year		16,411,947	61,610,994
Other comprehensive loss			
Other Comprehensive loss that may be reclassified to net loss			
Foreign currency translation loss		38,229	-
Total comprehensive loss for the year		16,450,176	61,610,994
Basic and diluted loss per share		(\$0.06)	(\$0.30)
Weighted average number of shares outstanding			
Basic and diluted		270,522,467	205,112,854

The accompanying notes are an integral part of these Consolidated Financial Statements

Sproutly Canada Inc.

Consolidated Statements of Changes in Equity

For the years ended February 28, 2021 and February 29, 2020

(Unaudited – Expressed in Canadian Dollars)

	Notes	Share Capital			Reserves				Accumulated Other Comprehensive Loss	Accumulated Deficit	Total
		Common Shares	Amount	Share-Based Compensation	Warrants	Convertible Notes Reserves	Total Reserves				
Balance, February 29, 2020		#	\$	\$	\$	\$	\$	\$	\$	\$	\$
Net loss and comprehensive loss for the year		227,951,248	73,188,162	3,911,416	2,896,325	776,880	7,584,621	-	(76,909,764)	3,863,019	
Conversion of notes	16(i), 17(c)	-	-	-	-	-	-	-	(16,411,947)	(16,411,947)	
Private placement	15(e)	82,659,519	5,901,440	-	-	(201,492)	(201,492)	-	-	5,699,948	
Issuance of shares for loan and interest repayments	15(a), 16(i), 17(c)	1,500,000	105,000	-	-	-	-	-	-	105,000	
Issuance of shares for liability settlements	17(c)	10,809,186	674,329	-	-	-	-	-	-	674,329	
Foreign currency translation		3,990,867	251,641	-	-	-	-	38,229	-	251,641	
Share-based compensation	18	-	-	166,092	-	-	-	-	-	38,229	
Balance, February 28, 2021		326,910,820	80,120,572	4,077,508	2,896,325	575,388	7,549,221	38,229	(93,321,711)	(5,613,689)	

	Notes	Share Capital			Reserves				Accumulated Deficit	Total
		Common Shares	Amount	Shares to be Issued	Share-Based Compensation	Warrants	Convertible Notes Reserves	Total Reserves		
Balance, February 28, 2019		#	\$	\$	\$	\$	\$	\$	\$	\$
Net loss and comprehensive loss for the year		180,336,775	48,624,339	17,300,007	2,337,690	2,996,672	385,422	23,019,791	(15,298,770)	56,345,360
Conversion of notes	16(i)	-	-	-	-	-	-	-	(61,610,994)	(61,610,994)
Share-based payment	17(c)	3,333,332	1,863,152	-	-	-	(119,453)	(119,453)	-	1,743,699
Exercise of options	18	52,394	9,692	-	-	-	-	-	-	9,692
Exercise of warrants	17(d)	400,500	249,424	-	(112,419)	-	-	(112,419)	-	137,005
Exercise of Broker Equity Units	17(e)	2,233,719	1,679,864	-	-	(94,946)	-	(94,946)	-	1,584,918
Issuance of shares for loan and interest	15(h)	20,247	18,562	-	-	(5,401)	-	(5,401)	-	13,161
Issuance of shares for equity earn-out provision	5	4,716,606	3,443,122	-	-	-	-	-	-	3,443,122
Equity feature of convertible bridge loan financing (net of deferred tax)		36,857,675	17,300,007	(17,300,007)	-	-	-	(17,300,007)	-	-
Share-based compensation	18	-	-	-	1,686,145	-	-	1,686,145	-	1,686,145
Balance, February 29, 2020		227,951,248	73,188,162	-	3,911,416	2,896,325	776,880	7,584,621	(76,909,764)	3,863,019

The accompanying notes are an integral part of these Consolidated Financial Statements

Sproutly Canada Inc.
Consolidated Statements of Cash Flows
For the years ended February 28, 2021 and February 29, 2020
(Expressed in Canadian Dollars)

	Notes	2021	2020
		\$	\$
Cash Provided by (used in) Operating Activities			
Net loss and comprehensive loss		(16,411,947)	(61,610,994)
Adjusted for non-cash items			
Realized fair value adjustments on inventory sold	8	(199,547)	411,313
Unrealized gain on changes in fair value of biological assets	7	(24,701)	(2,016,854)
Loss related to inventory impairment	8	255,705	2,086,985
Depreciation of property, plant and equipment	10, 13	79,867	567,217
Amortization of intangible asset	11	36,796	165,798
Share-based payment		-	9,692
Share-based compensation	18	166,092	1,686,145
Accretion expense	21	1,957,725	2,107,701
Finance lease income	12	(8,110)	-
Gain on extinguishment of lease obligation	13	-	(18,304)
Interest expense on lease obligations	13	12,950	58,896
Gain on sublease	12	(9,525)	-
Gain on disposal of assets	10	(20,892)	-
Gain on extinguishment and modification of interest and loans	4, 15(a), 15(b), 16(i), 16(ii)	(597,855)	(356,234)
Loss on settlement of contingent consideration	5	-	296,965
Loss on convertible bridge loan financing	4	491,429	80,528
Gain on related party loan	15(b)	(40,040)	-
Government grants and subsidies	15(d)	(76,885)	-
Changes in fair value of contingent consideration	5	-	5,198
Impairment charge for non-financial assets	9, 10, 11	11,743,875	50,351,000
Deferred tax recovery	24	(416,756)	(1,137,144)
Change in non-cash operating working capital			
Trade receivables		(48,074)	-
GST receivables		106,491	237,744
Other receivables		104,929	(118,181)
Biological assets		40,286	(741,999)
Inventories		(47,750)	101,234
Prepaid expenses		(4,106)	536,675
Accounts payable and accrued liabilities		1,724,286	764,939
Deferred revenue		48,593	-
		(1,137,163)	(6,531,680)
Proceeds from (repayment of) Financing Activities			
Sublease payment received	12	18,875	-
Lease obligations	13	(29,307)	(199,431)
Related party loan	15(b)	855,000	-
Related party non-interest bearing loan	15(c)	150,000	-
Line of credit	15(d)	120,000	-
Private placement	15(e)	105,000	-
Proceeds from convertible bridge loan financing	4	-	947,207
Shares issued for option exercise		-	137,005
Shares issued from warrant exercises		-	1,584,918
Shares issued from Broker Equity Units exercises		-	13,161
		1,219,568	2,482,860
Cash Provided by (Used in) Investing Activities			
Purchase of property, plant and equipment		(7,103)	(587,908)
Proceeds received from disposal of property, plant and equipment	10	26,000	-
Contingent cash consideration	5	-	(4,975,000)
		18,897	(5,562,908)
Foreign exchange		38,229	-
Net change in cash		139,531	(9,611,728)
Cash, beginning of year		32,287	9,644,015
Cash, ending of year		171,818	32,287
Supplemental disclosure of cash flow information			
Cash paid during the year for interest		325,890	1,050,606

The accompany notes are an integral part of these Consolidated Financial Statements

Sproutly Canada Inc.
Notes to the Consolidated Financial Statements
For the years February 28, 2021 and February 29, 2020
(Expressed in Canadian Dollars)

1. Nature and continuance of operations

Sproutly Canada Inc. (on a consolidated basis "the Company" or "Sproutly Canada"), was incorporated on January 26, 2012 under the British Columbia Business Corporations Act. On July 6, 2018, the Company acquired Sproutly Inc. ("Sproutly") through a reverse acquisition transaction. Sproutly was incorporated on January 17, 2017 under the British Columbia Business Corporation Act. The registered office is located at 10th floor – 595 Howe Street, Vancouver, British Columbia, V6C 2T5. On July 9, 2018, the Company began trading on the Canadian Securities Exchange ("the Exchange") under the symbol "SPR". The Company is also quoted on the Frankfurt, Berlin and Munich exchanges under the symbol "38G", and on the OTCQB Venture Marketplace under the symbol "SRUTF".

The Company intends to identify and evaluate potential business opportunities in the medicinal and recreational cannabis industry. On February 28, 2018, Sproutly acquired all of the issued and outstanding common shares of Toronto Herbal Remedies Inc. ("THR"). THR was incorporated on January 13, 2013 under the Ontario Business Corporation Act. On June 8, 2018, Health Canada granted THR a cultivation license to produce and sell medical marijuana under the provisions of the Access to Cannabis for Medical Purposes Regulations ("ACMPR"). On March 29, 2019, Health Canada granted THR a processing license to produce cannabis oil and related products and will allow the Company to conduct certain research and development activities. On October 15, 2020, Health Canada granted THR an amended extract sales license authorizing THR to manufacture and sell Cannabis 2.0 products directly to provincial distributors and other authorized Canadian retail supply channels.

On July 31, 2018, the Company acquired all of the issued and outstanding common shares of Infusion Biosciences Canada Inc. ("IBS Canada") and SSM Partners Inc. ("SSM Partners") described in Note 5. IBS Canada was incorporated on February 28, 2018 under the Alberta Business Corporations Act. SSM Partners was incorporated on March 1, 2018 under the Companies Act of Barbados with International Business Company status.

On October 26, 2018, the Company commenced the process of growing cannabis with amounts classified as biological assets and inventories. As at February 28, 2021, the Company has ceased all cultivation activities and harvested all biological assets to inventories.

2. Basis of presentation

a) Statement of compliance

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements were approved and authorized for issue by the Board of Directors of the Company on July 19, 2021.

b) Going concern

These consolidated financial statements have been prepared on a going concern basis which presumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of its operations.

As of February 28, 2021, the Company had working capital deficit of \$8,784,183 (February 29, 2020 – \$8,322,410) and an accumulated deficit of \$93,321,711 (February 29, 2020 - \$76,909,764). The Company used cash in operating activities of \$1,137,163 (year ended February 29, 2020 - \$6,531,680), resulting primarily from the net loss and comprehensive loss of \$16,411,947 (year ended February 29, 2020 - \$61,610,994) offset by items not affecting cash such as depreciation, amortization, stock based compensation and impairment charges of \$15,274,784 (year ended February 29, 2020 - \$55,079,314). The Company's ability to continue as a going concern is dependent upon its ability to obtain sufficient additional funding and to generate sufficient revenues and positive cash flows from its operating activities to meet its obligations and fund its planned investments and operations.

The Company anticipates it will have sufficient cash on hand to service its liabilities and fund operating costs for the immediate future. However, there is uncertainty as to how long these funds will last. The application of the going concern assumption is dependent upon the Company's ability to generate future profitable operations and obtain necessary financing to do so. The Company believes that based on its cash flow forecasts, cash inflow from additional financing opportunities, revenues generated from current as well as new products entering the marketing place and the ability to reduce expenditures, it could continue as a going concern for the foreseeable future. However, when the Company can attain profitability and positive cash flows from operation is subject to material uncertainty.

Sproutly Canada Inc.
Notes to the Consolidated Financial Statements
For the years February 28, 2021 and February 29, 2020
(Expressed in Canadian Dollars)

2. Basis of presentation (continued)

b) Going concern (continued)

During the year ended February 28, 2021, the Company has significantly reduced expenditures through the reduction of staff, halt capital intensive cultivation, recognized management and streamline operations at the THR's facility. Subsequent to year end, management has closed a private placement of \$2 million dollars (Note 27) and exploring additional financing in the form of debt, equity or a combination thereof to continue to continue its strategic operations and make capital investments. While the Company was successful in obtaining financing subsequent to its fiscal year, there can be no assurance that additional funds could be raised in the future.

Therefore, the Company may need to reschedule its current debt obligations and there can be no assurance that the existing debt obligations will be rescheduled. If existing debt obligations are not rescheduled or adequate financing is not available, the Company may be required to delay or reduce the scope of any or all of its projects. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

c) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries Sproutly, THR, IBS Canada, and SSM Partners. All intercompany balances and transactions were eliminated on consolidation.

Acquisition of subsidiaries are accounted for using the acquisition method. The Company measures goodwill as the fair value of the consideration transferred less the fair value amount of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Transaction costs other than those associated with the issue of debt or equity securities the Company incurs in connection with a business combination are expensed as incurred.

d) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments, biological assets and acquisition related contingent consideration which are measured at fair value.

e) Use of estimates and judgments

The preparation of these consolidated financial statements requires the use of estimates and judgments that affect the application of the Company's accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods effected.

Going concern

Management has applied judgments in the assessment of the Company's ability to continue as a going concern when preparing its consolidated financial statements. Management prepares the consolidated financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading or has no realistic alternative to do so. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period.

Biological assets and inventory

In calculating the fair value less costs to sell of the biological assets, management is required to make a number of judgments and estimates, including estimating the stage of growth of the cannabis plants up to the point of harvest, harvesting costs, selling costs, sales price, attrition and expected yields for the cannabis plants. In calculating inventory values, management is required to determine an estimate of indirectly attributable production costs as well as obsolete inventory and compares the inventory cost to estimated net realizable value.

Sproutly Canada Inc.
Notes to the Consolidated Financial Statements
For the years February 28, 2021 and February 29, 2020
(Expressed in Canadian Dollars)

2. Basis of presentation (continued)

e) Use of estimates and judgments (continued)

Impairment, estimated useful lives, depreciation and amortization of property, plant and equipment and intangible assets

Depreciation and amortization of property, plant and equipment and intangible assets are dependent upon estimates of useful lives, residual values, and depreciation rates. The depreciation and amortization methods are judgments based on the Company's assessment of the pattern of use of the assets. The estimate of useful lives and residual values are based on the Company's intended use of the assets. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions.

(i) Cash generating units

Judgment is required to assess the Company's determination of cash generating units ("CGU") for the purpose of impairment testing.

(ii) Impairment of non-financial assets

The process to calculate the recoverable amount of each cash generating unit requires use of valuation methods such as the discounted cash flow method which uses assumptions of key variables including estimated cash flows, discount rates and terminal value growth rates. The Company applied judgment when determining which methods are most appropriate to estimate that value in use and fair value less costs of disposal for each CGU. Please see Notes 9, 10 and 11 for additional estimates and judgment applied by the Company in connection with the impairment of non-financial assets.

Goodwill and indefinite-life intangible assets impairment

Goodwill and indefinite-life intangible assets are reviewed for impairment at each reporting period or whenever events and circumstances indicate that the carrying amount may not be recoverable. Management judgment is required to identify the CGU of the Company.

Determining whether an impairment has occurred requires valuation of the respective CGU, which is estimated by using the recoverable amount. The recoverable amount is determined as the higher of an asset's fair value less costs to sell and value in use. Fair value less costs to sell is determined by ascertaining the current market value of an asset and deducting any costs related to the realisation of the asset. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purposes of assessing impairment, assets that cannot be tested individually are grouped at the lowest CGUs. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. The carrying amount of these other assets may, however, not be reduced below the higher of the CGU's fair value less costs to sell and its value in use.

Income taxes

The determination of income tax expense and the composition of deferred tax assets and liabilities involves judgment and estimates as to the future taxable earnings, expected timing of reversal of deferred tax assets and liabilities, and interpretations of tax laws. The Company is subject to assessments by tax authorities who may interpret the tax law differently. Changes in these interpretation, judgments and estimates may materially affect the final amount of current and deferred tax provisions, deferred tax assets and liabilities, and results of operations.

Fair value of financial instruments

The individual fair values attributable to the different components of a financing transaction, notably loans and borrowings and convertible loan payables are determined using valuation techniques. The Company uses judgment to select the methods used to make certain assumptions and in performing the fair value calculations in order to determine the values attributable to each component of a transaction at the time of their issuance. These valuation estimates could be significantly different because of the use of judgment and the inherent uncertainty in estimating the fair value of these instruments that are not quoted in an active market.

Sproutly Canada Inc.
Notes to the Consolidated Financial Statements
For the years February 28, 2021 and February 29, 2020
(Expressed in Canadian Dollars)

2. Basis of presentation (continued)

e) Use of estimates and judgments (continued)

Revenue and accounts receivable

The Company estimates whether certain vendors will exercise the right to early payment discounts based on past experience with each vendor. The Company also uses estimates to determine the likelihood of returns, price adjustments and discounts and rebates it may offer to distributors. This is based on trends observed by the Company related to its historical financial sales and industry practices. Due to the complexity in tax legislations, significant judgement is applied in the assessment of whether taxes are borne by the Company or collected on behalf of a third party impacting the net or gross presentation of revenue.

Share-based payments and warrants

All equity-settled, share-based awards and share purchase warrants issued by the Company are fair valued using the Black-Scholes option-pricing model or other fair value techniques. In assessing the fair value of equity-based compensation, estimates have to be made regarding the expected volatility in share price, option life, dividend yield, risk-free rate and estimated forfeitures at the initial grant date.

Warrants

Significant estimates are used to determine the fair value of warrants issued by the Company. The Company typically uses a Black Scholes pricing model to determine the valuations. Refer to Notes 17 and 18 for further information.

Leases

The application of IFRS 16 Leases requires assumptions and estimates in order to determine the value of the right-of-use assets and the lease liabilities. Judgment must be applied when determining the implicit and incremental rates of borrowing, as applicable. Judgment must also be applied as to whether renewal options are reasonably certain of being exercised and whether periods covered by an option to terminate are reasonably certain of not being exercised.

f) Functional and presentation of foreign currency

The consolidated financial statements are presented in Canadian dollars as this is the currency of the primary economic environment in which the Company operates. The functional currencies of the Company and its subsidiaries are as follows:

- SSM Partners is in US dollars; and
- Sproutly Canada and its remaining subsidiaries are in Canadian dollars

3. Significant accounting policies

a) Covid-19 Estimation Uncertainty

The Company continues to monitor the evolution of the COVID-19 pandemic. The extent to which the COVID-19 pandemic may impact the Company's business and activities will depend on future developments which remain highly uncertain and cannot be predicted with confidence, such as the spread and severity of the disease, the duration of the outbreak including any possible resurgence, and actions taken by authorities to control the spread of the virus, the impact of the pandemic on spending, and the ability or willingness of suppliers and vendors to provide products and services.

Any of these developments, and others, could have a material adverse effect on the Company's business, affairs, operations, results of operations, financial condition, liquidity, availability of credit and foreign exchange exposure. In addition, because of the severity and global nature of the COVID-19 pandemic, it is possible that estimates in the Company's financial statements could change in the near term and the effect of any such changes could be material, which could result in, among other things, an impairment of non-current assets and a change in the expected credit losses on accounts receivable.

Sproutly Canada Inc.
Notes to the Consolidated Financial Statements
For the years February 28, 2021 and February 29, 2020
(Expressed in Canadian Dollars)

3. Significant accounting policies

a) Covid-19 Estimation Uncertainty (continued)

As a result, the Company has entered into the following transactions during the current fiscal year:

- Reduced operational spending by halting the cultivation of cannabis flower and trim;
- Entered into additional financing arrangements through loans and private placements;
- Entered into extension agreements for loan payables and convertible loans payable due in the current year;
- Settlement of interest payables, accounts payables and payroll indebtedness through issuance of the Company's common shares; and
- Applied and received various government grants and subsidies;

In addition, the Company is constantly evaluating the situation and monitoring any impacts or potential impacts on its business.

b) Foreign currency translation

Foreign currency transactions are translated into Canadian dollars at exchange rates in effect on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the consolidated statement of financial position date are translated to Canadian dollars at the foreign exchange rate applicable at that date. Realized and unrealized exchange gains and losses are recognized in the consolidated statement of comprehensive loss. Non-monetary assets and liabilities that are measured in terms of historical costs in a foreign currency are translated using the exchange rate at the date of the transaction.

The assets and liabilities of foreign operations are translated into Canadian dollars at period end exchange rates. Income and expenses, and cash flows of foreign operations are translated into Canadian dollars using average exchange rates. Exchange differences resulting from the translation of foreign operations are recognized in other comprehensive loss and accumulated in equity.

c) Biological assets

The Company's biological assets consist of cannabis plants. The Company measures the biological assets in accordance with IAS 41 - *Agriculture* at fair value less costs to sell up to the point of harvest, which becomes the basis for the cost of finished goods inventories after harvest. Fair value is determined based on expected future cash flows of the in-process biological assets less costs to complete and sell. Costs to complete and sell include post-harvest production, shipping, and fulfilment costs. Unrealized gains or losses arising from changes in fair value less costs to sell during the year are included in the results of operations of the related year. Seeds are measured at cost which approximates fair value.

While the Company's biological assets are within the scope of IAS 41, the direct and indirect costs of biological assets are determined using an approach similar to the capitalization criteria outlined in IAS 2 - *Inventories*. They include the direct costs of seedlings and growing materials as well as other indirect costs such as utilities and supplies used in the growing process. Indirect labour for individuals involved in the growing and quality control process is also included, as well as depreciation on production equipment and overhead costs of building and building improvement depreciation to the extent it is associated with the growing space. All direct and indirect costs of biological assets are capitalized as they are incurred and all are subsequently recorded as cost of sales in the consolidated statements of loss and comprehensive loss in the period that the related product is sold.

d) Cost of sales

Production costs include the direct and indirect costs incurred prior to the harvest of cannabis plants. These costs include a portion of labour, quality and testing, depreciation, and utilities capitalized into inventory. Cost of sales is recognized on the consolidated loss and comprehensive loss using the average cost basis.

Sproutly Canada Inc.
Notes to the Consolidated Financial Statements
For the years February 28, 2021 and February 29, 2020
(Expressed in Canadian Dollars)

3. Significant accounting policies (continue)

e) Inventories

Inventories of harvested cannabis are transferred from biological assets at their fair value at harvest, which becomes the initial deemed cost. Any subsequent post-harvest costs such as supplies, utilities, labour, building and building improvement depreciation are capitalized to inventory to the extent that cost is less than net realizable value.

All direct and indirect costs capitalized are subsequently recorded within costs of sales on the statement of loss and comprehensive loss at the time inventory is sold, except for realized fair value amounts included in inventory sold which are recorded separately. Inventory is measured at lower of cost or net realizable value. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimate costs to completion and the estimated costs necessary to make the sale.

f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The assets are depreciated over their estimated useful lives using the following methods and rates:

	Method	Rate
Building and improvements	Straight-line	20 to 40 years
Computer software and equipment	Straight-line	3 years
Furniture and fixtures	Straight-line	Term of office lease
Production and other equipment	Straight-line	5 to 10 years
Right-of-use assets	Straight-line	Term of lease

The estimated residual value, useful life and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate components.

Construction in progress is transferred to the appropriate asset class when the building and equipment is available for use. Depreciation commences at the point the assets are classified as available for use.

Right-of-use assets are depreciated at the lower of lease term and useful life of underlying asset.

g) Intangible assets

Intangible assets are recorded at cost less any accumulated amortization and accumulated impairment losses. Impairment for intangible assets with finite lives is tested if there is any indication of impairment.

Intangible assets with finite useful lives are amortized over their estimated useful lives using the following methods and rates:

	Method	Rate
ACMPR License	Straight-line	Useful life of THR facility, 40 years

Amortization begins when assets become available for use. The estimated life, amortization method, and rate are reviewed at the end of each reporting period, with the effect of any changes in estimates being accounted for on a prospective basis.

Intangible assets with an indefinite life or not yet available for use are not subjected to amortization. The Company's indefinite life intangible asset is comprised of the technology license acquired from the acquisition of IBS Canada and SSM Partners as disclosed in Note 5. The technology license is not expected to expire and is not dependent on THR's inventory capacity. As such, there is no foreseeable limit to the period over which this asset is expected to generate future cash inflows to the Company. The technology license is tested for impairment annually and whenever events or circumstances make it more likely than not that an impairment may have occurred. The Company has selected last day of the fiscal year as the annual test date.

Sproutly Canada Inc.
Notes to the Consolidated Financial Statements
For the years February 28, 2021 and February 29, 2020
(Expressed in Canadian Dollars)

3. Significant accounting policies (continued)

h) Goodwill

Goodwill represents the excess of the price paid for the acquisition of an entity over the fair value of the net identifiable tangible and intangible assets and liabilities acquired. Goodwill is allocated to the cash generating unit ("CGU") to which it relates.

Goodwill is not amortized but tested for impairment annually or more frequently if changes in circumstances indicate a potential impairment. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

i) Impairment of non-financial assets

Non-financial assets (other than biological assets and inventories) are reviewed for indicators of impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. Goodwill is tested for impairment annually in the fourth quarter or more often if events or circumstances indicate there may be an impairment. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit, or "CGU"). Goodwill arising from a business combination is allocated to the CGU or group of CGUs that are expected to benefit from the synergies of the combination. The recoverable amount of an asset or a CGU is the higher of its fair value less costs to sell, and its value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in profit or loss by the amount by which the carrying amount of the asset exceeds the recoverable amount. Impairment losses are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other non-financial assets in the CGU, excluding biological assets and inventories, on a pro-rata basis. Impairment losses in respect of goodwill are not subsequently reversed. For other non-financial assets excluding biological assets and inventories, an impairment loss is subsequently reversed only to an amount that is the lesser of the revised estimate of recoverable amount, and the carrying amount, net of depreciation or amortization, that would have been recorded at the date of the reversal had no impairment loss been recognized previously. The Company has one CGU for the years ended February 28, 2021 and February 29, 2020 for the cultivation and sale of recreational cannabis in Canada. In addition to reviewing for indicators of impairment, impairment testing is required at least on an annual basis as the CGU consist of goodwill and intangible asset with indefinite life.

j) Financial instruments

(i) Recognition and initial measurement

Trade receivables are initially recognized when they are originated. All other financial assets and liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit and loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial Assets

On initial recognition, a financial asset is classified and measured at: amortized cost; fair value through other comprehensive income ("FVOCI") – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the reporting period following the change in the business model. A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Sproutly Canada Inc.
Notes to the Consolidated Financial Statements
For the years February 28, 2021 and February 29, 2020
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3. Significant accounting policies (continued)

- j) Financial instruments (continued)
(ii) Classification and subsequent measurement (continued)

A debt investment is measured at FVOCI if it meets both the following conditions and is not designated as FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income ("OCI"). This election is made on an investment by investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets, if applicable. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial Assets – Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest rate method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Debt investments at FVOCI	These assets are subsequent measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit and loss.
Equity investments at FVOCI	These assets are subsequent measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI. Changes in fair value are recognized in OCI and are never recycled to profit and loss, even if the asset is sold or impaired.

Financial Liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

The Company classifies its financial assets and liabilities depending on the purpose for which the financial instruments were acquired, their characteristics, and management intent as outlined below:

Financial Instruments	Classification
Cash	Amortized cost
Accounts receivable (excluding GST and HST receivables)	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Loans and borrowings	Amortized cost
Convertible loans payable	Amortized cost
Contingent consideration payable	FVTPL

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3. Significant accounting policies (continued)

j) Financial instruments (continued)

(iii) Derecognition

Financial Assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. The Company may enter into transactions whereby it transfers assets recognized in its statements of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

Financial Liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. For modification that are not considered substantial, the Company recalculates the amortized costs of the financial liability using the financial instrument's original effective interest rate to reflect the actual and revised estimated contractual cash flows. The adjustment is then recognized as a profit or loss. Any cost or fees incurred adjust the carrying amount of the modified financial liability are amortized over the remaining term of the modified financial liability. On derecognition of a financial liability, the difference between the carrying amount extinguish and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

Transaction Costs

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

k) Business combinations

Classification of an acquisition as a business combination or asset acquisition depends on whether the assets acquired constitute a business, which can be a complex judgment. Whether an acquisition is classified as a business combination or asset acquisition can have a significant impact on the entries made on and after acquisition. The most significant estimates for business combination or asset acquisition involve contingent consideration and intangible assets. Management exercises judgment in estimating the probability and timing of when earn-outs are expected to be achieved which is used as the basis for estimating fair value.

In a business combination, all identifiable assets, liabilities and contingent liabilities acquired are recorded at their fair values. One of the most significant estimates relates to the determination of the fair value of these assets and liabilities.

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3. Significant accounting policies (continued)

k) Business combinations (continued)

In an asset acquisition, all identifiable assets are recorded at their fair values. Management exercises judgement in applying the concentration test to determine whether substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets). The most significant estimates relate to contingent consideration and intangible assets. Management also exercises judgement in estimating the probability and timing of when earn-outs are expected to be achieved which is used as the basis for estimating fair value.

For any intangible asset identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent valuation expert or management may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. The evaluations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied.

Certain fair values may be estimated at the acquisition date pending confirmation or completion of the valuation process. Where provisional values are used in accounting for a business combination, they may be adjusted retrospectively in subsequent periods. However, the measurement period will last for one year from the acquisition date. This is not applicable for asset acquisitions.

The Company has elected to early adopt the amendments to IFRS 3 as of March 1, 2018, which relate to the definition of a business.

The amendments were as follows:

- Clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- Narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
- Add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
- Remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and
- Add an optional concentration test that permits a simplified assessment of whether an acquired set of activities

l) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses ("ECLs") on financial assets measured at amortized cost, debt investments mandatorily measured at FVOCI, and contract assets – the Company had no debt investment measured at FVOCI and no contract assets as at February 28, 2021 and February 29, 2020.

When determining whether the credit risk of a financial asset has increased significantly and when estimating ECLs, the Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analyses, based on the Company's historical experience and informed credit assessment and including forward looking information.

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3. Significant accounting policies (continued)

m) Leases

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and is adjusted for certain re-measurements of the lease liability. The cost of the right-of-use asset includes the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date, less any lease incentives received, any initial direct costs, and if applicable, an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The right-of-use assets are depreciated using the straight-line method from the commencement date to the end of the lease term or the end of the useful life of the right-of-use asset if shorter. The estimated useful life of the right-of-use assets is determined on the same basis as those of property, plant and equipment. The determination of the depreciation period is dependent on whether the Company expects that the ownership of the underlying asset will transfer to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The incremental borrowing rate reflects the rate of interest that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised. The Company applies judgment to determine the lease term for some lease contracts which contain renewal options.

The Company does not recognize right-of-use assets and lease liabilities for leases of low-value assets and leases with lease terms that are less than 12 months. Lease payments associated with these arrangements are instead recognized as an expense over the term on either a straight-line basis, or another systematic basis if more representative of the pattern of benefit.

n) Convertible debentures

Convertible notes are compound financial instruments which are accounted for separately by their components: a financial liability and an equity instrument. The financial liability, which represents the obligation to pay coupon interest on the convertible notes in the future, is initially measured at its fair value and subsequently measured at amortized cost. The residual amount is accounted for as an equity instrument at issuance.

For convertible notes entered by the Company with favourable terms such as with a related party, the fair value of the financial instrument at initial recognition may differ with the fair value of the consideration received. If such a condition exists, the Company is required to value both the financial liability and the equity instrument separately. The difference between the consideration received and the fair value of both the financial liability and equity instrument is recognized as a deferred gain or loss which shall be recognized in subsequent periods in the consolidated statement of loss and comprehensive loss only to the extent that it arises from a change in a factor (including time) that the market participants would take into account when pricing the financial liability.

Transaction costs are apportioned to the debt liability and equity components in proportion to the allocation of proceeds as a reduction to the carrying amount of the liability and equity component. The liability component of the convertible notes was valued using Company specific interest rates assuming no conversion features existed. The resulting debt component is accreted to its principal amount over the term to maturity as a non-cash interest charge and the equity component is presented in convertible notes reserve as a separate component of equity. Upon conversion, amounts held in reserve are transferred to share capital.

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3. Significant accounting policies (continued)

o) Share capital

The Company's common shares are classified as equity instruments. Incremental costs directly related to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. For equity offerings of units consisting of a common share and warrant, when both instruments are classified as equity, the Company bifurcates the proceeds between the common share and the warrant. This is done by deducting the fair value of common shares against proceeds with the remaining value assigned to warrants.

p) Revenue recognition

The Company's accounting policy for revenue recognition under IFRS 15 is as follows:

To determine the amount and timing of revenue to be recognized, the Company follows the five-step model:

- Identifying the contract with a customer.
- Identifying the performance obligations.
- Determining the transaction price.
- Allocating the transaction price to the performance obligations.
- Recognizing revenue when/as performance obligations are satisfied.

Revenue from the direct sale of cannabis products for a fixed price is recognized when the Company transfers control of the good to the customer, which is at the point of delivery.

Revenue earned in Canada includes excise duties, which the Company pays as principal, but excludes sales taxes collected on behalf of tax authorities. Revenue is recognized to the extent that it is highly probable that a significant reversal will not occur. Therefore, revenue is stated net of expected price discounts, allowances for customer returns and certain promotional activities and similar items. A refund liability (included in accounts payable) is recognised for the products expected to be returned. Accumulated experience is used to estimate such returns at the time of sale at a portfolio level (expected value method). Generally, payment of the transaction price is due within credit terms that are consistent with industry practices.

q) Strategic business initiatives

Costs of strategic business initiatives that are directly attributable to any business combinations are expensed through the consolidated statements of loss and comprehensive loss.

r) Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. All transactions are recorded under exchange value with the exception of the convertible bridge loan (Note 4) and related party loan (Note 15b) that is measured at fair value.

s) Segment reporting

Operating segments are defined as components of an enterprise about which separate discrete information is available for evaluation by the chief operating decision maker, or decision making group, in deciding how to allocate resources and in assessing performance. The Company views its operations and manages its business in one operating segment in the sale of recreational cannabis and operates in one geographical segment in Canada.

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3. Significant accounting policies (continued)

t) Loss per share

Basic loss per share is calculated by dividing net loss by the weighted average number of outstanding common shares during the year. Diluted loss per share is calculated similarly but includes potential instruments such as exercise of warrants, exercise of stock options, conversion of debt to equity and contingently issuable shares that could potentially dilute basic earnings per share in the future but were not included in the calculation of diluted earnings per share because they are antidilutive as the Company is in a net loss position.

u) Income taxes

Income tax on the statements of loss and comprehensive loss for the periods presented comprises current and deferred tax. Income tax is recognized in the statements of loss and comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the financial position reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it does not record that excess.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, when they relate to income taxes levied by the same taxation authority and when the Company intends to settle its current tax assets and liabilities on a net basis.

v) Share-based compensation

The Company measures equity settled share-based payments based on their fair value at the grant date and recognizes compensation expense over the vesting period based on the Company's estimate of equity instruments that will eventually vest. The fair value of options is calculated using the Black-Scholes option pricing model which incorporates certain assumptions such as expected lives, volatility, risk-free rate, future dividend yields and estimated forfeitures at the initial grant date. Expected forfeitures are estimated at the date of grant and subsequently adjusted if further information indicates actual forfeitures may vary from the original estimate. The impact of the revision of the original estimate is recognized in profit or loss such that the cumulative expense reflects the revised estimate.

For share-based payments granted to non-employees, the compensation expense is measured at the fair value of the good and services received except where the fair value cannot be estimated in which case it is measured at the fair value of the equity instruments granted. The fair value of share-based compensation to non-employees is periodically remeasured until counterparty performance is complete, and any change therein is recognized over the period and in the same manner as if the Company had paid cash instead of paying with or using equity instruments.

Consideration paid by employees or non-employees on the exercise of stock options is recorded as share capital and the related share-based compensation is transferred from share-based reserve to share capital.

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3. Significant accounting policies (continued)

w) Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

The Company applied for and received government grants under the Canadian Emergency Wage Subsidy ("CEWS") provided by the Government of Canada as a result of the COVID-19 pandemic. The Company made an accounting policy choice under IAS 20 - Government Grants to record and present the grants net against the associated salary expenses for which it was subsidizing. For the year ended February 28, 2021, the Company received CEWS subsidies of \$300,286 (February 29, 2020 - nil).

The Company applied for and received government grants under the Canada Emergency Commercial Rent Assistance ("CECRA") provided by the Government of Canada as a result of the COVID-19 pandemic. The Company made an accounting policy choice under IAS 20 - Government Grants to record and present the grants as income on a systematic basis over the periods that the related costs, for which it was intended to compensate, are expensed. During the year ended February 28, 2021, the Company received CECRA subsidies of \$21,713 (February 29, 2020 - nil).

The Company applied and obtained revolving lines of credit from the Government of Canada under the CEBA COVID-19 Economic Response Plan. The funding is granted in the form of an interest free revolving credit line of which up to \$60,000 may be drawn per eligible entity. On December 1, 2021, the outstanding balance on the revolving line of credit line will be automatically convert to a non-revolving term loan. Effective January 1, 2023, any outstanding balance on the term loan shall bear interest at a rate of 5% per annum. The term loan matures on December 31, 2025. If 75% of the outstanding balance of the non-revolving term loan is repaid on or before December 31, 2022, the remaining 33% of the balance shall be forgiven.

The Company made an accounting policy choice under IAS 20 - Government Grants in which the lines of credit will be measured in accordance with IFRS 9 - Financial Instruments. The benefit of the below-market rate of interest shall be measured as the difference between the initial carrying value of the loan determine in accordance with IFRS 9 and the proceeds received.

x) New standards, interpretations and amendments not yet adopted by the Company

A number of new standards are effective for annual periods beginning on or after January 1, 2021 and earlier application is permitted. However, the Company has not early adopted the new or amended standards in preparing these consolidated financial statements. The following amended standards and interpretations are not expected to have a significant impact on the Company's consolidated financial statements.

(i) Onerous contracts - Costs of Fulfilling a Contract (Amendments to IAS 37)

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments apply for annual reporting periods beginning on or after January 1, 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other components of equity, as appropriate. The comparatives are not restated. The Company has determined that all contracts existing at February 28, 2021 will be completed before the amendments become effective.

(ii) Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The amendments address issues that might affect financial reporting as a result of the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments provide practical relief from certain requirements in IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to:

- Changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities; and
- Hedge accounting

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4. Convertible bridge loan financing

On January 28, 2020, the Company secured a \$1,000,000 private loan with Infusion Biosciences Inc., a related company where one of the shareholders is an officer of the Company. The loan carries an interest rate of 10% per annum accruing and compounding monthly, payable on or before October 24, 2020. The loan is evidenced by a secured convertible debenture (the "Convertible Debenture") that provides the lender with the right to convert the principal of the loan into units of the Company (the "Units") at a conversion price of \$0.19 per Unit, subject to adjustment in accordance with the terms of the Convertible Debenture. Each Unit will consist of one common share in the capital of the Company (a "Common Share") and one Common Share purchase warrant (a "Warrant"), with each Warrant entitling the Lender to acquire one Common Share at an exercise price equal to \$0.20 for a period of two years from date of issuance. Total proceeds of the Convertible Debenture, net of transaction costs was \$947,207.

The Company measured the hybrid instrument at \$1,519,164, with \$819,287 assigned to the liability component of the Convertible Debenture calculated based on a discount rate of 21%, which is the estimate of the observable market rate for similar convertible debentures. The liability component is recorded at amortized cost using the effective interest rate of 26.45%.

During the year ended February 29, 2020, the Company incurred interest of \$11,134 and recorded accretion expense of \$23,672.

The remaining \$699,877 was assigned to the equity component of the conversion feature of the Convertible Debenture using a variant of the Black-Scholes option pricing model. The value of Warrants is first calculated using the Black-Scholes option pricing model, which is then added into share price to calculate the value of Units using the same methodology.

The value of the Warrants was based on the following assumptions:

Share price	\$0.19
Exercise price	\$0.29
Annualized volatility	88.12%
Risk-free interest rate	1.44%
Dividend yield	0.00%
Expected life	2.74 Years

The value of the Units was based on the following assumptions:

Share price	\$0.29
Exercise price	\$0.19
Annualized volatility	88.12%
Risk-free interest rate	1.51%
Dividend yield	0.00%
Expected life	0.74 Years

The difference between proceeds received net of transaction costs and fair value of \$571,957 was recognized as deferred loss on convertible bridge loan financing, which shall be recognized over the life of the loan in the consolidated statements of loss and comprehensive loss. During the year ended February 28, 2021, the Company recognized a loss on convertible bridge loan financing of \$491,429 (February 29, 2020 – \$80,528).

On August 27, 2020, an amendment was entered between the Company and Infusion Biosciences Inc. in which the interest rate was increased to 15% and conversion price was decreased to \$0.07 per Unit. The changes were deemed not to represent a substantial modification of the original financial liability.

On October 22, 2020, a second amendment was entered between the Company and Infusion Biosciences Inc. in which the maturity date of the loan was extended from October 24, 2020 to April 24, 2021. The change was deemed to be a substantial modification of the financial liability and considered an extinguishment of the original liability. The new liability was measured at fair value using an effective interest rate of 17.00% on October 22, 2020, and a \$81,238 gain on extinguishment of loan was recorded.

During the year ended February 28, 2021, the Company incurred interest expense of \$134,963 (February 29, 2020 – 11,134) and recorded accretion expense of \$212,802 (February 29, 2020 – \$23,672).

As part of the transaction, the Company has recorded a deferred tax liability of \$188,966.

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5. Acquisition of IBS Canada and SSM Partners

On July 31, 2018, the Company completed the acquisition of all of the issued and outstanding shares of IBS Canada and SSM Partners pursuant to Share Purchase Agreements for total consideration of \$46,012,157.

Consideration consisted of \$5,025,060 in cash and the issuance of 36,857,676 common shares. Under the terms of the agreement, if the Company was unable to satisfy the cash payment consideration within 12 months following the acquisition date, the seller of IBS Canada had the discretion to settle the remaining balance with Sproutly Canada common shares, determined by the lower of a 25% discount to the 10 day volume weighted average trading price or \$0.25 per share. As the remaining balance was contingent on whether the Company was able to raise additional financing, it was re-measured at a fair value of \$4,479,759 based on management's judgment at that time as to when the amount would be paid. The common shares issued were valued at \$19,112,328. On October 25, 2018, the Company settled the \$4,525,000 of outstanding cash consideration.

The sellers are also entitled to an additional consideration of \$4,975,000 in cash and 36,857,675 Sproutly Canada common shares if IBS Canada and SSM Partners are able to complete the milestones, as per the earn-out provisions of the agreement, within three years from the acquisition date. Earn-out provisions include the completion of a specified amount of cannabinoids using the APP technology and the Company obtaining analytical results of such cannabinoids that meet regulatory requirements for commercial sale of products within a specified jurisdiction. For the cash contingent consideration, if the Company is unable to settle the cash payment within 12 months from completion of the earn-out provision, the seller of SSM Partners has the discretion to settle the remaining balance with Sproutly Canada common shares determined by the lower of a 25% discount to the 10 day volume weighted average trading price or \$0.25 per share. Both the deferred cash and equity contingent consideration amounts were valued on the date of acquisition at fair value of \$4,618,483 and \$17,300,007 respectively, based on management's judgment on the probability and timing of when the milestones will be completed. For equity contingent consideration, shares were discounted to present value using the put-option pricing models. These amounts will be evaluated every reporting period until completion.

On March 20, 2019, the Company completed the earn-out provision regarding the production of specified amount of cannabinoids using the APP technology and settled contingent consideration payable by paying the seller of SSM Partners \$4,975,000. During the year ended February 28, 2021, the Company recognized changes in fair value of contingent consideration of nil (February 29, 2020 - \$5,198) and a loss on settlement of contingent consideration of nil (February 29, 2020 - \$296,965).

On September 10, 2019, the Company completed the remaining earn-out by obtaining analytical results of cannabinoids in water soluble and oil preparations from APP technology that met regulatory requirement for commercial sale of products in a specified jurisdiction. As a result, the Company issued 36,857,675 common shares to the seller of IBS Canada and SSM Partners as required under the terms of the earn-out provision.

For accounting purposes, the acquisitions of IBS Canada and SSM Partners are accounted for as one aggregate transaction. IBS Canada has the licensing rights for the exclusive use of certain technology within specified jurisdictions for the development, use, ability to make, sell, offer for sale, import and export water soluble and oil based products from cannabis and hemp plants, while SSM Partners will provide the analytics to support the technology. As at February 28, 2021, the technology is currently under development. Once completed, the license is considered as an indefinite life intangible asset. The transaction was determined as an asset acquisition through early adoption of the optional fair value concentration test under IFRS 3 (Note 3(j)) in which management determined that substantially all of the fair value of the gross assets acquired was attributed to the technology license and analytics.

The aggregated consideration of \$46,012,157 was allocated to intangible assets:

Consideration	\$
Cash	500,060
Outstanding cash consideration - Due to related party ⁽¹⁾	4,479,759
Assumption of accounts payable	1,520
Common shares issued (36,857,676 shares)	19,112,328
Deferred contingent cash consideration ⁽²⁾	4,618,483
Contingent equity consideration	17,300,007
Value assigned to technology license in process	46,012,157

⁽¹⁾ Outstanding cash consideration of \$4,525,000 was re-measured at fair value using effective interest rate of 2.03%.

⁽²⁾ Contingent cash consideration of \$4,975,000 was re-measured at fair value using effective interest rate of 2.03%.

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5. Acquisition of IBS Canada and SSM Partners (continued)

As part of the transaction, the Company acquired net liabilities of \$1,520.

The changes in the carrying value of contingent considerations are as follows:

	Deferred contingent cash consideration
	\$
As at February 28, 2019	4,672,837
Changes in fair value of contingent consideration	5,198
Settlement of contingent consideration	(4,678,035)
As at February 29, 2020	-
As at February 28, 2021	-

6. Accounts receivable

	February 28, 2021	February 29, 2020
	\$	\$
Trade receivables	48,356	283
GST and HST receivable	40,867	147,358
Other receivable	5,641	110,570
	94,864	258,211

7. Biological assets

The Company's biological assets consist of cannabis plants. The changes in the carrying value of biological assets are as follows:

	\$
Balance at February 29, 2020	10,401
Production costs prior to harvest capitalized	31,579
Biological assets disposed prior to harvest	(23,074)
Changes in fair value less cost to sell due to biological transformation	24,701
Transferred to inventory upon harvest	(43,607)
Balance at February 29, 2021	-

The following inputs and assumptions are all categorized within Level 3 on the fair value hierarchy and were used in determining the fair value of biological assets:

Inputs and assumptions	Calculation method	Inter-relationship between unobservable inputs and fair value – the estimated fair value would increase (decrease) if:
Selling price per gram	Based on expected future selling price for all strains of cannabis sold by the Company.	The selling price per gram were higher (lower).
Attrition rate	Based on the average number of plants culled at each stage of production.	The attrition rate was lower (higher).
Average yield per plant	Based on the average number of grams of dried cannabis/trim inventory expected to be harvested from each cannabis plant.	The average yield per plant was higher (lower).
Cost per gram to complete production	Based on actual production costs incurred divided by the grams expected to be produced.	The costs per gram to complete production were lower (higher).
Cumulative stage of completion in the production process	Based on the number of days in production over a total approximate grow cycle.	The number of days in production was higher (lower).

As of February 28, 2021, the Company had fully harvested all of its biological assets.

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8. Inventories

The following is a breakdown of inventory as at February 28, 2021:

	February 28, 2021	February 29, 2020
	\$	\$
Dry cannabis	458,845	416,125
Supplies and consumables	9,199	59,540
	468,044	475,665

For the year ended February 28, 2021, the Company capitalized \$265,673 of production costs (February 29, 2020 – \$615,386) related to post-harvest activities and held 300,251 grams of dry cannabis (February 29, 2020 – 502,770 grams of dry cannabis and 175,498 grams of trim).

During the year ended February 28, 2021, the Company recognized cost of goods sold of \$600,110 (February 29, 2020 – \$790,676) and income related to changes in fair value of inventory sold of \$199,547 (February 29, 2020 – expense of \$411,313). In addition, the Company recognized an impairment of \$255,705 (February 29, 2020 – \$2,086,985) on specific harvests due to net book value exceeding its net realizable value as well as disposal of trim.

9. Impairment

The Company performs tests for impairment of its goodwill and indefinite life intangible assets on an annual basis, as set out in its accounting policy described in Note 3 or along with property, plant and equipment when there are indicators of impairment. As a result of an impairment assessment at February 28, 2021, a lower recoverable amount in comparison to the applicable carrying values was calculated for intangible assets and property, plant and equipment. The recoverable amount of these assets were assessed using fair value less cost of disposal, determined based on appraisal of the Company's non-financial assets considering market comparisons for other similar entities. As at February 28, 2021, the carrying amount of these assets were determined to be higher than its recoverable amount of \$3,225,524 (February 29, 2020 – \$13,499,656) for which a non-cash impairment charge of \$11,743,875 (February 29, 2020 – \$50,351,000) was recognized.

The non-cash impairment charge to intangible assets were \$11,591,514 (February 29, 2020 – \$40,767,081). The non-cash impairment charge to property, plant and equipment was \$152,361 (February 29, 2020 – \$8,261,375). For the year ended February 29, 2020, recorded a charge of \$1,322,544 to the entire balance of goodwill.

10. Property, plant and equipment

	Land	Building & Improvements	Computer Software & Equipment	Furniture & Fixtures	Production & Other Equipment	Total
Costs	\$	\$	\$	\$	\$	\$
Balance, February 28, 2019	1,098,550	10,073,144	86,043	2,021	441,783	11,701,541
Additions	-	156,241	1,380	-	394,445	552,066
Balance, February 29, 2020	1,098,550	10,229,385	87,423	2,021	836,228	12,253,607
Additions	-	4,100	-	-	3,003	7,103
Disposal	-	-	-	(2,021)	(35,458)	(37,479)
Balance, February 28, 2021	1,098,550	10,233,485	87,423	-	803,773	12,223,231

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10. Property, plant and equipment (continued)

	Land	Building & Improvements	Computer Software & Equipment	Furniture & Fixtures	Production & Other Equipment	Total
	\$	\$	\$	\$	\$	\$
Accumulated Depreciation and impairment						
Balance, February 29, 2020	-	138,617	13,853	1,347	20,834	174,651
Depreciation	-	264,580	28,950	674	68,372	362,576
Impairment	-	7,645,425	34,717	-	581,233	8,261,375
Balance, February 29, 2020	-	8,048,622	77,520	2,021	670,439	8,798,602
Depreciation	-	57,891	5,996	-	15,230	79,117
Disposal	-	-	-	(2,021)	(30,350)	(32,371)
Impairment	-	-	3,907	-	148,454	152,361
Balance, February 28, 2021	-	8,106,513	87,423	-	803,773	8,997,709
Net Book Value						
February 29, 2020	1,098,550	2,180,763	9,903	-	165,789	3,455,005
February 29, 2021	1,098,550	2,126,972	-	-	-	3,225,522

The Company completed construction of a 16,600 square foot production facility at THR located at Scarborough, Ontario on September 12, 2018. Costs related to the construction of this facility were initially capitalized as construction in progress and subsequently allocated to building and equipment. Borrowing costs from loans to fund the construction of the facility are also capitalized and allocated to building upon completion. Depreciation commenced when construction had been completed and the facility was available for use.

Depreciation related to building and improvements, and production equipment was capitalized as part of production costs within biological assets and dry cannabis inventory. During the year ended February 28, 2021, \$5,956 (February 29, 2020 - \$135,666) of depreciation was capitalized.

During the year ended February 28, 2021, the Company disposed equipment with a net book value of \$5,108 for proceeds of \$26,000 and recognized a gain on disposal of assets of \$20,892.

During the year ended February 28, 2021, the Company recognized non-cash impairment charges to its single CGU as described in Note 9. As a result, the Company recognized impairment of \$152,361 (February 29, 2020 - \$8,261,375) based on the carrying value being the higher of fair value less costs of disposal or nil on each class of property, plant and equipment.

11. Intangible assets and goodwill

	ACMR License	Technology License in Process	Goodwill	Total
	\$	\$	\$	\$
Costs				
Balance, February 28, 2019	6,631,931	46,012,157	1,322,544	53,996,632
Additions	-	-	-	-
Balance, February 29, 2020	6,631,931	46,012,157	1,322,544	53,996,632
Additions	-	-	-	-
Balance, February 28, 2021	6,631,931	46,012,157	1,322,544	53,996,632
Accumulated amortization and impairment				
Balance, February 28, 2019	82,899	-	-	82,899
Amortization	165,798	-	-	165,798
Impairment	4,966,578	35,800,503	1,322,544	42,089,625
Balance, February 29, 2020	5,215,275	35,800,503	1,322,544	42,338,322
Amortization	36,796	-	-	36,796
Impairment	1,379,860	10,211,654	-	11,591,514
Balance, February 28, 2021	6,631,931	46,012,157	1,322,544	53,966,632
Net book value, February 29, 2020	1,416,656	10,211,654	-	11,628,310
Net book value, February 28, 2021	-	-	-	-

During the year ended February 28, 2021, the Company recognized non-cash impairment charges to its single CGU as described in Note 9. As a result, the Company recognized impairment of \$11,591,514 (February 29, 2020 - \$40,767,081) related to intangible assets and nil (February 29, 2020 - 1,322,544) related to goodwill.

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12. Net investment in the lease

On July 1, 2020, the Company acted as an intermediate lessor and entered in a sublease agreement for one of its facilities. As the intermediate lessor, the Company accounted the head lease and the sublease as two separate contracts. Sproutly Canada has accounted for the sublease as a finance lease in which amounts due are recognized as net investment in the lease on the consolidated statement of financial position. Net investment in the lease is the gross investment in the lease discounted using the incremental borrowing rate of 14% used to record the lease liability associated with the head lease (Note 13(c)). The gross investment in the lease is the sum of lease payments receivable by the Company under the finance lease and any unguaranteed residual value accruing to the Company. Finance lease income is allocated to reporting periods so as to reflect a constant periodic rate of return to the Company's net investment outstanding in respect of the sublease. For the year ended February 28, 2021, the Company recognized finance lease income of \$8,110 (February 29, 2020 – nil).

Upon recognizing the net investment in the lease, the Company derecognized the right-of-use asset associated with the sublease with the difference recorded as a gain on sublease of \$9,525.

Information about the net investment in the lease for which the Company is an intermediate lessor is presented below.

(a) Net investment in the lease

	\$
Balance, February 29, 2020	-
Addition	90,237
Finance lease income	8,110
Payment received	(18,875)
Balance, February 28, 2021	79,472
Balance, February 28, 2021 – Current Portion	25,298
Balance, February 28, 2021 – Non-Current Portion	54,174

(b) Maturity analysis of lease payments receivable

The following represents a maturity analysis of the Company's undiscounted lease payments receivable and potential exposures as at February 28, 2021.

Contractual obligations	Less than one year	One to five years	Total
	\$	\$	\$
Lease payments receivable	29,918	69,613	99,531

13. Leases

Information about leases for which the Company is a lessee is presented below.

(a) Right-of-use assets

The Company's leasing activities include the lease of office and production premises.

	\$
Balance, February 28, 2019	-
Additions	660,467
Disposal	(557,896)
Balance, February 29, 2020	102,571
Disposal	102,571
Balance, February 28, 2021	-

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13. Leases (continued)

(a) Right-of-use assets

Accumulated Depreciation	\$
Balance, February 28, 2019	-
Depreciation	168,799
Termination of lease	404,231
Disposal	(557,896)
Balance, February 29, 2020	15,134
Depreciation	6,726
Disposal	(21,860)
Balance, February 28, 2021	-
Net Book Value	
February 29, 2020	87,437
February 28, 2021	-

(b) Lease obligations

	\$
Balance, February 28, 2019	-
Additions	534,121
Interest on lease liabilities	58,878
Principal payment on lease liabilities	(155,488)
Termination of lease	(340,114)
Balance, February 29, 2020	97,397
Interest on lease liabilities	12,951
Principal payment on lease liabilities	(29,307)
Balance, February 28, 2021	81,041
Current portion of lease liabilities	
	20,045
Non-current portion of lease liabilities	
	60,996

(c) Maturity analysis of lease obligations

The following represents a maturity analysis of the Company's undiscounted contractual lease obligations and potential exposures as at February 28, 2021.

Contractual obligations	Less than one year	One to five years	Total
	\$	\$	\$
Lease obligations recognized	29,918	72,231	102,149
Short-term leases not recognized ⁽¹⁾	10,000	-	10,000
	39,918	72,231	112,149

⁽¹⁾ The Company has applied the recognition exemption to short-term leases, which are therefore not recognized in the consolidated statements of financial position.

(d) Supplemental disclosure

The Company used an incremental borrowing rate of 14% to determine the present value of minimum lease payments. For the year ended February 28, 2021, the Company recognized \$12,950 of interest expense (February 29, 2020 - \$58,896) on lease obligations and \$29,386 (February 29, 2020 - \$214,703) of lease payments recognized in the consolidated statements of loss and comprehensive loss. For the year ended February 29, 2021, the total cash outflow relating to leases amount to \$73,718 (February 29, 2020 - \$414,134).

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14. Accounts payable and accrued liabilities

	February 28, 2021	February 29, 2020
	\$	\$
Interest payable	379,573	244,522
Trade payables	1,852,350	1,067,158
Other payables	417,842	367,597
	2,649,765	1,679,277

15. Loans and borrowings

As at February 29, 2021, the Company held the following loans and borrowings:

		February 28, 2021	February 29, 2020
		\$	\$
Current			
Borrowings	(a)	-	150,000
Related party loan	(b)	829,283	-
Non-interest bearing loan with BNO Holdings Ltd.	(c)	150,000	-
Non-interest bearing loan with 1023409 B.C. Ltd.	(f)	45,448	45,448
Mortgage payable with 0982244 B.C. Ltd.	(g)	1,634,109	1,338,476
Interest bearing loan with 0982244 B.C. Ltd.	(g)	1,403,759	1,157,165
		4,062,599	2,691,089
Long-term			
Line of credit	(d)	48,206	-
		4,110,805	2,691,089

The changes in the carrying value of loans and borrowings are as follows:

	(a) \$	(b) \$	(c) \$	(d) \$	(e) \$	(f) \$	(g) \$	(h) \$	Total \$
February 28, 2019	150,000	-	-	-	-	45,448	1,989,439	3,125,000	5,309,887
Accretions	-	-	-	-	-	-	506,202	-	506,202
Repayment	-	-	-	-	-	-	-	(3,125,000)	(3,125,000)
February 29, 2020	150,000	-	-	-	-	-	2,495,641	-	2,691,089
Issued	-	855,000	150,000	120,000	105,000	-	-	-	1,230,000
Modification of loan	-	(136,958)	-	(76,885)	-	-	-	-	(213,843)
Accretions	-	111,241	-	5,091	-	-	542,227	-	658,559
Repayment	(150,000)	-	-	-	(105,000)	-	-	-	(255,000)
February 28, 2021	-	829,283	150,000	48,206	-	45,448	3,037,868	-	4,110,805

(a) Borrowings

On November 2, 2017, the Company entered into an unsecured term loan for the principal amount of \$150,000. The loan began to bear interest at a rate of 10% per annum effective on December 15, 2017 and will continue until full and final payment is received.

On May 7, 2020, the lender assigned the loan to another third party with no changes to the terms of the original loan agreement.

On August 24, 2020, the Company settled the outstanding loan of \$150,000 and interest of \$41,466 by issuing 1,800,000 Sproutly Canada common shares. The market price of the common shares on the date of settlement was \$0.07 per share and the Company recognized a gain on extinguishment of loan and interest of \$65,466.

During the year ended February 28, 2021, the Company incurred interest expense of \$7,397 (February 29, 2020 - \$14,512).

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15. Loans and borrowings (continued)

(b) Related party loan

The Company received unsecured, non-interest and on-demand related party loans from Infusion Biosciences Inc., a company owned by the current Chief Executive Officer. On August 24, 2020, these loans were consolidated when the Company entered into a secured loan agreement with Infusion Biosciences Inc. in which Sproutly Canada can borrow up to \$855,000. Interest for the entire \$855,000 will start accruing as at May 14, 2020 at 15% per annum, compounding monthly and maturing on October 24, 2020.

As the terms of interest and maturity of the loan were modified on August 24, 2020, amounts that have been withdrawn by the Company were re-measured at fair value using the discount rate of 21.0%, which is the observable market rate for similar financial instrument and recorded at amortized costs using the effective interest rate of 32.2%.

On October 22, 2020, an amendment to the secured loan agreement was entered between the Company and Infusion Biosciences Inc. in which the maturity date of the loan was extended from October 24, 2020 to April 24, 2021. The change was deemed to be a substantial modification of the financial liability and considered an extinguishment of the original liability. The new liability was measured at fair value using an effective interest rate of 20.2% on October 22, 2020, and a \$65,217 gain on extinguishment of loan was recorded.

As at February 28, 2021, the Company has fully withdrawn \$855,000 from the loan.

For the year ended February 28, 2021, the Company recognized a deferred gain of \$40,400 (February 29, 2020 – nil), interest expense of \$110,696 (February 29, 2020 – nil) and recorded accretion expense of \$111,241 (February 29, 2020 – nil).

(c) Non-interest bearing loan with BNO Holdings Ltd.

On February 10, 2021, the Company received a related party loan from BNO Holdings Ltd., a company owned by the current Chief Executive Officer for \$150,000. The loan is unsecured, bears no interest and is due on demand.

(d) Line of credit

The Company applied and obtained revolving lines of credit from the Government of Canada under the CEBA COVID-19 Economic Response Plan. The funding is granted in the form of an interest free revolving credit line of which up to \$60,000 may be drawn per eligible entity. On December 1, 2021, the outstanding balance on the revolving line of credit line will be automatically convert to a non-revolving term loan. Effective January 1, 2023, any outstanding balance on the term loan shall bear interest at a rate of 5% per annum. The term loan matures on December 31, 2025. If 75% of the outstanding balance of the non-revolving term loan is repaid on or before December 31, 2022, the remaining 33% of the balance shall be forgiven.

The \$120,000 of original loans were determined to be below fair market value, an estimate was completed to determine a third party interest rate of 21.0%. The loan was initially present valued and subsequently recorded at amortized cost using the effective interest rate of 21.4%.

During the year ended February 28, 2021, the Company recorded accretion expense of \$5,091 (February 29, 2020 - nil).

(e) On-demand loan

The Company received an unsecured and interest-free loan of \$105,000 from a third party that is due on demand.

On August 24, 2020, the loan was settled as a non-brokered private placement for 1,500,000 units of the Company (the "Private Equity Units"), at a price of \$0.07 per unit. Each Private Equity Unit consist of one Common Share and one Common Share purchase warrant, with each warrant entitling the investor to acquire one Common Share at an exercise price of \$0.08 for a period of two years from the date of issuance. As the trading share price on the day of the private placement was equivalent to the Private Equity Unit price, the Company assigned all proceeds to share capital.

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15. Loans and borrowings (continued)

- (f) Non-interest bearing loan with 1023409 B.C. Ltd.

On July 18, 2017, the Company received an unsecured, interest-free, non-convertible loan of \$49,000 from 1023409 B.C. Ltd., a company owned by a previous director of the Company. \$3,552 was repaid and the remaining balance is due on demand.

- (g) Mortgage payable and interest bearing loan with 0982244 B.C. Ltd.

On June 24, 2015, THR entered into a secured loan of \$3,250,000 with 0982244 B.C. Ltd. (a former shareholder of THR). The loan is secured by the property at 64-70 Raleigh Avenue, Scarborough, Ontario, Canada, M1K 1A3. The loan has a fixed interest rate of 8.5% per annum compounded semi-annually with share purchase and loan conversion options. The loan was originally repayable on June 24, 2018. On February 28, 2018, \$1,500,000 of the outstanding loan balance was converted to a separate interest bearing loan of 8.5% per annum compounded semi-annually due on February 28, 2023. On the same date, the lender exercised its rights to purchase 2,399,918 of THR's common shares under a separate agreement.

The original portion of the loan was re-measured at fair value using the effective interest rate method at an effective interest rate of 19.6% on February 28, 2018 when THR was acquired by the Company.

On August 7, 2018, THR and the lender amended the \$1,750,000 portion of the original loan agreement by extending the maturity date from June 24, 2018 to June 24, 2021 and changed the interest rate to 10.0% per annum. Changes in terms were deemed to be significant modifications of the financial liability and considered an extinguishment of the original liability. The new liability was measured at fair value using an effective interest rate of 32.12% on June 24, 2018 and a \$740,308 gain on substantial modification of the loan was recorded for the year ended February 28, 2019.

During the year ended February 28, 2021, the Company incurred interest expense of \$175,000 (February 29, 2020 - \$175,480), and recorded accretion expense of \$295,634 (February 29, 2020 - \$307,409).

The \$1,500,000 portion of the original loan was determined to be below fair market value, an estimate was completed to determine a third party interest rate of 21.10%. The loan was initially present valued and subsequently recorded at amortized cost using the effective interest rate.

On August 7, 2018, THR and the lender amended the loan agreement by reducing the maturity date from February 28, 2023 to June 24, 2021 and changed the interest rate to 10.0% per annum. Changes in terms were deemed to not represent a substantial modification of the original financial liability. A gain on modification of \$26,620 was recognized based on the amendment of the loan.

During the year ended February 28, 2021, the Company incurred interest expense of \$150,000 (February 29, 2020 - \$150,411) and recorded accretion expense of \$246,593 (February 29, 2020 - \$198,793).

- (h) Interest bearing loan with 2546308 Ontario Inc.

On November 22, 2016, THR entered into a secured, fixed interest rate of 8% per annum loan for the principal amount of \$3,500,000 with 2546308 Ontario Inc., an unrelated third party in which THR drew \$3,125,000. The loan is secured by a mortgage with priority of repayment with a convertible feature to convert \$131,362 of the loan equivalent to 23.4% of issued and outstanding common shares in THR. The conversion option expired on April 30, 2017 and the interest rate increased to simple 12% per annum and is due on demand.

On June 11, 2019, 2546308 Ontario Inc. forgave \$261,901 of interest payable from THR and assigned the outstanding loan balance of \$3,125,000 and \$412,455 of interest payable to Sproutly Canada Inc., which was then settled for 4,716,606 Sproutly Canada common shares. The market price of the common shares on the date of settlement was \$0.73 per share and the Company recognized a gain on extinguishment of loan of \$94,333.

During the year ended February 28, 2021, the Company incurred interest expense of \$nil (February 29, 2020 - \$105,822).

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16. Convertible loans payable

	(i) \$	(ii) \$	Total \$
Balance, February 28, 2019	7,168,254	-	7,168,254
Issued	-	819,287	819,287
Accretion	1,577,827	23,672	1,601,499
Conversion	(1,743,699)	-	(1,743,699)
Balance, February 29, 2020	7,002,382	842,959	7,845,341
Modification of loan	(445,368)	(81,238)	(526,606)
Accretion	1,086,365	212,802	1,299,167
Conversion	(5,699,947)	-	(5,699,947)
Balance, February 28, 2021	1,943,432	974,523	2,917,955

- (i) On October 24, 2018, the Company completed a Special Warrants Bought Deal Financing for gross proceeds of \$20,760,000 with \$10,750,000 of gross proceeds were derived from issuance of 10,750 CD Special Warrant units at a price of \$1,000 per unit or \$9,636,351 after deduction of transaction costs. The convertible debentures bear interest at a rate of 8.0% per annum for the date of the offering, payable semi-annually and matures on October 24, 2020. The holder has the option to convert the debentures into common shares at a conversion price of \$0.75 at any time prior to maturity. The convertible debentures can be redeemed, in whole or in part, by the Company at any time following the date that is 12 months from the date of issuance at a price equal to the outstanding principal amount plus all accrued and unpaid interest up to the redemption date.

The loan's embedded conversion feature was determined to meet the definition of a compound financial instrument required to assign a fair value to the debt with any residual amount recorded as equity. As a result, \$6,581,757 was recognized as the liability portion for the convertible loan. The borrowing amount represents the debt element of the loan, without the conversion option, recorded at its amortized cost using the effective interest rate of 34.19%. During the year ended February 29, 2020, \$2,500,000 of convertible debentures were converted to 3,333,332 common shares at a conversion price of \$0.75 with a combined carrying value of \$1,743,699.

On April 24, 2020, the Company and the debenture holders approved a new conversion price of \$0.105 per share.

On September 23, 2020, the Company and the debenture holders entered into a third supplemental indenture approving a new conversion price of \$0.05 per share and extended the maturity date of the loan from October 24, 2020 to April 24, 2021. The change was deemed to be a substantial modification of the financial liability and considered an extinguishment of the original liability. The new liability was measured at fair value using an effective interest rate of 19.05% on September 23, 2020, and a \$445,368 gain on extinguishment of loan was recorded.

For year ended February 28, 2021, \$6,250,000 of convertible debentures were converted to 82,659,519 common shares of the Company with a combined carrying value of \$5,699,947. The Company incurred interest expense of \$413,346 (February 29, 2020 - \$701,995) and accretion expense of \$1,086,365 (February 29, 2020 - 1,577,827).

During the year ended February 28, 2021, the Company settled outstanding interest payable of \$488,896 by issuing 9,009,186 common shares with settlement prices ranging from \$0.05 to \$0.06 per share. As certain interest settlements occurred when the market share price was either higher or lower than the settlement price, the Company recognized a loss on extinguishment of interest of \$59,433.

- (ii) On January 28, 2020, the Company completed a loan for gross proceeds of \$1,000,000 (Note 4).

The loan's embedded conversion feature was determined to meet the definition of a compound financial instrument and required to assign a fair value to the debt and equity portion of the conversion feature separately. As a result, \$819,287 was recognized as the liability portion for the convertible loan. The borrowing amount represents the debt element of the loan, without the conversion option, recorded at its amortized cost using the effective interest rate of 26.45%.

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16. Convertible loans payable (continued)

On August 27, 2020, an amendment was entered between the Company and Infusion Biosciences Inc. in which the interest rate was increased to 15% and conversion price was decreased to \$0.07 per Unit. The changes were deemed not to represent a substantial modification of the original financial liability.

On October 22, 2020, a second amendment was entered between the Company and Infusion Biosciences Inc. in which the maturity date of the loan was extended from October 24, 2020 to April 24, 2021. The change was deemed to be a substantial modification of the financial liability and considered an extinguishment of the original liability. The new liability was measured at fair value using an effective interest rate of 17.00% on October 22, 2020, and a \$81,238 gain on extinguishment of loan was recorded.

During the year ended February 28, 2021, the Company recognized a loss on convertible bridge loan financing of \$491,429 (February 29, 2020 – \$80,528).

For the period ended February 28, 2021, the Company incurred interest expense of \$134,963 (February 29, 2020 – 11,134) and recorded accretion expense of \$212,802 (February 29, 2020 – \$23,672).

17. Share Capital

(a) Authorized

Unlimited number of common shares without par value

(b) Escrow Shares

Pursuant to an escrow agreement dated July 6, 2018, 36,255,898 common shares of the Company were deposited into escrow with respect to the reverse acquisition. Under the escrow agreement, 10% of the escrowed common shares were released on November 6, 2018 and 15% will be subsequently released every 6 months thereafter over a period of 36 months. As of February 28, 2021, 5,385,885 shares were held in escrow.

(c) Issued and outstanding

Transactions for year ended February 28, 2021

On August 24, 2020, the Company settled the outstanding loan of \$150,000 and interest of \$41,466 by issuing 1,800,000 Sproutly Canada common shares (Note 15(a)).

On August 24, 2020, the Company issued 1,500,000 shares as part of a \$105,000 non-brokered private placement (Note 15(e)).

On September 14, 2020, the Company issued 2,604,867 shares to settle \$182,341 of payroll indebtedness owed to certain current and former employees for past services.

On October 1, 2020, the Company issued 1,386,000 shares at \$0.05 per share to settle \$69,300 of accounts payable to an arm-lengths creditor for past services rendered.

During the year ended February 28, 2021, \$6,250,000 of convertible debentures and \$488,896 of interest payables were converted to 82,659,519 and 9,009,186 common shares of the Company respectively (Note 16(i)).

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17. Share Capital (continued)

(c) Issued and outstanding (continued)

Transactions for year ended February 29, 2020

During the period ended February 29, 2020, \$2,500,000 of convertible debentures were converted to 3,333,332 common shares of the Company (Note 16(i)).

During the year ended February 29, 2020, 400,500 options were exercised for gross proceeds of \$137,005. Non-cash compensation of \$112,419 was reclassified from reserves to share capital on exercise of these options (Note 18).

During the year ended February 29, 2020, 2,233,719 warrants were exercised for gross proceeds of \$1,584,918. Non-cash compensation of \$94,946 was reclassified from reserves to share capital on the exercise of these warrants.

During the year ended February 29, 2020, 20,247 of Broker Equity Warrants issued as part of the special warrants bought deal financing were exercised for gross proceeds of \$13,161. Non-cash compensation of \$5,401 was reclassified from reserves to share capital on the exercise of these warrants.

On June 11, 2019, the Company issued 4,716,606 common shares to 2546308 Ontario Inc. to settle \$3,125,000 of outstanding loan and \$412,455 of interest (Note 15(h)).

On September 19, 2019, the Company issued 36,857,675 common shares to sellers of IBS Canada and SSM Partners upon the completion of the equity earn-out provision (Note 5).

On January 17, 2020, 52,394 common shares were issued at a fair value of \$9,692 for professional services.

As at February 28, 2021, there were 326,910,820 (February 29, 2020 – 227,951,248) issued and fully paid common shares.

(d) Share purchase warrants

Each whole warrant entitles the holder to purchase one common share of the Company. A summary of the status of warrants outstanding follows:

	Warrants	Weighted Average
	#	Exercise Price
		\$
Balance, February 29, 2020	14,076,138	\$0.87
Issued	1,500,000	\$0.08
Expired	(14,076,138)	\$0.87
Balance, February 28, 2021	1,500,000	\$0.08

	Warrants	Weighted Average
	#	Exercise Price
		\$
Balance, February 28, 2019	24,613,232	\$0.79
Issued	10,124	\$0.90
Exercised	(2,233,719)	\$0.71
Expired	(8,313,499)	\$0.67
Balance, February 29, 2020	14,076,138	\$0.87

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17. Share Capital (continued)

(d) Share purchase warrants

The following table summarizes the warrants that remain outstanding as at February 28, 2021:

Exercise Price (\$)	Warrants Outstanding (#)	Weighted Average Remaining Contractual Life (years)	Expiry Date
0.08	1,500,000	1.73	August 24, 2022

The following table summarizes the warrants that remain outstanding as at February 29, 2020:

Exercise Price (\$)	Warrants Outstanding (#)	Weighted Average Remaining Contractual Life (years)	Expiry Date
0.17	401,815	0.08	March 28, 2020
0.17	190,001	0.12	April 10, 2020
0.90	13,484,322	0.65	October 24, 2020
0.87	14,076,138	0.63	

The fair value of warrants issued during the period was determined using the following weighted average assumptions at the time of grant using the Black-Scholes option pricing model:

	2020	2019
Share price at date of issuance (per share)	\$0.07	\$0.66
Volatility	100%	71.19%
Expected life	2 years	2 years
Risk-free rate	0.29%	2.30%

Volatility was estimated by using the historical volatility of the Company's common shares. The expected life in years represents the period of time that warrants issued are expected to be outstanding. The risk-free rate is based on Canada government bonds with a remaining term equal to the expected life of the options.

(e) Equity Special Warrant Units

As part of the Special Warrants Bought Deal Financing (Note 16(i)), each Equity Special Warrant Units when exercised entitles the holder of one-half common share purchase warrants with an exercise price of \$0.90 per share, expiring on October 24, 2020. The Company has recognized value of nil in warrant reserves related to the share purchase warrants. On December 27, 2018, 15,400,000 of Equity Special Warrant Units were exercised and 7,700,000 of share purchase warrants were issued. For the year ended February 28, 2021, nil (February 29, 2020 – 1,396,052) warrants were exercised. As at February 2021, 2021, the remaining 6,303,948 share purchase warrants have expired.

For the issuance of Equity Special Warrant Units, the Company has granted brokers 1,078,000 Broker Equity Special Warrants. Each Broker Equity Warrants entitles the holder to purchase a Broker Equity Unit at an exercise price of \$0.65 per unit, expiring on October 24, 2020. Each Broker Equity Unit when exercised, converts to one common share and one-half of one common share purchase warrant with an exercise price of \$0.90 per share, expiring on October 24, 2020. The Company has recognized \$108,930 in warrant reserves related to the share purchase warrants. During the year ended February 28, 2021, there were no Broker Equity Units exercised (February 29, 2020 – 20,247) and the remaining 1,057,753 units have expired. For the year ended February 29, 2020, the Company issued 20,247 common shares and 10,124 common share purchase warrants.

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17. Share Capital (continued)

(f) Convertible bridge loan units

As part of the Convertible Bridge Loan Financing (Note 4), the principal of the loan can be converted to Units of the Company at an exercise price of \$0.07 per Unit. Each unit will consist of one common share in the capital of the Company (a "Common Share") and one Common Share purchase warrant (a "Warrant"), with each Warrant entitling the lender to acquire one Common Share at an exercise price equal to \$0.20 for a period of two years from date of issuance. During the year ended February 28, 2021, nil Units were exercised (February 29, 2020 – nil).

(g) Private Placement

As part of the non-brokered private placement (Note 15(e)), the Company issued 1,500,000 warrants as part of the 1,500,000 Private Equity Units. Each warrant has an exercise price of \$0.08 per share, expiring on August 24, 2022. The Company recognized value of nil in warrant reserves related to the share purchase warrants. During the year ended February 28, 2021, nil warrants were exercised (February 29, 2020 – nil).

18. Share-based compensation

The Company grants incentive stock options as permitted pursuant to the Company's Stock Option Plan (the "Plan") approved by the shareholders which complies with the rules and policies of the Canadian Securities Exchange. Under the Plan, the aggregate number of common shares which may be subject to option at any time may not exceed 10% of the issued common shares of the Company as of that date including options granted prior to the adoption of the Plan. Options granted may not exceed a term of 10 years, and the term will be reduced to one year following the date of death of the Optionee. If the Optionee ceases to be qualified to receive options from the Company those options shall immediately expire. All options vest when granted unless otherwise specified by the Board of Directors. Options granted to persons providing investor relations activities to the Company must vest in stages over at least one-year period and no more than one-quarter of such options may be vested in any three month period.

	Stock Options #	Weighted Average Exercise Price \$
Balance, February 29, 2020	15,589,807	\$0.34
Granted	8,270,000	\$0.09
Expired	(150,000)	\$0.20
Forfeited	(5,739,703)	\$0.45
Balance, February 28, 2021	17,970,104	\$0.19

During the year ended February 28, 2021, the Company granted 8,270,000 stock options (February 29, 2020 – 125,000) with a fair value of \$417,364 (February 29, 2020 - \$45,878). Of the 8,270,000 stock options granted, 900,000 were granted to employees and vested immediately and 2,250,000 were granted to employees with a vesting period of one-half every three months. The remaining 5,120,000 stock options were granted to employees with a vesting period of one-sixth every six months. The weighted average exercise price of grants during the period was \$0.09.

For the year ended February 28, 2021, 5,739,703 of stock options were forfeited due to termination of employees and contractors as well as voluntary forfeiture by the current CEO as part of the Company's restructuring initiatives.

During the year ended February 28, 2021, nil stock options (February 29, 2020 – 400,500) were exercised for proceeds of nil (February 29, 2020 - \$137,005). The weighted average share price at the dates the options were exercised during the period ended February 29, 2020 was \$0.84 per share.

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18. Share-based compensation (continued)

	Stock Options #	Weighted Average Exercise Price \$
Balance, February 28, 2019	15,915,307	\$0.34
Granted	125,000	\$0.58
Exercised	(400,500)	\$0.34
Cancelled	(50,000)	\$0.62
Balance, February 29, 2020	15,589,807	\$0.34

The following table summarizes the stock options that remain outstanding as at February 28, 2021:

Exercise Price (\$)	Options Outstanding (#)	Expiry Date	Options Exercisable (#)
0.01	1,014,687	March 25, 2027	1,014,687
0.01	1,927,906	March 25, 2027	1,927,906
0.01	50,965	April 18, 2027	50,965
0.25	3,906,546	March 25, 2027	3,581,000
0.25	1,300,000	July 6, 2028	1,133,335
0.60	275,000	July 6, 2028	229,170
0.67	800,000	August 1, 2028	666,666
0.62	265,000	November 6, 2028	176,664
0.44	525,000	December 11, 2023	349,998
0.60	375,000	December 11, 2023	250,000
0.41	30,000	March 6, 2024	30,000
0.27	30,000	November 5, 2024	30,000
0.10	2,250,000	March 17, 2025	2,250,000
0.10	2,350,000	March 17, 2025	808,333
0.06	900,000	October 26, 2025	900,000
0.06	1,350,000	October 26, 2025	-
0.05	620,000	February 4, 2026	-
	17,970,104		13,398,724

The following table summarizes the stock options that remain outstanding as at February 29, 2020:

Exercise Price (\$)	Options Outstanding (#)	Expiry Date	Options Exercisable (#)
0.02	150,000	May 5, 2020	150,000
0.01	1,014,687	March 25, 2027	1,014,687
0.01	1,927,906	March 25, 2027	980,864
0.01	50,965	April 18, 2027	17,143
0.25	4,058,749	March 25, 2027	2,029,375
0.25	2,500,000	July 6, 2028	125,001
0.60	375,000	July 6, 2028	300,003
0.67	2,800,000	August 1, 2028	1,399,998
0.62	737,500	November 6, 2028	245,830
0.44	1,475,000	December 11, 2023	491,664
0.60	375,000	December 11, 2023	125,000
0.41	30,000	March 6, 2024	30,000
0.80	65,000	April 8, 2024	10,833
0.27	30,000	November 5, 2024	30,000
	15,589,807		8,075,398

The fair value of stock options granted during the period was determined using the following weighted average assumptions at the time of grant using the Black-Scholes option pricing model:

	2020	2019
Share price at grant date (per share)	\$0.05-0.10	\$0.41-\$0.80
Volatility	88.68% to 100.00%	97.10% to 100.00%
Expected life	2.5 to 3.5 years	3.0 to 3.5 years
Dividend yield	0%	0%
Risk-free rate	0.32% to 0.78%	1.43% to 1.49%

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18. Share-based compensation (continued)

Volatility was estimated by using the historical volatility of the Company's common shares. The expected life in years represents the period of time that options granted are expected to be outstanding. The risk-free rate is based on Canada government bonds with a remaining term equal to the expected life of the options.

19. Related party transactions and Balances

(a) Compensation of key management personnel

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of members of the Company's Board of Directors and corporate officers.

The remuneration of key management personnel during the year ended February 29, 2021 are as follows:

	February 28, 2021	February 29, 2020
	\$	\$
Management compensation ⁽ⁱ⁾⁽ⁱⁱ⁾	315,243	997,562
Share-based payments ⁽ⁱⁱⁱ⁾	511,343	1,124,055
	826,586	2,121,617

(i) Management compensation consisted of salaries for the Chief Executive Officer, President, Chief Financial Officer, Chief Operating Officer, Chief Science Officer and Chief Commercial Officer.

(ii) As of February 28, 2021, the Company owed \$279,415 to key management personnel and directors recorded in accounts payable and accrued liabilities.

(iii) Share-based payments are the fair value of options granted and vested to key management personnel and directors of the Company under the Company's stock option plan (Note 18).

(b) Related party loan

The Company entered into an \$855,000 secured loan agreement from Infusion Biosciences Inc., a company owned by the current Chief Executive Officer (Note 15(b)).

(c) Convertible bridge loan

On January 28, 2020, the Company secured a private loan with Infusion Biosciences Inc. for \$1,000,000 (Note 4).

(d) Non-interest bearing loan with BNO Holdings Ltd.

On February 10, 2021, the Company received a related party loan from BNO Holdings Ltd., a company owned by the current Chief Executive Officer for \$150,000. The loan is unsecured, bears no interest and is due on demand (Note 15(c)).

(e) Contingent consideration payable

The Company settled a contingent consideration payable to a related party on March 20, 2019 of \$4,975,000 as part of the acquisition of SSM Partners. For the year ended February 28, 2021, the Company recognized a change in fair value of contingent consideration of nil (February 29, 2020 -\$5,198) and a loss on settlement of contingent consideration of nil (February 29, 2020 -\$296,965).

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20. General and administration

	February 28, 2021	February 29, 2020
	\$	\$
Professional fees	325,367	1,416,131
Office and administration	652,702	1,665,535
Wages	661,639	2,214,636
Investor relations	57,147	964,025
	1,696,855	6,260,327

21. Finance and other costs

	February 28, 2021	February 29, 2020
	\$	\$
Accretion expense	1,957,725	2,107,701
Bank charges	4,296	25,719
Interest expense	995,925	1,216,960
	2,957,946	3,350,380

22. Financial instruments and risk management

(a) Fair values of financial instruments

Fair value measurements and disclosures use the following hierarchy definitions in determining its classifications:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 - Inputs other than quoted prices included with Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)

Level 3 - Inputs for the asset or liability that are not based on observable market data (that is unobservable inputs)

When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability. As at February 28, 2021, cash, trade receivables, accounts payable and accrued liabilities, on-demand loans approximate their fair value due to their short-term nature. The initial fair value of the Company's loans and borrowings as well as convertible loans payable have been measured using Level 3 valuation methods and are classified at amortized costs and accounted for using the effective interest rate method.

The carrying values of financial instruments as at February 28, 2021 are summarized in the following table:

	Amortized Costs	FVTPL	Total
Financial assets			
Cash	\$ 171,818	-	\$171,818
Accounts receivable	94,864	-	94,864
Financial liabilities			
Accounts payable and accrued liabilities	2,649,765	-	2,649,765
Loans and borrowings	4,110,805	-	4,110,805
Convertible loans payable	2,917,955	-	2,917,955

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22. Financial instruments and risk management

The carrying values of financial instruments at February 29, 2020 are summarized in the following table:

	Amortized Costs	FVTPL	Total
Financial assets			
Cash	\$ 32,287	-	\$32,287
Accounts receivable	258,211	-	258,211
Financial liabilities			
Accounts payable and accrued liabilities	1,679,277	-	1,679,277
Loans and borrowings	2,691,089	-	2,691,089
Convertible loans payable	7,845,341	-	7,845,341

(b) Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. Receivables are comprised of 43% GST and HST. The Company has assessed ECL in accordance to IFRS 9 and management determined ECL to be nominal due to the type of receivables held.

(c) Concentration risk

Excluding GST and HST receivables, the Company's accounts receivables are primarily due from six provincial government agencies representing 100% (February 29, 2020 – 26%) of total revenue year ended February 28, 2021.

(d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its holdings of cash and financing opportunities.

Since incorporation, the Company's primary source of funding has been through debt and equity. The Company's access to financing is always uncertain. As at February 28, 2021, the Company had current assets of \$918,264 to settle current liabilities of \$9,702,447.

The Company has the following undiscounted loan obligations as at February 28, 2021, which are expected to be payable in the following respective periods:

	\$
Less than 1 year	7,300,448
1 to 3 years	120,000
	<u>7,420,448</u>

Subsequent to the year ended February 28, 2021, the Company is closely monitoring its risks to its operations due to the outbreak of COVID-19. Factors that could impact production, prices or demand of its products that can materially impact cash the Company's cash flow from operations, which could result in a cash shortfall and/or default in financial obligations.

(e) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Currently the Company does not charge or is charged floating interest rates on its loans receivable, payables or other instruments.

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23. Capital management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of the components of equity.

The Company manages its capital structure and adjusts it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances. The Company is not subject to externally imposed capital requirements.

24. Income tax

The Company's tax charge, which relates fully to deferred taxes, differs from the amount obtained by applying the Canadian statutory tax rate due to the following:

	February 28, 2021	February 29, 2020
	\$	\$
Loss before taxes	(16,828,703)	(62,748,138)
Canadian provincial statutory tax rate	27.00%	27.00%
Expected income tax recovery	(4,543,750)	(16,941,997)
Non-deductible items	65,523	501,504
Impairment of intangible asset	2,757,146	13,595,463
Settlement of convertible debt	(116,010)	(201,952)
Settlement of borrowings	(1,694)	-
Change in tax rates	-	17,357
Other	(623)	45,936
Foreign tax rate difference	48,802	82,311
Change in estimates	(3,682,252)	(72,251)
Change in deferred tax asset not recognized	5,056,102	1,836,484
Total income tax recovery	(416,756)	(1,137,144)
Current tax recovery	-	-
Deferred tax recovery	(416,756)	(1,137,144)
	(416,756)	(1,137,144)

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax values. The deferred tax assets and liabilities as at February 28, 2021 and February 29, 2020 are comprised of the following:

	February 28, 2021	February 29, 2020
	\$	\$
Non-capital loss carryforwards	87,124	2,632,555
Intangible assets	-	(1,691,557)
Lease liability	-	23,608
Right-of-use assets	-	(23,608)
Biological assets	-	8,762
Property, plant and equipment	-	(430,563)
Convertible debt	-	(379,258)
Deferred loss on derivative	-	(132,686)
Loan payable	(65,666)	(424,009)
Net investment in the lease	(21,458)	-
Net deferred tax liability	-	(416,756)

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24. Income tax (continued)

The Company has not recognized a deferred tax asset in respect of the following deductible temporary differences:

	February 28, 2021	February 29, 2020
	\$	\$
Canada		
Property, plant and equipment	5,519,183	42,554
Loan receivables	984,461	984,461
Lease liability	81,041	9,958
Financing costs	1,041,564	1,484,219
Inventories	63,721	-
Convertible loans payable	(56,569)	-
Interest payable	255,971	-
Other	3,490	-
Non-capital losses	23,499,828	9,876,368
	31,392,690	12,397,560
<hr/>		
	February 28, 2021	February 29, 2020
	\$	\$
Barbados		
Tax losses	769,480	630,842
	769,480	630,842

The Company has not recognized a deferred tax asset in respect of tax loss carryforwards of approximately \$23,499,828 which may be carried forward to apply against future year income tax for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

	Sproutly Canada Inc.	Toronto Herbal Remedies Inc.	Sproutly Inc.	Total
	\$	\$	\$	\$
Expiry				
2041	706,567	1,418,439	966,889	3,091,895
2040	2,428,943	3,871,235	3,126,004	9,426,182
2039	1,750,135	2,364,973	1,599,324	5,714,432
2038	1,197,508	719,919	-	1,917,427
2037	1,173,167	727,483	-	1,900,650
2036	-	1,190,339	-	1,190,339
2035	-	258,903	-	258,903
	7,256,320	10,551,291	5,692,217	23,499,828

The Company has not recognized a deferred tax asset in respect of non-capital loss carryforwards of approximately \$769,480 which may be carried forward to apply against future year income tax for Barbados income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

	SSM Partners Inc.
	\$
Expiry	
2028	142,956
2027	385,184
2026	241,340
	769,480

25. Loss per share

	February 28, 2021	February 29, 2020
	\$	\$
Net loss	16,411,947	61,610,994
Weighted average number of common shares outstanding – basic and diluted	270,552,467	205,112,854
Basic and diluted loss per share	0.06	0.30

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26. Commitments

On January 1, 2021 the Company entered into a one year building lease agreement for monthly payments of \$1,000 expiring on December 31, 2021. Future lease payments of the remaining lease are \$10,000.

In accordance with the simplified transition approach and practical expedients applied, the Company elected not to recognize right-of-use assets and lease liabilities for short-term leases for this lease.

27. Subsequent events

On March 15, 2021, the Company announced it closed the first tranche of a financing of up to \$2 million. Under the first tranche of the private placement, the Company issued 11,050,000 units of the Company (the "Units") at a price of \$0.05 per Unit for gross proceeds of \$552,500, with each Unit consisting of one common share and one non-transferable common share purchase warrant. Each warrant entitles the holder to acquire an additional common share at an exercise price of \$0.07 for a period of two years from the date of issue. All securities issued in connection with the private placement are subject to a four month and a day transfer restriction from the date of issuance. The placement was completed for the purposes of supporting the Company's general working capital. Under the first tranche of the private placement, in consideration for their services, the Company paid finder's fees in the amount of \$24,863 through the issuance of 497,250 Units on the same terms as described above.

On April 15, 2021, the Company announced that it closed the second and final tranche of its financing. Under the final tranche of the private placement, the Company issued 15,916,037 units of the Company (the "Units") at a price of \$0.05 per Unit for gross proceeds of approximately \$795,802, with each Unit consisting of one common share and one non-transferable common share purchase warrant. Each warrant entitles the holder to acquire an additional common share at an exercise price of \$0.07 for a period of two years from the date of issue. All securities issued in connection with the private placement are subject to a four month and a day transfer restriction from the date of issuance. The placement was completed for the purposes of supporting the Company's general working capital. In connection with the private placement, in consideration for their services, the Company paid finder's fees in the amount of \$22,500 through the issuance of 450,000 Units on the same terms as described above. Under the private placement, Dr. Arup Sen, Chief Executive Officer and Director of the Company, purchased 3,000,000 Units through a company controlled by Dr. Sen. His participation is considered to be a "related party transaction" as defined under Multilateral Instrument 61-101 ("MI 61-101").

On April 20, 2021, the Company announced it executed the definitive agreement (the "Agreement") with CannaHive Inc. ("CannaHive"). This agreement finalizes the commercial arrangement with CannaHive to produce Cannabis 2.0 products at THR's licensed facility. The Agreement allows Sproutly to utilize CannaHive's proprietary manufacturing and packaging equipment and intellectual property to manufacture cannabis infused confectionaries, such as gummies and candies, along with their unique cannabis dissolvable powder, at the THR facility.

On April 22, 2021, the Company announced that it had entered into a fourth supplemental indenture dated April 22, 2021 (the "Fourth Supplemental Indenture") between the Company and TSX Trust Company, as trustee, which amends the terms of its convertible debenture indenture dated October 24, 2018 (the "Original Indenture"), as amended by the first supplemental indenture dated April 24, 2020 (the "First Supplemental Indenture") and as further amended by the second supplemental indenture dated July 23, 2020 (the "Second Supplemental Indenture") and as further amended by the third supplemental indenture dated September 23, 2020 (the "Third Supplemental Indenture", and together with the Original Indenture, the First Supplemental Indenture and the Second Supplemental Indenture, the "Indenture") providing for the issuance of 8.0% senior unsecured convertible debentures in the aggregate principal amount of \$10,750,000 (Note 16(i)). In connection with the execution of the Fourth Supplemental Indenture, the Company has extended the maturity date from April 24, 2021 to April 24, 2022.

On May 6, 2021, the Company granted 2,200,000 stock options with an exercise price of \$0.06 expiring on May 6, 2026. Out of the 2,200,000 granted, 300,000 will vest immediately on the date of grant, and 200,000 on the 1st of each month beginning on Jun 1, 2021. The remaining 500,000 stock options will vest in tranches of one-sixth every six months from the date of grant.

On May 7, 2021, the Company announced it had completed the formulation of its initial beverage products and filed with Health Canada its NNCP notification related to cannabis-infused beverages utilizing cannabis extracts produced by the APP Technology.

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27. Subsequent events (continued)

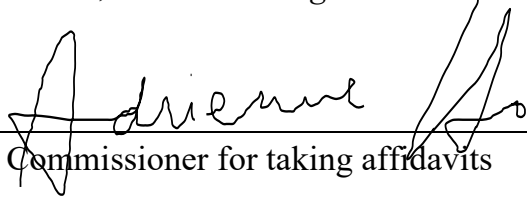
On May 10, 2021, the Company announced that it and Infusion Biosciences Inc. ("Infusion") have entered into agreements to extend the maturity dates of both the \$1,000,000 Convertible Bridge Loan Financing (Note 4) to the Company on January 28, 2020 and the \$855,000 Related Party Loan (Note 15(b)) on August 24, 2020, collectively the "Infusion Loans" from April 24, 2021 to April 24, 2022. The Convertible Bridge Loan Financing is evidenced by a secured convertible debenture in the principal amount of \$1,000,000 (the "January Debenture") which provides Infusion with the right to convert the principal and accrued interest on the January Infusion Loan into units of the Company (each, a "Unit") at a conversion price of \$0.07 per Unit. Each Unit is comprised of one common share of the Company and one common share purchase warrant of the Company, with each such warrant convertible into one common share of the Company at an exercise price equal to \$0.08 per share for a period of two years from the date of issue. In connection with the Related Party Loan, Sproutly has also issued a secured convertible debenture in the principal amount of \$855,000 (the "May Debenture"), which provides Infusion with the right to convert the principal and accrued interest on the August Infusion Loan into Units on the same terms as the January Debenture. The May Debenture and the securities issuable upon conversion of the May Debenture are subject to a minimum four-month hold period and restrictions on transfer under Canadian securities law.

On May 13, 2021, the Company announced it had executed a Definitive Agreement (the "Agreement") with Cannabis Manufacturer's Guild Ltd. ("CMG"). The Agreement allows Sproutly to utilize brands developed by CMG and its affiliates and expand its innovative product portfolio (the "Acquired Products") that will be produced and sold through THR. Sproutly will leverage CMG's expertise in branding, commercialization, and distribution of cannabis products for underserved categories in the Canadian market. The Agreement will allow Sproutly to sell the Acquired Products and also facilitate potential business-to-business sales of Sproutly's proprietary whole plant extracts to CMG's network of Guild members.

On June 3, 2021, the Company announced that, pursuant to a convertible debenture indenture dated October 24, 2018 between the Company and TSX Trust Company, as trustee, which has been amended pursuant to a first supplemental indenture dated April 24, 2020, a second supplemental indenture dated July 23, 2020, a third supplemental indenture dated September 23, 2020 and a fourth supplemental indenture dated April 22, 2021 (collectively, the "Indenture"), the Company has received a request to convert a principal amount of \$250,000 (the "Principal") under the Indenture. Pursuant to the terms of the Indenture, all accrued and unpaid interest ("Interest") on the converted Principal also becomes due and payable and the Company intends to settle \$8,222 in Interest through the issuance of 91,358 common shares in the capital of the Company at a price of \$0.09 per Settlement Share. The holder of the convertible debenture voluntarily elected to satisfy the Interest with common shares of the Company which will allow the Company to preserve its cash for future operations.

On June 30, 2021, the Company announced that it intended to settle \$70,000 of the Indenture accrued interest through the issuance of 1,166,666 common shares at a price of \$0.06 per share.

This is Exhibit “G” referred to in the Affidavit of Craig Loverock sworn by Craig Loverock located in the City of Newmarket, in the Regional Municipality of York, in the Province of Ontario, before me at the City of Toronto, in the Province of Ontario, this 44th day of June, 2022 in accordance with *O.Reg. 431/20, Administering Oath or Declaration Remotely*.



A Commissioner for taking affidavits

ADRIENNE HO

Sproutly Canada Inc.

Condensed Interim Consolidated Financial Statements (Unaudited)

For the three and nine months ended November 30, 2021 and November 30, 2020
(In Canadian Dollars)

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Notice of No Auditor Review of Condensed Interim Consolidated Financial Statements

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the unaudited condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these unaudited condensed interim consolidated financial statements. These unaudited interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS").

Sproutly Canada Inc.
Condensed Interim Consolidated Statements of Financial Position
As at November 30, 2021 and February 28, 2021
(Unaudited – Expressed in Canadian Dollars)

	Notes	November 30, 2021	February 28, 2021
			\$
Assets			
Current Assets			
Cash		75,906	171,818
Accounts receivable	6	81,466	94,864
Inventories	8	403,975	468,044
Prepaid and other assets		154,849	158,240
Net investment in the lease	11	23,156	25,298
Deferred loss	15(ii), 15(iii)	271,183	-
		1,010,535	918,264
Non-Current Assets			
Property, plant and equipment	9	3,760,898	3,225,522
Net investment in the lease	10	41,765	54,174
Total assets		4,813,198	4,197,960
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	13, 18	2,627,703	2,649,765
Deferred revenue		-	23,593
Deferred rent		11,774	25,000
Lease obligations	12	21,776	20,045
Loans and borrowings	14	3,411,728	4,062,599
Convertible loans payable	15	3,344,492	2,917,955
Deferred gain	14	68,388	3,490
		9,485,861	9,702,447
Non-Current Liabilities			
Lease obligations	12	47,382	60,996
Loans and borrowings	14	234,755	48,206
Total liabilities		9,767,998	9,811,649
Equity			
Share capital	16	81,943,599	80,120,572
Reserves		8,316,858	7,549,221
Accumulated other comprehensive loss		33,151	38,229
Accumulated deficit		(95,248,408)	(93,321,711)
Total deficit		(4,954,800)	(5,613,689)
Total liabilities and equity		4,813,198	4,197,960

Nature and continuance of operations (Note 1)
Commitments (Note 23)
Subsequent events (Note 24)

Approved on behalf of the board January 28, 2022

"Arup Sen" , Director

"Con Constandis" , Director

The accompanying notes are an integral part of these Consolidated Financial Statements

Sproutly Canada Inc.
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
For the three and nine months ended November 30, 2021 and November 30, 2020
(Unaudited – Expressed in Canadian Dollars)

	Notes	Three Months Ended November 30,		Nine Months Ended November 30,	
		2021	2020	2021	2020
		\$	\$	\$	\$
Revenue		121,181	69,120	486,626	439,044
Excise recovery (duties)	8	(26,543)	(33,600)	(49,150)	(218,695)
Net revenue		94,638	35,520	437,476	220,349
Cost of sales	8	110,468	77,596	335,794	437,374
Loss (recovery) related to inventory impairment	8	10,971	24,545	49,754	(10,387)
Gross profit (loss) before fair value adjustments of biological assets		(26,801)	(66,621)	51,928	(206,638)
Realized fair value adjustments on inventory sold	8	(226)	(36,642)	(3,214)	(163,263)
Unrealized loss on changes in fair value of biological assets		-	-	-	(24,701)
Gross profit (loss)		(26,575)	(29,979)	55,142	(18,674)
Operating Expenses					
General and administration	19	567,127	431,013	1,526,190	1,383,665
Marketing		1,920	6,036	14,066	19,674
Depreciation and amortization	9, 10, 12	15,019	28,566	44,651	88,176
Share-based payments	17	20,147	118,857	58,743	901,228
Total operating expenses		604,213	584,472	1,643,650	2,392,743
Loss from Operations		630,788	614,451	1,585,508	2,411,417
Other Expenses (Income)					
Other income		(27,559)	16,754	(148,041)	(5,619)
Finance and other costs	20	376,797	716,923	1,362,036	2,362,936
Foreign exchange		(9,506)	3,254	(10,062)	19,611
Gain on disposal of assets	9	-	-	(12,938)	(20,892)
Gain on bargain purchase	5	-	-	(574,289)	-
Gain on sublease	11	-	-	-	(9,525)
Gain on extinguishment and modification of loans	14(b), 15(i), 15(ii)	-	(663,167)	(653,772)	(640,595)
Recognition of deferred loss on convertible loan payables	15(ii), 15(iii)	170,191	117,554	390,878	497,481
Recognition of deferred gain on loans and borrowings	14(b), 14(i)	(10,037)	(21,938)	(15,623)	(40,673)
Government subsidies		-	(1,500)	-	(21,713)
		499,886	167,880	338,189	2,141,011
Net loss for the year		1,130,674	782,331	1,926,697	4,552,428
Other comprehensive loss					
Other Comprehensive loss that may be reclassified to net loss					
Foreign currency translation loss (gain)		11,754	(4,663)	5,078	(26,466)
Total comprehensive loss for the year		1,142,428	777,668	1,931,775	4,525,962
Basic and diluted loss per share		-	-	(0.01)	(0.02)
Weighted average number of shares outstanding					
Basic and diluted		362,744,415	279,176,471	355,833,609	256,660,309

The accompanying notes are an integral part of these unaudited Condensed Interim Consolidated Financial Statements

Sproutly Canada Inc.

Condensed Interim Consolidated Statements of Changes in Equity

For the three and nine months ended November 30, 2021 and 2020

(Unaudited – Expressed in Canadian Dollars)

	Notes	Share Capital		Share-Based Compensation	Warrants	Reserves		Accumulated Other Comprehensive Loss	Accumulated Deficit	Total
		Common Shares	Amount			Convertible Notes Reserves	Total Reserves			
		#	\$	\$	\$	\$	\$	\$	\$	\$
Balance, February 29, 2021		326,910,820	80,120,572	4,077,508	2,896,325	575,388	7,549,221	38,229	(93,321,711)	(5,613,689)
Net loss and comprehensive loss for the period									(1,926,697)	(1,926,697)
Conversion of notes	15(i)	4,166,666	216,196	-	-	(6,717)	(6,717)	-	-	209,479
Share-based payment	16(c)	2,000,000	100,000	-	-	-	-	-	-	100,000
Private placement	4, 16(c)	26,966,037	1,326,548	-	-	-	-	-	-	1,326,548
Finder's fee on private placement	4, 16(c)	947,250	47,363	-	-	-	-	-	-	47,363
Issuance of shares interest repayments	15(i), 16(c)	2,182,177	122,373	-	-	-	-	-	-	122,373
Equity feature of related party convertible loan payable	15(iii)	-	-	-	-	662,061	662,061	-	-	662,061
Stock option exercise	16(c), 17	50,965	10,547	(10,297)	-	-	(10,297)	-	-	250
Foreign currency translation		-	-	-	-	-	-	(5,078)	-	(5,078)
Share-based compensation	17	-	-	122,590	-	-	122,590	-	-	122,590
Balance, November 30, 2021		363,223,915	81,943,599	4,189,801	2,896,325	1,230,732	8,316,858	33,151	(95,248,408)	(4,954,800)

	Notes	Share Capital		Share-Based Compensation	Warrants	Reserves		Accumulated Other Comprehensive Loss	Accumulated Deficit	Total
		Common Shares	Amount			Convertible Notes Reserves	Total Reserves			
		#	\$	\$	\$	\$	\$	\$	\$	\$
Balance, February 29, 2020		227,951,248	73,188,162	3,911,416	2,896,325	776,880	7,584,621	-	(76,909,764)	3,863,019
Net loss and comprehensive loss for the period									(4,552,428)	(4,552,428)
Conversion of notes	16(c)	47,659,521	3,840,515	-	-	(133,791)	(133,791)	-	-	3,706,724
Private Placement	16(c)	1,500,000	105,000	-	-	-	-	-	-	105,000
Issuance of shares for loan and interest repayments	16(c)	7,655,113	531,915	-	-	-	-	-	-	531,915
Issuance of shares for liability settlements	16(c)	3,990,867	251,641	-	-	-	-	-	-	251,641
Foreign currency translation		-	-	-	-	-	-	26,466	-	26,466
Share-based compensation	17	-	-	947,878	-	-	947,878	-	-	947,878
Balance, November 30, 2020		288,756,749	77,917,233	4,859,294	2,896,325	643,089	8,398,708	26,466	(81,462,192)	4,880,215

The accompanying notes are an integral part of these unaudited Condensed Interim Consolidated Financial Statements

Sproutly Canada Inc.
Condensed Interim Consolidated Statements of Cash Flows
For the nine months ended November 30, 2021 and 2020
(Unaudited – Expressed in Canadian Dollars)

	Notes	Nine Months Ended November 30,	
		2021	2020
		\$	\$
Cash Provided by (used in) Operating Activities			
Net loss		(1,926,697)	(4,552,428)
Adjusted for non-cash items			
Realized fair value adjustments on inventory sold		(3,214)	(163,263)
Unrealized loss on changes in fair value of biological assets	7	-	(24,701)
Loss (reversal) related to inventory impairment	8	49,754	(10,387)
Depreciation of property, plant and equipment	9, 12	44,651	60,579
Amortization of intangible asset	10	-	27,597
Share-based payment	16(c)	100,000	-
Share-based compensation	17	122,590	947,878
Accretion expense	20	696,961	1,581,915
Financing fees	4	47,363	-
Finance lease income	11	(7,834)	(5,207)
Interest expense on lease obligations	12	8,044	9,985
Gain on sublease	11	-	(9,525)
Gain on disposal of assets	9	(12,938)	(20,892)
Gain on bargain purchase	5	(574,289)	-
Gain on extinguishment and modification of loans	14(b), 15(i), 15(ii)	(653,772)	(646,870)
Recognition of deferred loss on convertible loan payables	15(ii), 15(iii)	390,878	497,481
Recognition of deferred gain on loans and borrowings	14(b), 14(i)	(15,623)	(40,673)
Change in non-cash operating working capital			
Trade receivables		35,844	-
GST receivables		5,545	136,187
Other receivables		(27,991)	87,959
Biological assets		-	5,186
Inventories		129,579	91,008
Prepaid expenses		3,391	(1,628)
Accounts payable and accrued liabilities		343,409	1,020,614
Deferred rent		(36,819)	-
		(1,281,168)	(1,009,185)
Proceeds from (repayment of) Financing Activities			
Sublease payment received	11	22,385	11,502
Lease obligations	12	(19,927)	(21,935)
Related party short-term loan	14(h)	161,728	-
Third party loan	14(i)	250,000	-
Private placement	4	1,030,746	-
Related party non-interest bearing loan with BNO Holdings Ltd.	14(c)	(150,000)	-
On-demand loan	14(e)	-	105,000
Related party loan	14(b)	-	855,000
Line of credit	14(d)	-	80,000
Shares issued for option exercise	16(c), 17	250	-
		1,295,182	1,029,587
Cash Provided by (Used in) Investing Activities			
Purchase of property, plant and equipment		(117,786)	(7,103)
Disposal of property, plant and equipment	9	12,938	26,000
		(104,848)	18,897
Foreign exchange		(5,078)	26,466
Net change in cash		(95,912)	65,745
Cash, beginning of period		171,818	32,287
Cash, ending of period		75,906	98,032
Supplemental disclosure of cash flow information			
Cash paid during the period for interest		243,973	162,945

The accompanying notes are an integral part of these unaudited Condensed Interim Consolidated Financial Statements

Sproutly Canada Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended November 30, 2021 and November 30, 2020

(Unaudited – Expressed in Canadian Dollars)

1. Nature and continuance of operations

Sproutly Canada Inc. (on a consolidated basis “the Company” or “Sproutly Canada”), was incorporated on January 26, 2012, under the British Columbia Business Corporations Act. On July 6, 2018, the Company acquired Sproutly Inc. (“Sproutly”) through a reverse acquisition transaction. Sproutly was incorporated on January 17, 2017, under the British Columbia Business Corporation Act. The registered office is located at 10th floor – 595 Howe Street, Vancouver, British Columbia, V6C 2T5. On July 9, 2018, the Company began trading on the Canadian Securities Exchange (“the Exchange”) under the symbol “SPR”. The Company is also quoted on the Frankfurt, Berlin and Munich exchanges under the symbol “38G”, and on the OTCQB Venture Marketplace under the symbol “SRUTF”.

The Company intends to identify and evaluate potential business opportunities in the medicinal and recreational cannabis industry. On February 28, 2018, Sproutly acquired all of the issued and outstanding common shares of Toronto Herbal Remedies Inc. (“THR”). THR was incorporated on January 13, 2013, under the Ontario Business Corporation Act. On June 8, 2018, Health Canada granted THR a cultivation license to produce and sell medical marijuana under the provisions of the Access to Cannabis for Medical Purposes Regulations (“ACMPR”). On March 29, 2019, Health Canada granted THR a processing license to produce cannabis oil and related products and will allow the Company to conduct certain research and development activities. On October 15, 2020, Health Canada granted THR an amended extract sales license authorizing THR to manufacture and sell Cannabis 2.0 products directly to provincial distributors and other authorized Canadian retail supply channels.

On July 31, 2018, the Company acquired all of the issued and outstanding common shares of Infusion Biosciences Canada Inc. (“IBS Canada”) and SSM Partners Inc. (“SSM Partners”). IBS Canada was incorporated on February 28, 2018, under the Alberta Business Corporations Act. SSM Partners was incorporated on March 1, 2018, under the Companies Act of Barbados with International Business Company status.

On October 26, 2018, the Company commenced the process of growing cannabis with amounts classified as biological assets and inventories. As at February 28, 2021, the Company had ceased all cultivation activities and harvested all biological assets to inventory.

In March 2020, the World Health Organization declared the outbreak of COVID-19 a global pandemic, which led to unprecedented impacts on both the Company and the world. When lockdowns first began in March of 2020, the Company’s cannabis sales declined significantly and several key financing opportunities came to an immediate halt.

As a result, the Company took drastic measures to ensure its viability as it:

- Reduced operational spending by halting the cultivation of flower and trim;
- Entered into financing arrangements through loans and private placements with key investors and related parties;
- Entered into extension agreements for loan payables and convertible loans payable due in the current year;
- Settlement of interest payables, accounts payables and payroll indebtedness through issuance of the Company’s common shares; and
- Applied and received various government grants and subsidies

The ultimate extent of the impact of the continuing impact of COVID, as well as any other epidemic, pandemic or other health crisis on the Company’s business, financial condition and results of operations will depend on future developments, which are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of such epidemic, pandemic or other health crisis and actions taken to contain or prevent their further spread, among others. These and other potential impacts of an epidemic, pandemic or other health crisis, such as COVID-19, have had a material impact on the Company’s revenues, net loss and working capital. These impacts and future impacts could have additional material and adverse effects on the Company’s business, financial condition and results of operations.

Sproutly Canada Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended November 30, 2021 and November 30, 2020

(Unaudited – Expressed in Canadian Dollars)

2. Basis of presentation

a) Going concern

These condensed interim consolidated financial statements have been prepared on a going concern basis which presumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of its operations.

As of November 30, 2021, the Company had a working capital deficit of \$8,475,326 (February 28, 2021 - \$8,784,183) and an accumulated deficit of \$95,248,408 (February 28, 2021 - \$93,321,711). During the nine months ended November 30, 2021, the Company used cash in operating activities of \$1,281,168 (November 30, 2020 - \$1,009,185), resulting primarily from the net loss of \$1,926,697 (November 30, 2020 - \$4,552,428) offset by items not affecting cash such as depreciation, amortization and stock based compensation of \$642,529 (November 30, 2020 - \$3,543,243). The Company's ability to continue as a going concern is dependent upon its ability to obtain sufficient additional funding and to generate sufficient revenues and positive cash flows from its operating activities to meet its obligations and fund its planned investments and operations.

The Company may need to reschedule its current debt obligations or obtain further financing in the form of debt, equity or a combination thereof for the next twelve months. There can be no assurance that the existing debt obligations will be rescheduled or that additional funding will be available to the Company, or, if available, that this financing will be on acceptable terms. If existing debt obligations are not rescheduled or adequate financing is not available, the Company may be required to delay or reduce the scope of any or all of its projects. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

These condensed interim consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. Should the Company be unable to generate sufficient cash flow from investing, financing and or operating activities, the carrying value of the Company's assets could be subject to material adjustments and other adjustments may be necessary to these financial statements should such events impair the Company's ability to continue as a going concern.

b) Interim Financial Reporting

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB"). The same accounting policies and methods of computation were followed in the preparation of these condensed interim consolidated financial statements as those disclosed in the Company's annual audited consolidated financial statements for the year ended February 28, 2021.

These condensed interim consolidated financial statements do not include all of the information required for full annual consolidated financial statements and accordingly should be read in conjunction with the annual audited consolidated financial statements for the year ended February 28, 2021, which are made available on SEDAR at www.sedar.com.

These condensed interim consolidated financial statements were approved by the Board of Directors of the Company and authorized for issue by the Board of Directors of the Company on January 28, 2022.

c) Basis of consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries Sproutly, THR, IBS Canada, and SSM Partners. All intercompany balances and transactions were eliminated on consolidation.

Acquisition of subsidiaries are accounted for using the acquisition method. The Company measures goodwill as the fair value of the consideration transferred less the fair value amount of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Transaction costs other than those associated with the issue of debt or equity securities that the Company incurs in connection with a business combination are expensed as incurred.

d) Basis of measurement

The condensed interim consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments that are measured at fair value at the end of each reporting period and certain equity instruments and warrants that are within the scope of IFRS 2 – Share-based payments ("IFRS 2").

Sproutly Canada Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended November 30, 2021 and November 30, 2020

(Unaudited – Expressed in Canadian Dollars)

2. Basis of presentation (continued)

e) Functional and presentation of foreign currency

The condensed interim consolidated financial statements are presented in Canadian dollars as this is the currency of the primary economic environment in which the Company operates. The functional currencies of the Company and its subsidiaries are as follows:

- SSM Partners is in US dollars; and
- Sproutly Canada and its remaining subsidiaries are in Canadian dollars

f) Foreign currency translation

Foreign currency transactions are translated into Canadian dollars at exchange rates in effect on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the consolidated statement of financial position date are translated to Canadian dollars at the foreign exchange rate applicable at that date. Realized and unrealized exchange gains and losses are recognized in the consolidated statement of loss and comprehensive loss. Non-monetary assets and liabilities that are measured in terms of historical costs in a foreign currency are translated using the exchange rate at the date of the transaction.

The assets and liabilities of foreign operations are translated into Canadian dollars at period end exchange rates. Income and expenses, and cash flows of foreign operations are translated into Canadian dollars using average exchange rates. Exchange differences resulting from the translation of foreign operations are recognized in other comprehensive loss and accumulated in equity.

g) Significant Accounting Judgements, Estimates and Assumptions

The preparation of the Company's condensed interim consolidated financial statements under IFRS requires management to make judgements, estimates, and assumptions about the carrying amounts of certain assets and liabilities. Estimates and related assumptions are based on historical experience and other relevant factors. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis for reasonableness and relevancy. Where revisions are required, they are recognized in the period in which the estimate is revised as well as future periods that are affected.

Significant judgements, estimates and assumptions within these unaudited condensed interim consolidated financial statements, unless stated herein, remain the same as those applied to the annual consolidated financial statements for the year ended February 28, 2021, with the exception of:

COVID-19 estimation uncertainty

The Company continues to monitor the evolution of the COVID-19 pandemic. The extent to which the COVID-19 pandemic may impact the Company's business and activities will depend on future developments which remain highly uncertain and cannot be predicted with confidence, such as the spread and severity of the disease, the duration of the outbreak including any possible resurgence, and actions taken by authorities to control the spread of the virus, the impact of the pandemic on spending, and the ability or willingness of suppliers and vendors to provide products and services.

Any of these developments, and others, could have a material adverse effect on the Company's business, affairs, operations, results of operations, financial condition, liquidity, availability of credit and foreign exchange exposure. In addition, because of the severity and global nature of the COVID-19 pandemic, it is possible that estimates in the Company's financial statements could change in the near term and the effect of any such changes could be material, which could result in, among other things, an impairment of non-current assets and a change in the expected credit losses on accounts receivable. The Company is constantly evaluating the situation and monitoring any impacts or potential impacts on its business.

Sproutly Canada Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended November 30, 2021 and November 30, 2020

(Unaudited – Expressed in Canadian Dollars)

3. Significant accounting policies

The preparation of the condensed interim consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses, consistent with those disclosed in the 2021 annual consolidated financial statements and as described in these condensed interim consolidated financial statements. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Estimates are based on historical experience and other assumptions that are considered reasonable in the circumstances. The actual amount or values may vary in certain instances from the assumptions and estimates made. Changes will be recorded, with corresponding effect in profit or loss, when, and if, better information is obtained.

Adoption of new accounting pronouncements

Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform

The amendments revise the existing requirements for hedge accounting and are designed to support the provision of useful financial information by companies during the period of uncertainty arising from the phasing out of interest-rate benchmarks such as Interbank Offered Rate ("IBOR"). The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the IBOR reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are effective for annual periods beginning on or after January 1, 2020, with earlier application permitted. The Company adopted the Amendments to IFRS 9, IAS 39 and IFRS 7 effective March 1, 2020, with no impact to the Company's condensed interim consolidated financial statements.

New accounting pronouncements

The following IFRS standards have been recently issued by the IASB. Pronouncements that are irrelevant or not expected to have a significant impact have been excluded.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

The amendment clarifies the requirements relating to determining if a liability should be presented as current or non-current in the statement of financial position. Under the new requirement, the assessment of whether a liability is presented as current or non-current is based on the contractual arrangements in place as at the reporting date and does not impact the amount or timing of recognition. The amendment applies retrospectively for annual reporting periods beginning on or after January 1, 2022. The Company is currently evaluating the potential impact of these amendments on the Company's consolidated financial statements.

Amendments to IAS 37: Onerous Contracts and the Cost of Fulfilling a Contract

The amendment specifies that the "cost of fulfilling" a contract comprises the "costs that relate directly to the contract". Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts. The amendment is effective for annual periods beginning on or after January 1, 2022, with early application permitted. The Company is currently evaluating the potential impact of these amendments on the Company's consolidated financial statements.

4. Private Placement

On March 15, 2021, the Company announced it closed the first tranche of a financing of up to \$2 million. Under the first tranche of the private placement, the Company issued 11,050,000 units of the Company (the "Units") at a price of \$0.05 per Unit for gross proceeds of \$552,500, with each Unit consisting of one common share and one non-transferable common share purchase warrant. Each warrant entitles the holder to acquire an additional common share at an exercise price of \$0.07 for a period of two years from the date of issue. All securities issued in connection with the private placement are subject to a four month and a day transfer restriction from the date of issuance. The placement was completed for the purposes of supporting the Company's general working capital. Under the first tranche of the private placement, in consideration for their services, the Company paid finder's fees in the amount of \$24,863 through the issuance of 497,250 Units on the same terms as described above.

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4. Private Placement (continued)

On April 15, 2021, the Company announced that it closed the second and final tranche of its financing. Under the final tranche of the private placement, the Company issued 15,916,037 Units at a price of \$0.05 per Unit for gross proceeds of approximately \$795,802. All securities issued in connection with the private placement are subject to a four month and a day transfer restriction from the date of issuance. The placement was completed for the purposes of supporting the Company's general working capital. In connection with the private placement, in consideration for their services, the Company paid finder's fees in the amount of \$22,500 through the issuance of 450,000 Units on the same terms as described above. Under the private placement, Dr. Arup Sen, Chief Executive Officer and Director of the Company, purchased 3,000,000 Units through a company controlled by Dr. Sen. His participation is considered to be a "related party transaction" as defined under Multilateral Instrument 61-101 ("MI 61-101").

As the trading share price on March 15, 2021, and April 15, 2021, were higher than the Unit price of \$0.05, the Company assigned all proceeds and finder's fees to share capital. As part of the financing, the Company incurred transaction costs of \$21,754 which was recorded as a reduction to equity.

5. Asset acquisition

On August 13, 2021, the Company acquired the assets of CannaHive Inc. ("Cannahive") which consisted of \$566,045 of production equipment, \$57,560 of cannabis extracts and \$194,749 of supplies and consumables for the purpose of manufacturing cannabis confectionaries. The transaction was determined to be an asset acquisition as it does not meet the definition of a business in accordance with IFRS 3.

The consideration paid for the equipment and inventories consisted of \$150,000 in cash and settlement of \$94,065 of receivables owed by Cannahive to the Company. The difference of \$574,289 between the value of the assets acquired and consideration was recorded as a gain on bargain purchase in the statement of loss and comprehensive loss.

6. Accounts receivable

	November 30, 2021	February 28, 2021
	\$	\$
Trade receivables	12,512	48,356
GST and HST receivable	35,322	40,867
Other receivable	33,632	5,641
	<u>81,466</u>	<u>94,864</u>

7. Biological assets

The Company's biological assets consist of cannabis plants. The changes in the carrying value of biological assets are as follows:

	November 30, 2021	February 28, 2021
	\$	\$
Beginning Balance	-	10,401
Production costs prior to harvest capitalized	-	31,579
Biological assets disposed prior to harvest	-	(23,074)
Changes in fair value less cost to sell due to biological transformation	-	24,701
Transferred to inventory upon harvest	-	(43,607)
Ending Balance	<u>-</u>	<u>-</u>

Sproutly Canada Inc.

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7. Biological assets (continued)

The following inputs and assumptions are all categorized within Level 3 on the fair value hierarchy and were used in determining the fair value of biological assets:

Inputs and assumptions	Calculation method	Inter-relationship between unobservable inputs and fair value – the estimated fair value would increase (decrease) if:
Selling price per gram	Based on expected future selling price for all strains of cannabis sold by the Company.	The selling price per gram were higher (lower).
Attrition rate	Based on the average number of plants culled at each stage of production.	The attrition rate was lower (higher).
Average yield per plant	Based on the average number of grams of dried cannabis/trim inventory expected to be harvested from each cannabis plant.	The average yield per plant was higher (lower).
Cost per gram to complete production	Based on actual production costs incurred divided by the grams expected to be produced.	The costs per gram to complete production were lower (higher).
Cumulative stage of completion in the production process	Based on the number of days in production over a total approximate grow cycle.	The number of days in production was higher (lower).

As of November 30, 2021, the Company had fully harvested all of its biological assets.

8. Inventories

The following is a breakdown of inventory as at November 30, 2021:

	November 30, 2021	February 28, 2021
	\$	\$
Dry cannabis	143,398	458,845
Cannabis extracts	57,560	-
Supplies and consumables	203,017	9,199
	403,975	468,044

For the three and nine months ended November 30, 2021, the Company capitalized \$11,062 and \$43,231 respectively, of production costs (three and nine months ended November 30, 2020 – \$32,148 and \$239,545) related to post-harvest activities and held 112,812 grams of dry cannabis (November 30, 2020 – 385,226 grams of dry cannabis and 212,834 grams of trim).

During the three and nine months ended November 30, 2021, the Company recognized cost of goods sold of \$110,469 and \$335,794 respectively (three and nine months ended November 30, 2020 - \$77,596 and \$437,374) and income related to changes in fair value of inventory sold of \$226 and \$3,214 (three and nine months ended November 30, 2020 - \$36,642 and \$163,263). In addition, the Company recognized an inventory impairment of \$10,972 and \$49,754 for the three and nine months respectively ended November 30, 2021 (three and nine months ended November 30, 2020 – impairment of \$24,545 and reversal related to inventory impairment of \$10,387) on specific harvests due to net book value exceeding its net realizable value as well as disposal of trim.

For the nine months ended November 30, 2021, the Company held 10,000 grams of extracts (November 30, 2020 – nil).

During the nine months ended November 30, 2021, the Company was awarded a reduction of \$80,433 in excise duties from an appeal filed in the prior year. During the time of appeal, management determined that the likelihood of success was low and therefore the amount is recorded as an excise tax recovery in the current year.

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9. Property, plant and equipment

	Land	Building & Improvements	Computer Software & Equipment	Furniture & Fixtures	Production & Other Equipment	Total
Costs	\$	\$	\$	\$	\$	\$
Balance, February 29, 2020	1,098,550	10,229,385	87,423	2,021	836,228	12,253,607
Additions	-	4,100	-	-	3,003	7,103
Disposal	-	-	-	(2,021)	(35,458)	(37,479)
Balance, February 28, 2021	1,098,550	10,233,485	87,423	-	803,773	12,223,231
Additions	-	3,867	2,821	-	573,390	580,078
Disposal	-	-	-	-	(34,672)	(34,672)
Balance, November 30, 2021	1,098,550	10,237,352	90,244	-	1,342,491	12,768,637
Accumulated depreciation and impairment	\$	\$	\$	\$	\$	\$
Balance, February 29, 2020	-	8,048,622	77,520	2,021	670,439	8,798,602
Depreciation	-	57,891	5,996	-	15,230	79,117
Disposal	-	-	-	(2,021)	(30,350)	(32,371)
Impairment	-	-	3,907	-	148,454	152,361
Balance, February 28, 2021	-	8,106,513	87,423	-	803,773	8,997,709
Depreciation	-	43,662	542	-	498	44,702
Disposal	-	-	-	-	(34,672)	(34,672)
Balance, November 30, 2021	-	8,150,175	87,965	-	769,599	9,007,739
Net Book Value						
February 28, 2021	1,098,550	2,126,972	-	-	-	3,225,522
November 30, 2021	1,098,550	2,087,177	2,279	-	572,892	3,760,898

The Company completed construction of a 16,600 square foot production facility at THR located at Scarborough, Ontario on September 12, 2018. Costs related to the construction of this facility were initially capitalized as construction in progress and subsequently allocated to building and equipment. Borrowing costs from loans to fund the construction of the facility were also capitalized and allocated to building upon completion. Depreciation commenced when construction had been completed and the facility was available for use.

Depreciation related to building and improvements, and production equipment was capitalized as part of production costs within biological assets and dry cannabis inventory. During the three and nine months ended November 30, 2021, \$19 and \$53 respectively (three and nine months ended November 30, 2020 – \$67 and \$5,828) of depreciation was capitalized.

During the nine months ended November 30, 2021, the Company disposed of equipment with a net book value of nil (November 30, 2020 - \$5,108) for proceeds of \$12,938 (November 30, 2020 – \$26,000) and recognized a gain on disposal of assets of \$12,938 (November 30, 2020 – \$20,892).

During the year ended February 28, 2021, the Company recognized non-cash impairment charges to its single CGU. As a result, the Company recognized impairment of \$152,361 based on the carrying value being the higher of fair value less costs of disposal or nil on each class of property, plant and equipment.

10. Intangible assets and goodwill

	ACMR License	Technology License in Process	Goodwill	Total
Costs	\$	\$	\$	\$
Balance, February 29, 2020	6,631,931	46,012,157	1,322,544	53,966,632
Additions	-	-	-	-
Balance, November 30, 2020	6,631,931	46,012,157	1,322,544	53,966,632
Additions	-	-	-	-
Balance, February 28, 2021	6,631,931	46,012,157	1,322,544	53,966,632
Additions	-	-	-	-
Balance, November 30, 2021	6,631,931	46,012,157	1,322,544	53,966,632

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10. Intangible assets and goodwill (continued)

	ACMR License	Technology License in Process	Goodwill	Total
Accumulated amortization and impairment				
Balance, February 29, 2020	\$ 5,215,275	\$ 35,800,503	\$ 1,322,544	\$ 42,338,322
Amortization	9,199	-	-	9,199
Balance, November 30, 2020	5,224,474	35,800,503	1,322,544	42,347,521
Amortization	27,597	-	-	27,597
Impairment	1,379,860	10,211,654	-	11,591,514
Balance, February 28, 2021	6,631,931	46,012,157	1,322,544	53,966,632
Amortization	-	-	-	-
Balance, November 30, 2021	6,631,931	46,012,157	1,322,544	53,966,632
Net book value, February 28, 2021	-	-	-	-
Net book value, November 30, 2021	-	-	-	-

During the year ended February 28, 2021, the Company recognized non-cash impairment charges to its single CGU. As a result, the Company recognized impairment of \$11,591,514 related to intangible assets.

11. Net investment in the lease

On July 1, 2020, the Company acted as an intermediate lessor and entered in a sublease agreement for one of its facilities. As the intermediate lessor, the Company accounted the head lease and the sublease as two separate contracts. Sproutly Canada has accounted for the sublease as a finance lease in which amounts due are recognized as net investment in the lease on the condensed interim consolidated statement of financial position. Net investment in the lease is the gross investment in the lease discounted using the incremental borrowing rate of 14% used to record the lease liability associated with the head lease (Note 12(c)). The gross investment in the lease is the sum of lease payments receivable by the Company under the finance lease and any unguaranteed residual value accruing to the Company. Finance lease income is allocated to reporting periods so as to reflect a constant periodic rate of return to the Company's net investment outstanding in respect of the sublease. For the three and nine months ended November 30, 2021, the Company recognized finance lease income of \$2,413 and \$7,834 respectively (three and nine months ended November 30, 2020 – \$2,960 and \$5,207).

Upon recognizing the net investment in the lease, the Company derecognized the right-of-use asset associated with the sublease with the difference recorded as a gain on sublease of \$9,525.

Information about the net investment in the lease for which the Company is an intermediate lessor is presented below.

(a) Net investment in the lease

	\$
Balance, February 29, 2020	-
Addition	90,237
Finance lease income	5,207
Payment received	(11,502)
Balance, November 30, 2020	83,942
Finance lease income	2,903
Payment received	(7,373)
Balance, February 28, 2021	79,472
Finance lease income	7,834
Payment received	(22,385)
Balance, November 30, 2021	64,921
Balance, November 30, 2021 – Current Portion	23,156
Balance, November 30, 2021 – Non- Current Portion	41,765

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11. Net investment in the lease (continued)

(b) Maturity analysis of lease payments receivable

The following represents a maturity analysis of the Company's undiscounted lease payments receivable and potential exposures as at November 30, 2021.

Contractual obligations	Less than one year	One to five years	Total
	\$	\$	\$
Lease payments receivable	30,399	46,747	77,146

12. Leases

Information about leases for which the Company is a lessee is presented below.

(a) Right-of-use assets

The Company's leasing activities include the lease of office and production premises.

Costs	\$
Balance, February 29, 2020	102,571
Additions	-
Disposal	(102,571)
Balance, November 30, 2020	-
Additions	-
Balance, February 28, 2021	-
Additions	-
Balance, November 30, 2021	-

(a) Right-of-use assets

Accumulated Depreciation	\$
Balance, February 29, 2020	15,134
Depreciation	6,726
Disposal	(21,860)
Balance, November 30, 2020	-
Depreciation	-
Balance, February 28, 2021	-
Depreciation	-
Balance, November 30, 2021	-
Net Book Value	
February 28, 2021	-
November 30, 2021	-

(b) Maturity analysis of lease obligations

The following represents a maturity analysis of the Company's undiscounted contractual lease obligations and potential exposures as at November 30, 2021.

Contractual obligations	Less than one year	One to five years	Total
	\$	\$	\$
Lease obligations payments	32,856	49,365	82,221

The Company has applied the recognition exemption to short-term leases, which are therefore not recognized in the consolidated statements of financial position.

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12. Leases (continued)

(c) Supplemental disclosure

The Company used an incremental borrowing rate of 14% to determine the present value of minimum lease payments. For the three and nine months ended November 30, 2021, the Company recognized \$2,485 and \$8,044 respectively of interest expense (three and nine months ended November 30, 2020 – \$3,032 and \$9,985) on lease obligations and \$23,360 (November 30, 2020 – \$49,589) of lease payments recognized in the consolidated statements of loss and comprehensive loss. For the three and nine months ended November 30, 2021, the total cash outflow relating to leases amount to \$42,943 (November 30, 2020 – \$71,794).

13. Accounts payable and accrued liabilities

	November 30, 2021	February 28, 2021
	\$	\$
Interest payable	669,984	379,573
Trade payables	1,601,163	1,852,350
Other payables	356,556	417,842
	<u>2,627,703</u>	<u>2,649,765</u>

14. Loans and borrowings

As at November 30, 2021, the Company held the following loans and borrowings:

	November 30, 2021	February 28, 2021
	\$	\$
Current		
Borrowings (a)	-	-
Related party loan (b)	-	829,283
Non-interest bearing loan with BNO Holdings Ltd. (c)	-	150,000
Non-interest bearing loan with 1023409 B.C. Ltd. (f)	-	45,448
Mortgage payable with 0982244 B.C. Ltd. (g)	1,750,000	1,634,109
Interest bearing loan with 0982244 B.C. Ltd. (g)	1,500,000	1,403,759
Related party short-term loan (h)	161,728	-
	<u>3,411,728</u>	<u>4,062,599</u>
Non-Current		
Line of credit (d)	55,047	48,206
Third party loan (i)	179,708	-
	<u>3,646,483</u>	<u>4,110,805</u>

The changes in the carrying value of loans and borrowings are as follows:

	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
February 29, 2020	150,000	-	-	-	-	45,448	2,495,641	-	-	2,691,089
Issued	-	855,000	150,000	120,000	105,000	-	-	-	-	1,230,000
Modification of loan	-	(136,958)	-	(76,885)	-	-	-	-	-	(213,843)
Accretions	-	111,241	-	5,091	-	-	542,227	-	-	658,559
Repayment	(150,000)	-	-	-	(105,000)	-	-	-	-	(255,000)
February 28, 2021	-	829,283	150,000	48,206	-	45,448	3,037,868	161,728	250,000	4,110,805
Issued	-	-	-	-	-	-	-	-	-	411,728
Modification of loan	-	(150,535)	-	-	-	-	-	-	(80,521)	(231,056)
Accretions	-	29,924	-	6,841	-	-	212,132	-	10,229	259,126
Transfer to convertible loans payable	-	(708,672)	-	-	-	-	-	-	-	(708,672)
Repayment	-	-	(150,000)	-	-	(45,448)	-	-	-	(195,448)
November 30, 2021	-	-	-	55,047	-	-	3,250,000	161,728	179,708	3,646,483

Sproutly Canada Inc.

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14. Loans and borrowings (continued)

(a) Borrowings

On November 2, 2017, the Company entered into an unsecured term loan for the principal amount of \$150,000. The loan began to bear interest at a rate of 10% per annum effective on December 15, 2017, and will continue until full and final payment is received.

On May 7, 2020, the lender assigned the loan to another third party with no changes to the terms of the original loan agreement.

On August 24, 2020, the Company settled the outstanding loan of \$150,000 and interest of \$41,466 by issuing 1,800,000 Sproutly Canada common shares. The market price of the common shares on the date of settlement was \$0.07 per share and the Company recognized a gain on extinguishment of loan and interest of \$65,466.

For the three and nine months ended November 30, 2021, the Company incurred interest expense of nil and nil respectively (three and nine months ended November 30, 2020 - \$4,561 and \$7,397).

(b) Related party loan

The Company received unsecured, non-interest and on-demand related party loans from Infusion Biosciences Inc., a company partially owned by the current Chief Executive Officer. On August 24, 2020, these loans were consolidated when the Company entered into a secured loan agreement with Infusion Biosciences Inc. in which Sproutly Canada could borrow up to \$855,000. Interest for the entire \$855,000 started accruing on May 14, 2020, at 15% per annum, compounding monthly and maturing on October 24, 2020.

As the terms of interest and maturity of the loan were modified on August 24, 2020, amounts that had been withdrawn by the Company were re-measured at fair value using the discount rate of 21.0%, which was the observable market rate for similar financial instrument and recorded at amortized costs using the effective interest rate of 32.2%.

On October 22, 2020, an amendment to the secured loan agreement was entered into between the Company and Infusion Biosciences Inc. in which the maturity date of the loan was extended from October 24, 2020, to April 24, 2021. The change was deemed to be a substantial modification of the financial liability and considered an extinguishment of the original liability. The new liability was measured at fair value using an effective interest rate of 20.2% on October 22, 2020, and a \$65,217 gain on extinguishment of loan was recorded.

As at February 28, 2021, the Company had fully withdrawn \$855,000 from the loan.

On April 24, 2021, a second amendment to the secured loan agreement was entered into between the Company and Infusion Biosciences Inc. in which the maturity date of the loan was extended to April 24, 2022. The change was deemed to be a substantial modification of the financial liability and considered an extinguishment of the original liability. The new liability was measured at fair value using an effective interest rate of 19.5% on April 24, 2021, and a \$147,938 gain on extinguishment of loan was recorded. The Company also incurred \$2,597 legal fees which was recorded as a reduction to the liability.

On May 5, 2021, the Company entered into a secured convertible debenture loan agreement with Infusion Biosciences Inc. As a result, the financial instrument was reclassified and presented as a convertible loan payable (Note 15(iii)).

Prior to the reclassification, for the three and nine months ended November 30, 2021, the Company recognized a deferred gain of \$3,490 and \$3,490 (three and nine months ended November 30, 2020 – nil and nil), interest expense of \$23,906 and \$23,906 (three and nine months ended November 30, 2020 – nil and nil) and recorded accretion expense of \$29,924 and \$29,924 respectively (three and nine months ended November 30, 2020 – nil and nil).

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14. Loans and borrowings (continued)

- (c) Non-interest bearing loan with BNO Holdings Ltd.

On February 10, 2021, the Company received a related party loan from BNO Holdings Ltd., a company partially owned by the current Chief Executive Officer for \$150,000. The loan is unsecured, bears no interest and is due on demand. The amount was fully repaid on April 1, 2021.

- (d) Line of credit

The Company applied and obtained revolving lines of credit from the Government of Canada under the CEBA COVID-19 Economic Response Plan. The funding is granted in the form of an interest free revolving credit line of which up to \$60,000 may be drawn per eligible entity. On December 1, 2021, the outstanding balance on the revolving line of credit line will be automatically convert to a non-revolving term loan. Effective January 1, 2023, any outstanding balance on the term loan shall bear interest at a rate of 5% per annum.

The term loan matures on December 31, 2025. If 75% of the outstanding balance of the non-revolving term loan is repaid on or before December 31, 2023, the remaining 33% of the balance shall be forgiven.

The \$120,000 of original loans were determined to be below fair market value, an estimate was completed to determine a third party interest rate of 21.0%. The loan was initially present valued and subsequently recorded at amortized cost using the effective interest rate of 21.4%.

During three and nine months ended November 30, 2021, the Company recorded accretion expense of \$2,553 and \$6,841 respectively (three and nine months ended November 30, 2020 – nil and nil).

- (e) On-demand loan

The Company received an unsecured and interest-free loan of \$105,000 from a third party that is due on demand.

On August 24, 2020, the loan was settled as a non-brokered private placement for 1,500,000 units of the Company (the "Private Equity Units"), at a price of \$0.07 per unit. Each Private Equity Unit consists of one Common Share and one Common Share purchase warrant, with each warrant entitling the investor to acquire one Common Share at an exercise price of \$0.08 for a period of two years from the date of issuance. As the trading share price on the day of the private placement was equivalent to the Private Equity Unit price, the Company assigned all proceeds to share capital.

- (f) Non-interest bearing loan with 1023409 B.C. Ltd.

On July 18, 2017, the Company received an unsecured, interest-free, non-convertible loan of \$49,000 from 1023409 B.C. Ltd., a company owned by a previous director of the Company. \$3,552 was repaid and the remaining balance is due on demand and the remaining balance was settled by the Company on September 15, 2021 by issuing 908,986 of Sproutly Canada common shares. The market price of the common shares on the date of settlement was \$0.05 per share.

- (g) Mortgage payable and interest bearing loan with 0982244 B.C. Ltd.

On June 24, 2015, THR entered into a secured loan of \$3,250,000 with 0982244 B.C. Ltd. (a former shareholder of THR). The loan is secured by the property at 64-70 Raleigh Avenue, Scarborough, Ontario, Canada, M1K 1A3. The loan has a fixed interest rate of 8.5% per annum compounded semi-annually with share purchase and loan conversion options. The loan was originally repayable on June 24, 2018. On February 28, 2018, \$1,500,000 of the outstanding loan balance was converted to a separate interest bearing loan of 8.5% per annum compounded semi-annually due on February 28, 2023. On the same date, the lender exercised its rights to purchase 2,399,918 of THR's common shares under a separate agreement.

The original portion of the loan was re-measured at fair value using the effective interest rate method at an effective interest rate of 19.6% on February 28, 2018, when THR was acquired by the Company.

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14. Loans and borrowings (continued)

(g) Mortgage payable and interest bearing loan with 0982244 B.C. Ltd. (continued)

On August 7, 2018, THR and the lender amended the \$1,750,000 portion of the original loan agreement by extending the maturity date from June 24, 2018, to June 24, 2021, and changed the interest rate to 10.0% per annum. Changes in terms were deemed to be significant modifications of the financial liability and considered an extinguishment of the original liability. The new liability was measured at fair value using an effective interest rate of 32.12% on June 24, 2018, and a \$740,308 gain on substantial modification of the loan was recorded for the year ended February 28, 2019.

For the three and nine months ended November 30, 2021, the Company incurred interest expense of \$43,630 and \$131,850 respectively (three and nine months ended November 30, 2020 - \$43,630 and \$131,850), and recorded accretion expense of nil and \$115,891 (three and nine months ended November 30, 2020 - \$76,460 and \$213,871). The loan has matured and is due on demand.

The \$1,500,000 portion of the original loan was determined to be below fair market value, an estimate was completed to determine a third party interest rate of 21.10%. The loan was initially present valued and subsequently recorded at amortized cost using the effective interest rate.

On August 7, 2018, THR and the lender amended the loan agreement by reducing the maturity date from February 28, 2023, to June 24, 2021, and changed the interest rate to 10.0% per annum. Changes in terms were deemed to not represent a substantial modification of the original financial liability. A gain on modification of \$26,620 was recognized based on the amendment of the loan.

For the three and nine months ended November 30, 2021, the Company incurred interest expense of \$37,397 and \$113,013 respectively (three and nine months ended November 30, 2020 - \$37,397 and \$113,013), and recorded accretion expense of \$nil and \$96,241 respectively (three and nine months ended November 30, 2020 - \$63,731 and \$178,561). The loan has matured and due on demand.

(h) Related party short-term loan

During the nine months ended November 30, 2021, the Company received an unsecured and interest-free loan of \$161,728 from a company that is owned by the Company's Chief Executive Officer that is due on demand.

(i) Third party secured loan

On August 13, 2021, THR entered into a secured, fixed interest rate of 12% per annum loan for the principal amount of \$250,000 with a third party. The loan is secured against production equipment acquired from Cannahive (Note 5) and matures on August 12, 2023.

The loan was measured at fair value using an effective interest rate of 19.68% and the difference of \$80,521 between the nominal value of the financial instrument and fair value was recognized as a deferred gain, which shall be recognized over the life of the loan in the consolidated statements of loss and comprehensive loss. For the three and nine months ended November 30, 2021, the Company recognized a deferred gain of \$10,037 and \$12,133 respectively (three and nine months ended November 30, 2020 - nil and nil).

During the three and nine months ended November 30, 2021, the Company incurred interest expense of \$7,480 and \$9,062 respectively, (three and nine months ended November 30, 2020 - nil and nil) and accretion expense of \$8,493 and \$10,229 respectively (three and nine months ended November 30, 2020 - nil and nil).

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15. Convertible loans payable

	(i) \$	(ii) \$	(iii) \$	Total \$
Balance, February 29, 2020	7,002,382	842,959	-	7,845,341
Modification of loan	(445,368)	(81,238)	-	(526,606)
Accretion	1,086,365	212,802	-	1,299,167
Conversion	(5,699,947)	-	-	(5,699,947)
Balance, February 28, 2021	1,943,432	974,523	-	2,917,955
Issued	-	-	708,672	708,672
Modification of loan	(352,516)	(157,971)	-	(510,487)
Accretion	238,249	116,981	82,603	437,833
Conversion	(209,481)	-	-	(209,481)
Balance, November 30, 2021	1,619,684	933,533	791,275	3,344,492

- (i) On October 24, 2018, the Company completed a Special Warrants Bought Deal Financing for gross proceeds of \$20,760,000 with \$10,750,000 of gross proceeds were derived from issuance of 10,750 CD Special Warrant units at a price of \$1,000 per unit or \$9,636,351 after deduction of transaction costs. The convertible debentures bear interest at a rate of 8.0% per annum for the date of the offering, payable semi-annually and matures on October 24, 2020. The holder has the option to convert the debentures into common shares at a conversion price of \$0.75 at any time prior to maturity. The convertible debentures can be redeemed, in whole or in part, by the Company at any time following the date that is 12 months from the date of issuance at a price equal to the outstanding principal amount plus all accrued and unpaid interest up to the redemption date.

The loan's embedded conversion feature was determined to meet the definition of a compound financial instrument required to assign a fair value to the debt with any residual amount recorded as equity. As a result, \$6,581,757 was recognized as the liability portion for the convertible loan. The borrowing amount represents the debt element of the loan, without the conversion option, recorded at its amortized cost using the effective interest rate of 34.19%. During the year ended February 29, 2020, \$2,500,000 of convertible debentures were converted to 3,333,332 common shares at a conversion price of \$0.75 with a combined carrying value of \$1,743,699.

On April 24, 2020, the Company and the debenture holders approved a new conversion price of \$0.105 per share.

On September 23, 2020, the Company and the debenture holders entered into a third supplemental indenture approving a new conversion price of \$0.05 per share and extended the maturity date of the loan from October 24, 2020, to April 24, 2021. The change was deemed to be a substantial modification of the financial liability and considered an extinguishment of the original liability. The new liability was measured at fair value using an effective interest rate of 19.05% on September 23, 2020, and a \$445,368 gain on extinguishment of loan was recorded.

On April 22, 2021, the Company and the debenture holders entered into a fourth supplemental indenture and extended the maturity date of the loan to April 24, 2021. The change was deemed to be a substantial modification of the financial liability and considered an extinguishment of the original liability. The new liability was measured at fair value using an effective interest rate of 19.61% on April 22, 2021, and a \$348,693 gain on extinguishment of loan was recorded. The Company also incurred \$3,823 legal fees which was recorded as a reduction to the liability.

During the three and nine months ended November 30, 2021, the Company incurred interest expense of \$35,389 and \$111,889 respectively, (three and nine months ended November 30, 2020 - \$96,258 and \$358,013) and accretion expense of \$76,500 and \$238,249 respectively (three and nine months November 30, 2020 - \$192,762 and \$912,374).

During the period ended November 30, 2021, \$250,000 of convertible debentures were converted to 4,166,666 common shares at a conversion price of \$0.06 with a combined carrying value of \$209,479. In addition, \$6,717 of convertible debenture reserves were transferred to share capital as part of the conversion. The Company also settled outstanding interest payable of \$79,133 by issuing 1,273,208 common shares with a settlement price of \$0.06 to \$0.09 per share. As certain interest settlements occurred when the market share price was either higher or lower than the settlement price, the Company recognized a gain on extinguishment of interest of \$2,208.

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(Unaudited – Expressed in Canadian Dollars)

15. Convertible loans payable (continued)

- (ii) On January 28, 2020, the Company secured a \$1,000,000 private loan with Infusion Biosciences Inc., a related company where one of the shareholders is an officer of the Company. The loan carries an interest rate of 10% per annum accruing and compounding monthly, payable on or before October 24, 2020. The loan is evidenced by a secured convertible debenture (the "Convertible Debenture") that provides the lender with the right to convert the principal of the loan into units of the Company (the "Units") at a conversion price of \$0.19 per Unit, subject to adjustment in accordance with the terms of the Convertible Debenture. Each Unit will consist of one common share in the capital of the Company (a "Common Share") and one Common Share purchase warrant (a "Warrant"), with each Warrant entitling the Lender to acquire one Common Share at an exercise price equal to \$0.20 for a period of two years from date of issuance. Total proceeds of the Convertible Debenture, net of transaction costs was \$947,207.

The Company measured the hybrid instrument at \$1,519,164, with \$819,287 assigned to the liability component of the Convertible Debenture calculated based on a discount rate of 21%, which is the estimate of the observable market rate for similar convertible debentures. The liability component is recorded at amortized cost using the effective interest rate of 26.45%.

The remaining \$699,877 was assigned to the equity component of the conversion feature of the Convertible Debenture using a variant of the Black-Scholes option pricing model. The value of Warrants is first calculated using the Black-Scholes option pricing model, which is then added into share price to calculate the value of Units using the same methodology.

The difference between proceeds received net of transaction costs and fair value of \$571,957 was recognized as deferred loss on convertible bridge loan financing, which shall be recognized over the life of the loan in the consolidated statements of loss and comprehensive loss. During the nine months ended November 30, 2021, the Company recognized a loss on convertible bridge loan financing of nil (November 30, 2020 – \$189,964).

On August 27, 2020, an amendment was entered between the Company and Infusion Biosciences Inc. in which the interest rate was increased to 15% and conversion price was decreased to \$0.07 per Unit. The changes were deemed not to represent a substantial modification of the original financial liability.

On October 22, 2020, a second amendment was entered between the Company and Infusion Biosciences Inc. in which the maturity date of the loan was extended from October 24, 2020, to April 24, 2021. The change was deemed to be a substantial modification of the financial liability and considered an extinguishment of the original liability. The new liability was measured at fair value using an effective interest rate of 17.00% on October 22, 2020, and a \$81,238 gain on extinguishment of loan was recorded.

On April 24, 2021, a third amendment was entered between the Company and Infusion Biosciences Inc. in which the maturity date of the loan was extended to April 24, 2021. The change was deemed to be a substantial modification of the financial liability and considered an extinguishment of the original liability. The new liability was measured at fair value using an effective interest rate of 17.31% on April 24, 2021, and a \$154,933 gain on extinguishment of loan was recorded.

For the three and nine months ended November 30, 2021, the Company incurred interest expense of \$46,924 and \$136,158 respectively (three and nine months ended November 30, 2020 – \$40,830 and \$93,037) and recorded accretion expense of \$39,271 and \$116,981 respectively (three and nine months ended November 30, 2020 – \$52,496 and \$169,797).

- (iii) On May 5, 2021, the Company entered into a secured convertible debenture to the existing \$855,000 related party loan (Note 14(b)). The loan carries an interest of 15% per annum accruing and compounding monthly, payable on April 24, 2022. The loan is evidenced by a secured convertible debenture (the "Convertible Debenture") that provides the lender with the right to convert the principal and interest of the loan into units of the Company (the "Units") at a conversion price of \$0.07 per Unit, subject to adjustment in accordance with the terms of the Convertible Debenture. Each Unit will consist of one common share in the capital of the Company (a "Common Share") and one Common Share purchase warrant (a "Warrant"), with each Warrant entitling the Lender to acquire one Common Share at an exercise price equal to \$0.08 for a period of two years from date of issuance.

The Company measured the hybrid instrument at \$1,370,733, with \$708,672 assigned to the liability component and amortized cost using the effective interest rate of 19.52%. The remaining \$662,061 was assigned to the equity component of the conversion feature of the Convertible Debenture using a variant of the Black-Scholes option pricing model. The value of Warrants is first calculated using the Black-Scholes

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option pricing model, which is then added into share price to calculate the value of the Units using the same methodology.

The value of the Warrants was based on the following assumptions:

Share price	\$0.06
Exercise price	\$0.08
Annualized volatility	105.67%
Risk-free interest rate	0.49%
Dividend yield	0.00%
Expected life	2.97 Years

The value of the Units was based on the following assumptions:

Share price	\$0.10
Exercise price	\$0.07
Annualized volatility	105.67%
Risk-free interest rate	0.49%
Dividend yield	0.00%
Expected life	0.97 Years

The Company also recognized \$662,061 a deferred loss, which shall be recognized over the life of the loan in the consolidated statements of loss and comprehensive loss. For the three and nine months ended November 30, 2021, the Company recognized a loss on convertible related party loan of \$170,191 and \$390,878 respectively (three and nine months ended November 30, 2020 – nil and nil).

During the three and nine months ended November 30, 2021, the Company incurred interest of \$39,408 and \$89,339 (November 30, 2020 – nil and nil) and recorded accretion expense of \$37,382 and \$82,603 respectively (three and nine months ended November 30, 2020 – nil and nil).

16. Share Capital

(a) Authorized

Unlimited number of common shares without par value

(b) Escrow Shares

Pursuant to an escrow agreement dated July 6, 2018, 36,255,898 common shares of the Company were deposited into escrow with respect to the reverse acquisition. Under the escrow agreement, 10% of the escrowed common shares were released on November 6, 2018, and 15% will be subsequently released every 6 months thereafter over a period of 36 months. As of November 30, 2021, 5,385,885 shares were held in escrow.

(c) Issued and outstanding

Transactions for the period ended November 30, 2021

On March 15, 2021, the Company issued 11,050,000 common shares as part of the first tranche of private placement for proceeds of \$552,500. The Company also issued 497,250 common shares as finder's fee (Note 4).

On April 15, 2021, the Company issued 15,916,037 common shares as part of the second and final tranche of private placement for proceeds of \$795,802. The Company also issued 450,000 common shares as finder's fee (Note 4).

On May 17, 2021, 50,965 options (November 30, 2020 – nil) were exercised for gross proceeds of \$250. Non-cash compensation of \$10,297 was reclassified from reserves to share capital on exercise of these options.

On September 15, 2021, the Company settled the outstanding loan of \$45,448 by issuing 908,968 Sproutly Canada common shares (Note 14(f)).

Sproutly Canada Inc.

Notes to the Condensed Interim Consolidated Financial Statements

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(Unaudited – Expressed in Canadian Dollars)

16. Share Capital (continued)

On September 15, 2021, the Company issued 2,000,000 common shares at \$0.05 per share as compensation for receiving third-party consulting services.

During the period ended November 30, 2021, \$250,000 of convertible debentures and \$79,133 of interest payables were converted to 4,166,666 and 1,273,208 common shares of the Company respectively (Note 15(i)).

Transactions for the period ended November 30, 2020

On August 24, 2020 the Company settled the outstanding loan of \$150,000 and interest of \$41,466 by issuing 1,800,000 Sproutly Canada common shares (Note 14(a)).

On August 24, 2020, the Company issued 1,500,000 shares as part of a \$105,000 non-brokered private placement (Note 14(e)).

On September 14, 2020, the Company issued 2,604,867 shares to settle \$182,341 of payroll indebtedness owed to certain current and former employees for past services.

On October 1, 2020, the Company issued 1,386,000 shares at \$0.05 per share to settle \$69,300 of accounts payable to an arm-lengths creditor for past services rendered.

During the period ended November 30, 2020, \$4,150,000 of convertible debentures were converted to 47,659,521 common shares of the Company.

During the period ended November 30, 2020, the Company settled outstanding interest payables of \$320,745 by issuing 5,855,115 common shares of the Company.

As at November 30, 2021, there were 363,223,915 (November 30, 2020 – 288,756,749) issued and fully paid common shares.

(c) Share purchase warrants

Each whole warrant entitles the holder to purchase one common share of the Company. A summary of the status of warrants outstanding follows:

	Warrants #	Weighted Average Exercise Price \$
Balance, February 28, 2021	1,500,000	\$0.08
Issued	27,913,287	\$0.07
Balance, November 30, 2021	29,413,287	\$0.07

	Warrants #	Weighted Average Exercise Price \$
Balance, February 29, 2020	14,076,138	\$0.87
Issued	1,500,000	\$0.08
Expired	(14,076,138)	\$0.87
Balance, February 28, 2021	1,500,000	\$0.08

The following table summarizes the warrants that remain outstanding as at November 30, 2021:

Exercise Price (\$)	Warrants Outstanding (#)	Weighted Average Remaining Contractual Life (years)	Expiry Date
0.08	1,500,000	0.73	August 24, 2022
0.07	11,547,250	1.29	March 15, 2023
0.07	16,366,037	1.38	April 15, 2023
0.07	29,413,287	1.31	

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16. Share Capital (continued)

The following table summarizes the warrants that remain outstanding as at November 30, 2020:

Exercise Price (\$)	Warrants Outstanding (#)	Weighted Average Remaining Contractual Life (years)	Expiry Date
0.08	1,500,000	1.73	August 24, 2022

The fair value of warrants issued during the period was determined using the following weighted average assumptions at the time of grant using the Black-Scholes option pricing model:

	2021	2020
Share price at date of issuance (per share)	Nil – 100% value assigned to common shares as part of private placement (Note 4)	No warrants were issued
Volatility		
Expected life		
Risk-free rate		

(d) Share purchase warrants (continued)

Volatility was estimated by using the historical volatility of the Company's common shares. The expected life in years represents the period of time that warrants issued are expected to be outstanding. The risk-free rate is based on Canada government bonds with a remaining term equal to the expected life of the options.

(e) Equity Special Warrant Units

As part of the Special Warrants Bought Deal Financing, each Equity Special Warrant Units when exercised entitles the holder of one-half common share purchase warrants with an exercise price of \$0.90 per share, expiring on October 24, 2020. The Company has recognized value of nil in warrant reserves related to the share purchase warrants. On December 27, 2018, 15,400,000 of Equity Special Warrant Units were exercised and 7,700,000 of share purchase warrants were issued. During the three and nine months ended November 30, 2021, nil (November 30, 2020 – nil) warrants were exercised. As at October 24, 2020, the remaining 6,303,948 share purchase warrants had expired.

For the issuance of Equity Special Warrant Units, the Company has granted brokers 1,078,000 Broker Equity Special Warrants. Each Broker Equity Warrants entitles the holder to purchase a Broker Equity Unit at an exercise price of \$0.65 per unit, expiring on October 24, 2020. Each Broker Equity Unit when exercised, converts to one common share and one-half of one common share purchase warrant with an exercise price of \$0.90 per share, expiring on October 24, 2020. The Company has recognized \$108,930 in warrant reserves related to the share purchase warrants. For the three and nine months ended November 30, 2021, there were no Broker Equity Units exercised (November 30, 2020 – nil) and the remaining 1,057,753 units expired as at October 24, 2020.

(f) Convertible bridge loan units

As part of the Convertible Bridge Loan Financing (Note 15(ii)), the principal of the loan can be converted to Units of the Company at an exercise price of \$0.07 per Unit. Each unit will consist of one common share in the capital of the Company (a "Common Share") and one Common Share purchase warrant (a "Warrant"), with each Warrant entitling the lender to acquire one Common Share at an exercise price equal to \$0.20 for a period of two years from date of issuance. During the nine months ended November 30, 2021, nil Units were exercised (November 30, 2020 – nil).

(g) August 24, 2020 Private Placement

As part of the non-brokered private placement (Note 14(e)), the Company issued 1,500,000 warrants as part of the 1,500,000 Private Equity Units. Each warrant has an exercise price of \$0.08 per share, expiring on August 24, 2022. The Company recognized value of nil in warrant reserves related to the share purchase warrants. During the nine months ended November 30, 2021, nil warrants were exercised (November 30, 2020 – nil).

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16. Share Capital (continued)

(h) March 15, 2021 and April 15, 2021 Private Placement

As part of the private placement on March 15, 2021 and April 15, 2021 (Note 4), the Company issued 11,547,250 and 16,366,037 warrants respectively, with an exercise price of \$0.07 per share, expiring two years from the date of issuance. The Company recognized value of nil in warrant reserves related to the share purchase warrants. During the nine months ended November 30, 2021, nil warrants were exercised (November 30, 2020 – nil).

17. Share-based compensation

The Company grants incentive stock options as permitted pursuant to the Company's Stock Option Plan (the "Plan") approved by the shareholders which complies with the rules and policies of the Canadian Securities Exchange. Under the Plan, the aggregate number of common shares which may be subject to option at any time may not exceed 10% of the issued common shares of the Company as of that date including options granted prior to the adoption of the Plan. Options granted may not exceed a term of 10 years, and the term will be reduced to one year following the date of death of the Optionee. If the Optionee ceases to be qualified to receive options from the Company those options shall immediately expire. All options vest when granted unless otherwise specified by the Board of Directors. Options granted to persons providing investor relations activities to the Company must vest in stages over at least one-year period and no more than one-quarter of such options may be vested in any three month period.

	Stock Options #	Weighted Average Exercise Price \$
Balance, February 28, 2021	17,970,104	\$0.19
Granted	2,730,000	\$0.06
Exercised	(50,965)	\$0.01
Expired	(400,00)	\$0.10
Forfeited	(845,000)	\$0.23
Balance, November 30, 2021	19,804,139	\$0.16

During the nine months ended November 30, 2021, the Company granted 2,730,000 stock options (November 30, 2020 – 7,650,000) with a fair value of \$91,138 (November 30, 2020 - \$394,546). Of the 2,730,000 stock options granted, 330,000 were granted to consultants and vested immediately and 1,400,000 were with a vesting period of one-seventh every first of the month beginning on June 1, 2021. The remaining 1,000,000 stock options were granted to employees with a vesting period of one-sixth every six months. The weighted average exercise price of grants during the period was \$0.06.

For the nine months ended November 30, 2021, 845,000 stock options were forfeited due to termination of an employee (November 30, 2020 – 5,739,703).

During the nine months ended November 30, 2021, 50,965 stock options (November 30, 2020 – nil) were exercised for proceeds of \$250 (November 30, 2020 - nil). The weighted average share price at the dates the options were exercised during the period ended November 30, 2021, was \$0.07 per share.

	Stock Options #	Weighted Average Exercise Price \$
Balance, February 28, 2020	15,589,807	\$0.34
Granted	7,650,000	\$0.09
Forfeited	(5,739,703)	\$0.45
Exercised	(150,000)	\$0.10
Balance, November 30, 2020	17,350,104	\$0.19

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17. Share-based compensation (continued)

The following table summarizes the stock options that remain outstanding as at November 30, 2021:

Exercise Price (\$)	Options Outstanding (#)	Expiry Date	Options Exercisable (#)
0.01	1,014,687	March 25, 2027	1,014,687
0.01	1,927,906	March 25, 2027	1,927,906
0.25	3,906,546	March 25, 2027	3,906,546
0.25	1,300,000	July 6, 2028	1,300,000
0.60	275,000	July 6, 2028	275,000
0.67	800,000	August 1, 2028	800,000
0.62	265,000	November 6, 2028	265,000
0.44	200,000	December 11, 2023	166,666
0.60	375,000	December 11, 2023	312,500
0.41	30,000	March 6, 2024	30,000
0.27	30,000	November 5, 2024	30,000
0.10	1,850,000	March 17, 2025	1,850,000
0.10	1,850,000	March 17, 2025	1,074,999
0.06	900,000	October 26, 2025	900,000
0.06	1,350,000	October 26, 2025	450,000
0.05	600,000	February 4, 2026	103,338
0.06	1,700,000	May 6, 2026	1,500,000
0.06	500,000	May 6, 2026	83,334
0.05	30,000	February 4, 2026	30,000
0.05	500,000	September 27, 2026	-
	19,404,139		16,019,976

For the three and nine months ended November 30, 2021, the Company incurred \$8,986 and \$63,847 (three and nine months ended November 30, 2020 - \$24,211 and \$40,915) of expenses respectively for options granted and vested to consultants for services.

The following table summarizes the stock options that remain outstanding as at November 30, 2020:

Exercise Price (\$)	Options Outstanding (#)	Expiry Date	Options Exercisable (#)
0.01	1,014,687	March 25, 2027	1,014,687
0.01	1,927,906	March 25, 2027	1,302,181
0.01	50,965	April 18, 2027	50,965
0.25	3,906,546	March 25, 2027	3,255,454
0.25	1,300,000	July 6, 2028	866,668
0.60	275,000	July 6, 2028	183,336
0.67	800,000	August 1, 2028	533,332
0.62	265,000	November 6, 2028	176,664
0.44	525,000	December 11, 2023	262,498
0.60	375,000	December 11, 2023	187,500
0.41	30,000	March 6, 2024	30,000
0.27	30,000	November 5, 2024	30,000
0.10	2,250,000	March 17, 2025	2,250,000
0.10	2,350,000	March 17, 2025	558,333
0.06	900,000	October 26, 2025	900,000
0.06	1,350,000	October 26, 2025	-
	17,350,104		11,601,618

The fair value of stock options granted during the period was determined using the following weighted average assumptions at the time of grant using the Black-Scholes option pricing model:

	2021	2020
Share price at grant date (per share)	\$0.05-\$0.06	\$0.10
Volatility	100.00%	88.68%
Expected life	3.5 years	2.75 years
Dividend yield	0%	0%
Risk-free rate	0.87%-1.11%	0.78%

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17. Share-based compensation (continued)

Volatility was estimated by using the historical volatility of the Company's common shares. The expected life in years represents the period of time that options granted are expected to be outstanding. The risk-free rate is based on Canada government bonds with a remaining term equal to the expected life of the options.

18. Related party transactions

(a) Compensation of key management personnel

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of members of the Company's Board of Directors and corporate officers.

The remuneration of key management personnel during the period ended November 30, 2021, are as follows:

	Three months ended November 30,		Nine months ended November 30,	
	2021	2020	2021	2020
Management compensation ⁽ⁱ⁾⁽ⁱⁱ⁾	\$ 50,200	\$ 68,790	\$ 173,228	\$ 276,168
Share-based payments ⁽ⁱⁱⁱ⁾	6,540	56,499	6,590	324,652
	56,740	125,289	179,818	600,820

(i) Management compensation consisted of salaries for the Chief Executive Officer, Chief Financial Officer, Chief Science Officer and Chief Commercial Officer.

(ii) As of November 30, 2021, the Company owed \$270,821 to key management personnel and directors recorded in accounts payable and accrued liabilities.

(iii) Share-based payments are the fair value of options granted and vested to key management personnel and directors of the Company under the Company's stock option plan (Note 17). For the period ended November 30, 2021, a recovery of \$33,157 was recorded due to forfeiture of unvested stock options of a terminated executive officer.

(b) Related party loan

The Company entered into an \$855,000 secured loan agreement from Infusion Biosciences Inc., a company partially owned by the current Chief Executive Officer (Note 14(b) and Note 15(iii)).

(c) Convertible bridge loan

On January 28, 2020, the Company secured a private loan with Infusion Biosciences Inc. for \$1,000,000 (Note 15(ii)).

(d) Non-interest bearing loan with BNO Holdings Ltd.

On February 10, 2021, the Company received a related party loan from BNO Holdings Ltd., a company partially owned by the current Chief Executive Officer for \$150,000. The loan is unsecured, bears no interest and is due on demand (Note 14(c)). The amount was fully repaid on April 1, 2021.

(e) Private placement

As part of the April 15, 2021, second and final tranche of the private placement for gross proceeds of \$795,802 (Note 4), Dr. Arup Sen, Chief Executive Officer and Director of the Company, purchased 3,000,000 Units through a company controlled by Dr. Sen.

Sproutly Canada Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended November 30, 2021 and November 30, 2020

(Unaudited – Expressed in Canadian Dollars)

18. Related party transactions (continued)

- (f) Related party short-term loan

For the nine months ended November 30, 2021, the Company received an unsecured and interest-free loan of \$161,728 from a company owned by the Company's Chief Executive Officer that is due on demand (Note 14(i)).

19. General and administration

	Three months ended November 30,		Nine months ended November 30	
	2021	2020	2021	2020
	\$	\$	\$	\$
Professional fees	124,755	49,729	357,823	308,588
Office and administration	115,811	172,525	414,320	489,428
Wages	225,631	205,319	627,972	530,695
Investor relations	100,930	3,440	126,075	54,954
	567,127	431,013	1,526,190	1,383,665

20. Finance and other costs

	Three months ended November 30,		Nine months ended November 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Accretion expense	164,200	468,217	696,961	1,581,915
Financing fees	-	-	47,363	-
Bank charges	2,369	893	3,983	3,525
Interest expense	210,228	247,813	613,729	777,496
	376,797	716,923	1,362,036	2,362,936

21. Financial instruments and risk management

- (a) Fair values of financial instruments

Fair value measurements and disclosures use the following hierarchy definitions in determining its classifications:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 - Inputs other than quoted prices included with Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)

Level 3 - Inputs for the asset or liability that are not based on observable market data (that is unobservable inputs)

When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability. As at November 30, 2021, cash, trade receivables, accounts payable and accrued liabilities, on-demand loans approximate their fair value due to their short-term nature. The initial fair value of the Company's loans and borrowings as well as convertible loans payable have been measured using Level 3 valuation methods and are classified at amortized costs and accounted for using the effective interest rate method.

Sproutly Canada Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended November 30, 2021 and November 30, 2020

(Unaudited – Expressed in Canadian Dollars)

21. Financial instruments and risk management (continued)

The carrying values of financial instruments as at November 30, 2021, are summarized in the following table:

	Amortized Costs	FVTPL	Total
Financial assets			
Cash	\$ 75,906	-	\$75,906
Receivables	81,466	-	81,466
Financial liabilities			
Accounts payable and accrued liabilities	2,627,703	-	2,627,703
Loans and borrowings	3,646,483	-	3,646,483
Convertible loans payable	3,344,492	-	3,344,492

The carrying values of financial instruments as at February 28, 2021, are summarized in the following table:

	Amortized Costs	FVTPL	Total
Financial assets			
Cash	\$ 171,818	-	\$171,818
Receivables	94,864	-	94,864
Financial liabilities			
Accounts payable and accrued liabilities	2,649,765	-	2,649,765
Loans and borrowings	4,110,805	-	4,110,805
Convertible loans payable	2,917,955	-	2,917,955

(b) Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. Receivables are comprised of 43% GST and HST. The Company has assessed its expected credit loss in accordance to IFRS 9 and management determined ECL to be nominal due to the type of receivables.

(c) Concentration risk

Excluding GST and HST receivables, the Company's trades receivables are primarily due from six provincial government agencies representing 100% (February 28, 2021 – 100%) of total revenue for the three and nine months ended November 30, 2021.

(d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its holdings of cash and financing opportunities.

Since incorporation, the Company's primary source of funding has been through debt and equity. The Company's access to financing is always uncertain. As at November 30, 2021, the Company had current assets of \$1,010,535 to settle current liabilities of \$9,485,861.

The Company has the following undiscounted loan obligations as at November 30, 2021, which are expected to be payable in the following respective periods:

	\$
Less than 1 year	7,016,728
1 to 3 years	370,000
	<u>7,386,728</u>

Subsequent to the period ended November 30, 2021, the Company is closely monitoring its risks to its operations due to the outbreak of COVID-19. Factors that could impact production, prices or demand of its products that can materially impact cash the Company's cash flow from operations, which could result in a cash shortfall and/or default in financial obligations.

Sproutly Canada Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended November 30, 2021 and November 30, 2020

(Unaudited – Expressed in Canadian Dollars)

21. Financial instruments and risk management (continued)

(e) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Currently the Company does not charge or is charged floating interest rates on its loans receivable, payables or other instruments.

22. Capital management

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of the components of equity.

The Company manages its capital structure and adjusts it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances. The Company is not subject to externally imposed capital requirements.

23. Commitments

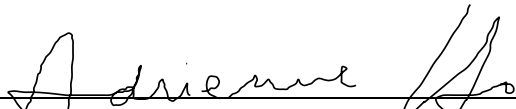
On January 1, 2021, the Company entered into a one year building lease agreement for monthly payments of \$1,000 expiring on December 31, 2021. Future lease payments of the remaining lease are \$1,000.

In accordance with the simplified transition approach and practical expedients applied, the Company elected not to recognize right-of-use assets and lease liabilities for short-term leases for this lease.

24. Subsequent events

On December 31, 2021, the Company, pursuant to a convertible debenture indenture dated October 24, 2018 between the Company and TSX Trust Company, as trustee, which has been amended pursuant to a first supplemental indenture dated April 24, 2020, a second supplemental indenture dated July 23, 2020, a third supplemental indenture dated September 23, 2020 and a fourth supplemental indenture dated April 22, 2021 (collectively, the "Indenture"), the Company settled accrued and unpaid interest ("Interest") under the Indenture in the amount of \$70,000 through the issuance of 1,400,000 common shares in the capital of the Company (the "Settlement Shares") at a price of \$0.05 per Settlement Share.

This is Exhibit “H” referred to in the Affidavit of Craig Loverock sworn by Craig Loverock located in the City of Newmarket, in the Regional Municipality of York, in the Province of Ontario, before me at the City of Toronto, in the Province of Ontario, this 22nd day of June, 2022 in accordance with *O.Reg. 431/20, Administering Oath or Declaration Remotely*.



A Commissioner for taking affidavits

ADRIENNE HO

RELEASE OF INDEBTEDNESS AND SECURITY INTEREST

TO: Hydrx Farms Ltd. (the "**Purchaser**")
AND TO: Toronto Herbal Remedies Inc. ("**Seller**")
AND TO: 2777234 Ontario Ltd. ("**277**")
FROM: Jane Bailey (the "**Lender**")
RE: Bill of Sale and General Conveyance dated April 20, 2022

WHEREAS 277, the Seller, and the Lender entered into a Loan and Investment Agreement, dated August 13, 2021 (the "**Agreement**") whereby the Lender agreed to loan monies to 277 and the Seller;

AND WHEREAS further to the Agreement, the Lender and Collen Ferragine will receive certain royalties (the "**Royalties**");

AND WHEREAS as security for the obligations under the Agreement, the Seller granted to the Lender a security interest in certain of its personal property (the "**Security Interest**") as set out in the Security Agreement dated August 13, 2021 (the "**Security**").

AND WHEREAS the Lender made the following registration against the Seller (the "**Registration**");

ONTARIO PPSA REGISTRATION:

<u>Registration Number:</u>	20211119 1036 1590 5184
<u>Registration Date:</u>	November 19, 2021
<u>File No.:</u>	778362111
<u>General Collateral Description:</u>	none provided
<u>Collateral Classification:</u>	Inventory, Equipment

AND WHEREAS 277 and the Seller are indebted to Lender for, amongst other things, (i) their respective obligations pursuant to the Agreement, (ii) obligations to pay Royalties and (iii) any interest on all of 277 and the Seller's obligations to the Lender (collectively, the "**Indebtedness**").

AND WHEREAS as a result of the Seller agreeing to pay certain proceeds to the Lender, the Lender has agreed to release the Seller and 277 from (i) the Indebtedness, (ii) the Security Interest and (iii) the Registration.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby irrevocably acknowledged, the Lender hereby agrees to the following:

1. Upon payment to the Lender by the Seller of \$250,000, the Lender does hereby:

- a. irrevocably releases any and all debts, obligations and liabilities owing by the Seller and 277 to the Lender as of the date hereof, including without limitation the Indebtedness; and
 - b. irrevocably releases and forever discharges any right, claim, lien or security interest, including without limitation, the Security Interest, in any of the property, assets or undertaking of the Seller and 277; and
 - c. undertakes to promptly register any discharges under the *Personal Property Security Act* registration system to evidence such discharge and release by the Lender granted herein, including without limitation, to discharging the Registration.
2. The Lender shall, at the request of either the Seller or 277, execute and deliver such additional evidence or assurances as may be reasonably required to effectively implement the release and discharge granted by the Lender in this Release of Indebtedness and Security Interest and to carry out the intent of this Release of Indebtedness and Security Interest. The Lender represents and warrants that it has not assigned, pledged, or gifted to any entity, person, partnership, limited partnership, corporation or trust any of the matters which the Lender releases by this Release of Indebtedness and Security Interest, and, accordingly, is the appropriate party to provide this Release of Indebtedness and Security Interest.
3. This Release of Indebtedness and Security Interest may be relied upon by the Seller, 277, the Purchaser, and their successors and assigns.

WITNESS SIGNATURE

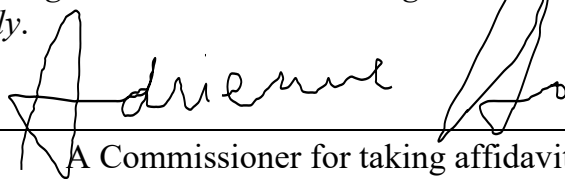
JANE BAILEY

Print Name and Address

124 ABBEY LANE
HARTINGTON, ONTARIO
K0H 1W0

JANE BAILEY

This is Exhibit "I" referred to in the Affidavit of Craig Loverock sworn by Craig Loverock located in the City of Newmarket, in the Regional Municipality of York, in the Province of Ontario, before me at the City of Toronto, in the Province of Ontario, this 44th day of June, 2022 in accordance with *O.Reg. 431/20, Administering Oath or Declaration Remotely*.



A handwritten signature in black ink, appearing to read "Adrienne Ho", is written over a horizontal line. The signature is fluid and cursive.

A Commissioner for taking affidavits

ADRIENNE HO

SUBORDINATION AGREEMENT

THIS AGREEMENT (the “**Agreement**”) is made as of the 22nd day of June 2022 by and between Infusion Biosciences Inc. (“**Infusion**”) and 0982244 BC Ltd o/a Isle of Mann Property Group (“**IOM**”).

WHEREAS:

- A. Toronto Herbal Remedies Inc. (the “**Debtor**”) is indebted to Infusion and in connection therewith has entered into a security agreement with Infusion, in respect of which a financing statement is registered under the Ontario *Personal Property Security Act* (the “**PPSA**”) (which security agreement and any other security now or hereafter created and as it exists from time to time is hereinafter collectively called the “**Infusion Security**”).
- B. The Debtor is indebted to IOM and in connection therewith has entered into a security agreement with IOM, in respect of which a financing statement is registered under the PPSA (which security agreement and any other security now or hereafter created and as it exists from time to time is hereinafter collectively called the “**IOM Security**”).
- C. The Debtor is contemplating initiating proceedings under the *Companies’ Creditors Arrangement Act* (“**CCAA Proceedings**”) for the express purpose of marketing its assets, properties and undertakings for sale (the “**Sale Process**”) and has requested the support for the same from each of Infusion and IOM.
- D. Infusion is supportive of the CCAA Proceedings and wants to see the Debtor initiate the same and implement the Sale Process.
- E. IOM has agreed to support the CCAA Proceedings, and the parties hereto have agreed on certain priorities between them, subject to the terms and conditions hereof.

NOW THEREFORE in consideration of IOM supporting the CCAA proceedings, the mutual terms and conditions herein contained, and other good and valuable consideration (the receipt and sufficiency of which is hereby acknowledged by the parties hereto), the parties hereto agree as follows:

- 1. The recitals hereto are true and correct.
- 2. Infusion hereby postpones and subordinates the Infusion Security in all respects to and in favour of the IOM Security, and acknowledges and agrees that the IOM Security ranks and will continue to rank in priority to the Infusion Security in respect of all of the assets, properties and undertakings of the Debtor covered by the IOM Security.
- 3. The priorities herein expressed will have effect regardless of the order of perfection or attachment of the IOM Security or the Infusion Security and regardless of the order of crystallization of any floating charge contained in the Infusion Security and regardless of the order of registration of any security documents by IOM or Infusion.
- 4. Nothing contained in the said Agreement shall in any way prejudice or diminish or otherwise affect the respective rights of IOM and Infusion against the Debtor or prejudice, diminish or otherwise affect in any manner whatsoever the respective rights of IOM and Infusion against third parties, nor shall any third party be entitled to, or to claim the benefit of, this Agreement or of any subordination or priority provided for herein, and nothing herein shall be construed as conferring any rights upon any person not a party to this Agreement.

5. Each of the parties hereto will do, perform, execute and deliver all acts, deeds and documents as may be necessary from time to time to give full force and effect to the intent of this Agreement.
6. Each of the parties hereto agree to give to the other at least ten (10) business days prior notice of its intention to exercise its rights under their security as applicable, provided the foregoing shall not be construed as limiting the rights of either party hereto to demand payment pursuant to either of their loans, as the case may be, and to enforce the security, as applicable, at any time in its discretion and provided, however, that neither of the parties hereto shall be liable for any accidental omission to provide the said notice.
7. This Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective successors and assigns, provided that neither party will assign or transfer any or all of the security held or to be held by it or any of its rights thereunder relating to the assets, properties and undertakings of the Debtor unless and until the proposed assignee or transferee shall have delivered to the other parties hereto a written agreement to be bound by the provisions hereof to the same extent as the assignor.
8. Each of the parties hereto shall provide to the other from time to time upon request, full information and particulars as to the amounts owing by the Debtor, the performance by the Debtor of its obligations, the particulars of any security held from the Debtor and any other information which the party requesting the same deems material.
9. This Agreement shall be governed and construed in accordance with the laws of the Province of Ontario.
10. This Agreement, and any documents that may be required to be executed in connection herewith to consummate the transaction contemplated herein, may be executed counterparts, each of which so executed shall be deemed to be an original, and may be transmitted by e-mail, facsimile transmission or electronic transmission, and such counterparts together shall constitute and be deemed an original.

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

INFUSION BIOSCIENCES INC.


Per:

Name:
Title: Authorized Signing Officer

I have authority to bind the Company.

0982244 BC Ltd o/a ISLE OF MANN PROPERTY GROUP

Per:



Name: Luvdeep Randhawa
Title: Authorized Signing Officer

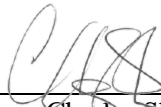
I have authority to bind the Company.

5. Each of the parties hereto will do, perform, execute and deliver all acts, deeds and documents as may be necessary from time to time to give full force and effect to the intent of this Agreement.
6. Each of the parties hereto agree to give to the other at least ten (10) business days prior notice of its intention to exercise its rights under their security as applicable, provided the foregoing shall not be construed as limiting the rights of either party hereto to demand payment pursuant to either of their loans, as the case may be, and to enforce the security, as applicable, at any time in its discretion and provided, however, that neither of the parties hereto shall be liable for any accidental omission to provide the said notice.
7. This Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective successors and assigns, provided that neither party will assign or transfer any or all of the security held or to be held by it or any of its rights thereunder relating to the assets, properties and undertakings of the Debtor unless and until the proposed assignee or transferee shall have delivered to the other parties hereto a written agreement to be bound by the provisions hereof to the same extent as the assignor.
8. Each of the parties hereto shall provide to the other from time to time upon request, full information and particulars as to the amounts owing by the Debtor, the performance by the Debtor of its obligations, the particulars of any security held from the Debtor and any other information which the party requesting the same deems material.
9. This Agreement shall be governed and construed in accordance with the laws of the Province of Ontario.
10. This Agreement, and any documents that may be required to be executed in connection herewith to consummate the transaction contemplated herein, may be executed counterparts, each of which so executed shall be deemed to be an original, and may be transmitted by e-mail, facsimile transmission or electronic transmission, and such counterparts together shall constitute and be deemed an original.

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

INFUSION BIOSCIENCES INC.

Per:



Name: Charles Shin

Title: Authorized Signing Officer

I have authority to bind the Company.

0982244 BC Ltd o/a ISLE OF MANN PROPERTY GROUP

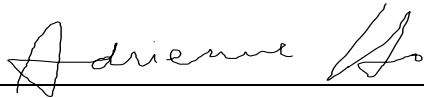
Per:

Name: Luvdeep Randhawa

Title: Authorized Signing Officer

I have authority to bind the Company.

This is Exhibit “J” referred to in the Affidavit of Craig Loverock sworn by Craig Loverock located in the City of Newmarket, in the Regional Municipality of York, in the Province of Ontario, before me at the City of Toronto, in the Province of Ontario, this 22nd day of June, 2022 in accordance with *O.Reg. 431/20, Administering Oath or Declaration Remotely*.

A handwritten signature in cursive script, appearing to read "Adrienne Ho".

A Commissioner for taking affidavits

ADRIENNE HO

RUN NUMBER : 168
RUN DATE : 2022/06/17
ID : 20220617164037.34

PROVINCE OF ONTARIO
MINISTRY OF GOVERNMENT SERVICES
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
ENQUIRY RESPONSE
CERTIFICATE

REPORT : PSSR060
PAGE : 1
(3620)

THIS IS TO CERTIFY THAT A SEARCH HAS BEEN MADE IN THE RECORDS OF THE CENTRAL OFFICE
OF THE PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM IN RESPECT OF THE FOLLOWING:

TYPE OF SEARCH : BUSINESS DEBTOR

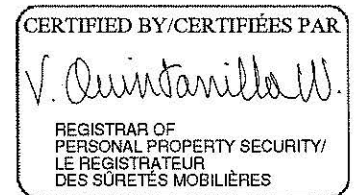
SEARCH CONDUCTED ON : SPROUTLY, INC.

FILE CURRENCY : 16JUN 2022

ENQUIRY NUMBER 20220617164037.34 CONTAINS 1 PAGE(S), 0 FAMILY(IES).

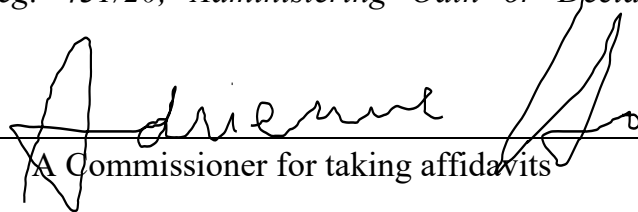
NO REGISTRATIONS ARE REPORTED IN THIS ENQUIRY RESPONSE.

THORNTON GROUT FINNIGAN LLP - ROXANA MANEA
3200-100 WELLINGTON STREET WEST
TORONTO ON M5K 1K7



(crj) 05/2022

This is Exhibit “K” referred to in the Affidavit of Craig Loverock sworn by Craig Loverock located in the City of Newmarket, in the Regional Municipality of York, in the Province of Ontario, before me at the City of Toronto, in the Province of Ontario, this 22nd day of June, 2022 in accordance with *O.Reg. 431/20, Administering Oath or Declaration Remotely*.



A handwritten signature in black ink, appearing to read "Adrienne Ho", is written over a horizontal line. The signature is fluid and cursive.

A Commissioner for taking affidavits

ADRIENNE HO

RUN NUMBER : 168
RUN DATE : 2022/06/17
ID : 20220617163358.19

PROVINCE OF ONTARIO
MINISTRY OF GOVERNMENT SERVICES
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
ENQUIRY RESPONSE
CERTIFICATE

REPORT : PSSR060
PAGE : 1
(3614)

THIS IS TO CERTIFY THAT A SEARCH HAS BEEN MADE IN THE RECORDS OF THE CENTRAL OFFICE
OF THE PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM IN RESPECT OF THE FOLLOWING:

TYPE OF SEARCH : BUSINESS DEBTOR

SEARCH CONDUCTED ON : TORONTO HERBAL REMEDIES INC.

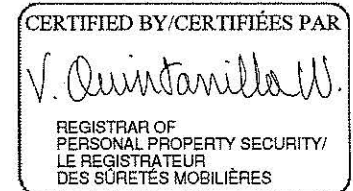
FILE CURRENCY : 16JUN 2022

ENQUIRY NUMBER 20220617163358.19 CONTAINS 6 PAGE(S), 4 FAMILY(IES).

THE SEARCH RESULTS MAY INDICATE THAT THERE ARE SOME REGISTRATIONS WHICH SET OUT A BUSINESS DEBTOR NAME
WHICH IS SIMILAR TO THE NAME IN WHICH YOUR ENQUIRY WAS MADE. IF YOU DETERMINE THAT THERE ARE OTHER
SIMILAR BUSINESS DEBTOR NAMES, YOU MAY REQUEST THAT ADDITIONAL ENQUIRIES BE MADE AGAINST THOSE NAMES.

THORNTON GROUT FINNIGAN LLP - ROXANA MANEA
3200-100 WELLINGTON STREET WEST
TORONTO ON M5K 1K7

CONTINUED... 2



(crj6 05/2022)

Ontario 

RUN NUMBER : 168
RUN DATE : 2022/06/17
ID : 20220617163358.19

PROVINCE OF ONTARIO
MINISTRY OF GOVERNMENT SERVICES
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
ENQUIRY RESPONSE
CERTIFICATE

REPORT : PSSR060
PAGE : 2
(3615)

TYPE OF SEARCH : BUSINESS DEBTOR
SEARCH CONDUCTED ON : TORONTO HERBAL REMEDIES INC.
FILE CURRENCY : 16JUN 2022

FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN

00 FILE NUMBER
784044585

CAUTION FILING	PAGE NO.	TOTAL OF PAGES	MOTOR VEHICLE SCHEDULE	REGISTRATION NUMBER	REGISTERED UNDER	REGISTRATION PERIOD
	001	1		20220616 1423 1590 7490	P PPSA	5

02 DEBTOR DATE OF BIRTH FIRST GIVEN NAME INITIAL SURNAME

03 NAME BUSINESS NAME TORONTO HERBAL REMEDIES INC.

04 ADDRESS 70 RALEIGH AVE. TORONTO ONTARIO CORPORATION NO. 1888934
ON M1K 1A3

05 DEBTOR DATE OF BIRTH FIRST GIVEN NAME INITIAL SURNAME

06 NAME BUSINESS NAME

07 ADDRESS

08 SECURED PARTY / LIEN CLAIMANT 0982244 B.C. LTD.

09 ADDRESS 304-15292 CROYDON DRIVE SURREY BC V3S 0Z5

COLLATERAL CLASSIFICATION

CONSUMER GOODS	INVENTORY	EQUIPMENT	ACCOUNTS OTHER	MOTOR VEHICLE INCLUDED	AMOUNT	DATE OF MATURITY OR	NO FIXED MATURITY DATE
X	X	X	X	X			

11 MOTOR YEAR MAKE MODEL V.I.N.

12 VEHICLE

13 GENERAL LATE RENEWAL OF FILE NO. 709490556, FINANCING STATEMENT NO. 20150831
14 COLLATERAL 1542 1590 2546 PURSUANT TO SECTION 30(6) OF THE PERSONAL PROPERTY
15 DESCRIPTION SECURITY ACT (ONTARIO).

16 REGISTERING LOOPSTRA NIXON LLP / REXLAW

17 AGENT ADDRESS 600-135 QUEENS PLATE DRIVE ETOBICOKE ON M9W 6V7

*** FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. ***

CONTINUED... 3

CERTIFIED BY/CERTIFIÉES PAR
V. Quintanilla W.
REGISTRAR OF
PERSONAL PROPERTY SECURITY/
LE REGISTRATEUR
DES SÛRETÉS MOBILIÈRES

(crj1fv 05/2022)



RUN NUMBER : 168
RUN DATE : 2022/06/17
ID : 20220617163358.19

PROVINCE OF ONTARIO
MINISTRY OF GOVERNMENT SERVICES
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
ENQUIRY RESPONSE
CERTIFICATE

REPORT : PSSR060
PAGE : 3
(3616)

TYPE OF SEARCH : BUSINESS DEBTOR
SEARCH CONDUCTED ON : TORONTO HERBAL REMEDIES INC.
FILE CURRENCY : 16JUN 2022

FORM 1C FINANCING STATEMENT / CLAIM FOR LTEN

FILE NUMBER
778362111

CAUTION FILING	PAGE NO.	TOTAL OF PAGES	MOTOR VEHICLE SCHEDULE	REGISTRATION NUMBER	REGISTERED UNDER	REGISTRATION PERIOD
	001	1		20211119 1036 1590 5184	P PPSA	3

DEBTOR NAME	DATE OF BIRTH	FIRST GIVEN NAME	INITIAL	SURNAME
-------------	---------------	------------------	---------	---------

02	DEBTOR NAME	BUSINESS NAME	TORONTO HERBAL REMEDIES INC.		ONTARIO CORPORATION NO.	1888934
03		ADDRESS	64-70 RALEIGH AVENUE	TORONTO	ON	M1K 1A3

DEBTOR NAME	DATE OF BIRTH	FIRST GIVEN NAME	INITIAL	SURNAME
-------------	---------------	------------------	---------	---------

05	DEBTOR NAME	BUSINESS NAME			ONTARIO CORPORATION NO.	
06		ADDRESS				

SECURED PARTY / LTEN CLAIMANT	DATE OF BIRTH	FIRST GIVEN NAME	INITIAL	SURNAME
-------------------------------	---------------	------------------	---------	---------

08	SECURED PARTY / LTEN CLAIMANT	JANE BAILEY				
09		ADDRESS	124 ABBEY LANE	HARTINGTON	ON	K0H 1W0

COLLATERAL CLASSIFICATION		MOTOR VEHICLE	AMOUNT	DATE OF MATURITY OR	NO. FIXED MATURITY DATE
CONSUMER GOODS	INVENTORY	EQUIPMENT	ACCOUNTS OTHER	INCLUDED	
	X		X		

MOTOR VEHICLE	YEAR MAKE	MODEL	V.I.N.
---------------	-----------	-------	--------

11	MOTOR VEHICLE		
----	---------------	--	--

13 GENERAL COLLATERAL DESCRIPTION

16	REGISTERING AGENT	CORSIANOS LEE				
17		ADDRESS	301-6 RONROSE DRIVE	VAUGHAN	ON	L4K 4R3

*** FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. ***

CONTINUED... 4

CERTIFIED BY/CERTIFIÉES PAR
V. Quintanilla W.
REGISTRAR OF PERSONAL PROPERTY SECURITY/
LE REGISTRATEUR DES SÛRETÉS MOBILIÈRES.

(crj/fv 05/2022)



RUN NUMBER : 168
RUN DATE : 2022/06/17
ID : 20220617163358.19

PROVINCE OF ONTARIO
MINISTRY OF GOVERNMENT SERVICES
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
ENQUIRY RESPONSE
CERTIFICATE

REPORT : PSSR060
PAGE : 4
(3617)

TYPE OF SEARCH : BUSINESS DEBTOR
SEARCH CONDUCTED ON : TORONTO HERBAL REMEDIES INC.
FILE CURRENCY : 16JUN 2022

FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN

FILE NUMBER
768919932

CAUTION FILING	PAGE NO. OF	TOTAL PAGES	MOTOR VEHICLE SCHEDULE	REGISTRATION NUMBER	REGISTERED UNDER	REGISTRATION PERIOD
	001	001		20201230 1818 1031 0702	P PPSA	05

DEBTOR NAME: BUSINESS NAME: TORONTO HERBAL REMEDIES INC.
DATE OF BIRTH: FIRST GIVEN NAME: INITIAL: SURNAME:

ADDRESS: 70 RALEIGH AVE STE 64 SCARBOROUGH ON M1K 1A3
ONTARIO CORPORATION NO.:

DEBTOR NAME: BUSINESS NAME:
DATE OF BIRTH: FIRST GIVEN NAME: INITIAL: SURNAME:

ADDRESS: ONTARIO CORPORATION NO.:

SECURED PARTY / LIEN CLAIMANT: HER MAJESTY IN RIGHT OF ONTARIO REPRESENTED BY THE MINISTER OF FINANCE
ADDRESS: 33 KING ST W, 6TH FLR OSHAWA ON L1H 8H5

COLLATERAL CLASSIFICATION					MOTOR VEHICLE	AMOUNT	DATE OF MATURITY	OR	NO. FIXED
CONSUMER GOODS	INVENTORY	EQUIPMENT	ACCOUNTS	OTHER	INCLUDED				MATURITY DATE
X	X	X	X	X		8603	30DEC2025		

YEAR MAKE: MODEL: V.I.N.:

GENERAL COLLATERAL DESCRIPTION:

REGISTERING AGENT: MINISTRY OF FINANCE, AM & COLLECTIONS BRANCH (EHT 828848044) T366/763
ADDRESS: 33 KING ST W, 6TH FLR OSHAWA ON L1H 8H5

*** FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. ***

CONTINUED... 5

CERTIFIED BY/CERTIFIÉES PAR
V. Quintanilla W.
REGISTRAR OF PERSONAL PROPERTY SECURITY/
LE REGISTREUR DES SÛRETÉS MOBILIÈRES

(crj1tv 05/2022)



RUN NUMBER : 168
RUN DATE : 2022/06/17
ID : 20220617163358.19

PROVINCE OF ONTARIO
MINISTRY OF GOVERNMENT SERVICES
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
ENQUIRY RESPONSE
CERTIFICATE

REPORT : PSSR060
PAGE : 5
(3618)

TYPE OF SEARCH : BUSINESS DEBTOR
SEARCH CONDUCTED ON : TORONTO HERBAL REMEDIES INC.
FILE CURRENCY : 16JUN 2022

FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN

00 FILE NUMBER
759882717

01 CAUTION PAGE TOTAL MOTOR VEHICLE REGISTRATION REGISTERED REGISTRATION
FILING NO. OF PAGES SCHEDULE NUMBER UNDER PERIOD
001 001 20200205 1105 1862 8027 P PPSA 5

02 DEBTOR DATE OF BIRTH FIRST GIVEN NAME INITIAL SURNAME
03 NAME BUSINESS NAME TORONTO HERBAL REMEDIES INC.

04 ADDRESS 64-70 RALEIGH AVENUE TORONTO ONTARIO CORPORATION NO.
ON MIK 1A3

05 DEBTOR DATE OF BIRTH FIRST GIVEN NAME INITIAL SURNAME
06 NAME BUSINESS NAME

07 ADDRESS ONTARIO CORPORATION NO.

08 SECURED PARTY / INFUSION BIOSCIENCES INC.
09 LIEN CLAIMANT

ADDRESS 181 BAY STREET, SUITE 1030 TORONTO ON M5J 2T3

10 COLLATERAL CLASSIFICATION CONSUMER MOTOR VEHICLE AMOUNT DATE OF NO FIXED
GOODS INVENTORY EQUIPMENT ACCOUNTS OTHER INCLUDED MATURITY OR MATURITY DATE
X X X X

11 MOTOR YEAR MAKE MODEL V.I.N.
12 VEHICLE

13 GENERAL GENERAL SECURITY AGREEMENT WITH RESPECT TO 64 RALEIGH AVENUE, TORONTO

14 COLLATERAL
15 DESCRIPTION

16 REGISTERING DALE & LESSMANN LLP (J. MOHER)
17 AGENT ADDRESS 181 UNIVERSITY AVENUE, SUITE 2100 TORONTO ON M5H 3M7

*** FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. ***

CONTINUED... 6

CERTIFIED BY/CERTIFIÉES PAR
V. Quintanilla W.
REGISTRAR OF
PERSONAL PROPERTY SECURITY/
LE REGISTRATEUR
DES SÛRETÉS MOBILIÈRES

(crj)fv 05/2022



RUN NUMBER : 168
RUN DATE : 2022/06/17
ID : 20220617163358.19

PROVINCE OF ONTARIO
MINISTRY OF GOVERNMENT SERVICES
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
ENQUIRY RESPONSE
CERTIFICATE

REPORT : PSSR060
PAGE : 6
(3619)

TYPE OF SEARCH : BUSINESS DEBTOR
SEARCH CONDUCTED ON : TORONTO HERBAL REMEDIES INC.
FILE CURRENCY : 16JUN 2022

INFORMATION RELATING TO THE REGISTRATIONS LISTED BELOW IS ATTACHED HERETO.

FILE NUMBER	REGISTRATION NUMBER	REGISTRATION NUMBER	REGISTRATION NUMBER	REGISTRATION NUMBER
784044585	20220616	1423	1590	7490
778362111	20211119	1036	1590	5184
768919932	20201230	1818	1031	0702
759882717	20200205	1105	1862	8027

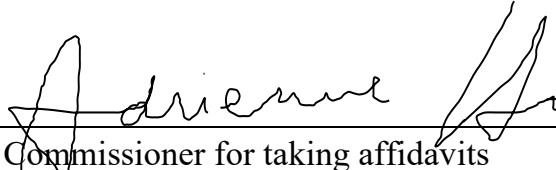
4 REGISTRATION(S) ARE REPORTED IN THIS ENQUIRY RESPONSE.

CERTIFIED BY/CERTIFIÉES PAR
V. Quintanilla W.
REGISTRAR OF
PERSONAL PROPERTY SECURITY/
LE REGISTRATEUR
DES SÛRETÉS MOBILIÈRES

(crj)6 05/2022)

Ontario 

This is Exhibit “L” referred to in the Affidavit of Craig Loverock sworn by Craig Loverock located in the City of Newmarket, in the Regional Municipality of York, in the Province of Ontario, before me at the City of Toronto, in the Province of Ontario, this 22nd day of June, 2022 in accordance with *O.Reg. 431/20, Administering Oath or Declaration Remotely*.



A Commissioner for taking affidavits

ADRIENNE HO

Business Debtor - "SPROUTLY, INC."

Search Date and Time: June 17, 2022 at 1:36:00 pm Pacific time

Account Name: Not available.

NIL RESULT

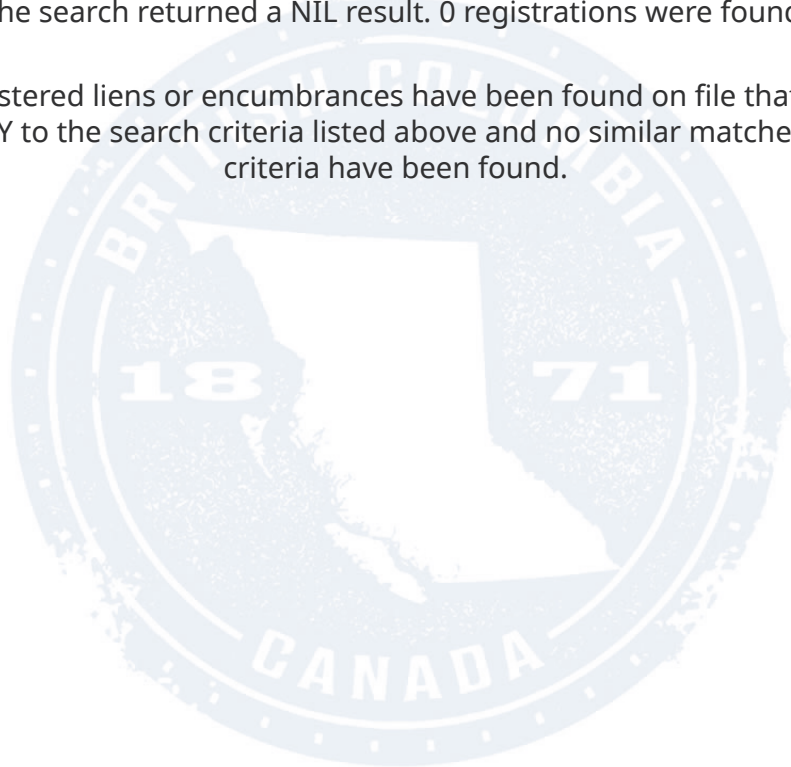
0 Matches in 0 Registrations in Report

Exact Matches: 0 (*)

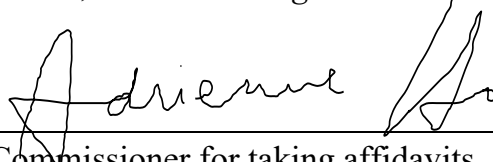
Total Search Report Pages: 0

The search returned a NIL result. 0 registrations were found.

No registered liens or encumbrances have been found on file that match EXACTLY to the search criteria listed above and no similar matches to the criteria have been found.



This is Exhibit “O” referred to in the Affidavit of Craig Loverock sworn by Craig Loverock located in the City of Newmarket, in the Regional Municipality of York, in the Province of Ontario, before me at the City of Toronto, in the Province of Ontario, this 22nd day of June, 2022 in accordance with *O.Reg. 431/20, Administering Oath or Declaration Remotely*.

A handwritten signature in black ink, appearing to read "Adrienne Ho", written over a horizontal line.

A Commissioner for taking affidavits

ADRIENNE HO

LOAN AGREEMENT

This Agreement is dated for reference the 18th day of June, 2015

AMONG:

0982244 B.C. LTD. and/or its Nominee, a company duly incorporated pursuant to the laws of British Columbia having an office at 304-15292 Croydon Drive, Surrey, British Columbia V3Z 0Z5

(the "Lender")

AND:

BRAY LIMITED PARTNERSHIP, a limited partnership duly formed pursuant to the laws of British Columbia, having an office at Suite 1200, 885 West Georgia Street, Vancouver, British Columbia V6C 3E8

("Bray")

AND:

TORONTO HERBAL REMEDIES INC., a company duly incorporated pursuant to the laws of Ontario having an office at 4 Barkworth Place, Toronto Ontario.

("Borrower")

WHEREAS:

- A. Pursuant to the Marijuana for Medical Purposes Regulation (SOR/2013-119) which is part of the *Controlled Drugs & Substances Act* of Canada ("MMPR") the Borrower has applied for a licence to distribute medical marijuana and has achieved steps 1 to 5 out of a total of the following seven steps in order to be fully authorized to distribute medical marijuana:
 - a. Step 1: Preliminary Screening
 - b. Step 2: Enhanced Screening
 - c. Step 3: Security Clearance
 - d. Step 4: Review
 - e. Step 5: Ready to build letter
 - f. Step 6: Pre-license inspection
 - g. Step 7: Licensing;
- B. the Borrower owns property located at 64-70 Raleigh Avenue, Scarborough, Ontario with legal description described in Schedule "A" hereto (the "Property") which it has purchased in order to

build a medical marijuana manufacturing facility and is currently renovating and retrofitting an approximately 16,000 square foot existing building thereon in accordance with federal regulations and requirements under MMPR and requires further funding in order to complete construction thereto;

- C. Bray owns 80% of the legal and beneficial interest to all issued and outstanding shares of and in the Borrower;
- D. the Borrower has currently registered on title to the Property a first mortgage in favor of 1010046 B.C. Ltd. in the approximate principal amount of \$700,000.00 (the "Existing Mortgage"); the Existing Mortgage shall be removed by the Borrower prior to the funding of the Loan herein;
- E. the Borrower wishes to borrow and Lender has agreed to lend the sum of up to \$3,250,000.00 as a draw mortgage to fund the remaining construction operations on the Property in order to complete a fully functioning medical marijuana manufacturing facility under the requirements of MMPR (the "MMPR Facility") and pursuant to the terms and conditions herein contained (the "Project").

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the mutual covenants herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

The Lender is prepared to authorize the following loan subject to the terms and conditions outlined in this Loan Agreement (the "Agreement");

1. **LOAN AMOUNT:** Loan Principal: \$3,250,000.00 (Three Million Two Hundred Fifty Thousand Dollars) to form a 1st mortgage charge against the Property (the "Loan").
2. **PURPOSE OF LOAN:** Amounts advanced by the Lender are to be used by the Borrower to provide financing to assist with the remaining construction of the MMPR Facility on the Property and to fund initial operations thereon.
3. **ADVANCES:** The Loan shall be advanced in progress draws as follows:
 - 3.1 The first advance shall be \$250,000.00 to be advanced upon the execution of this Agreement and interest thereon shall accrued from the date of such advance; and
 - 3.2 All further advances shall be determined by the Lender's authorized agent in consultation with the Borrower as the Borrower's construction activities progress and shall require the Lender's satisfaction with a complete accounting of all costs paid for from previous

advances prior to more advances being made and such other information, receipts, materials or otherwise as the Lender may require in its sole discretion.

4. **INTEREST RATE:** The Loan herein shall bear interest at 8.5% per annum (compounded semi-annually) with interest payments due at the end of the term. The Borrower may pay the Loan in whole or in part at any time without bonus or penalty.
5. **TERM AND LOAN MATURITY DATE:** Except as herein set forth to the contrary, the Loan is repayable in full, together with all interest, costs and charges, on the date that is two years from the date of the first Loan advance and provided all interest, costs and charges are paid to date by the end of such term the Borrower may extend the term for another period of one year under the same terms and conditions.
6. **LENDER OPTION:** In consideration for providing the Loan herein, at any time during the term of the Loan and any subsequent extension thereto as herein provided for, the Lender shall have the sole option to purchase from Bray, for a purchase price of \$0.01 per share, beneficial and legal ownership to shares of the Borrower equaling 23% of all issued and outstanding shares of the Borrower and the Borrower and Bray hereby acknowledge such option and shall execute such documentation and perform such other acts as may be necessary to give effect thereto in the event the Lender exercises its option under this paragraph 6. In the event the Borrower chooses to prepay the Loan in advance of the loan maturity date the Borrower shall give the Lender 14 days' notice for the Lender to exercise its option under this paragraph 6.

Further to the above and notwithstanding anything to the contrary herein contained, in the event that the Lender exercises its option as contemplated in this paragraph 6, the Lender shall convert \$1,500,000.00 of the total mortgage in to a shareholder loan. Both parties also agree that the shareholder loan of \$1,500,000.00 shall remain as a first mortgage on title to the Property at a rate of 4% from that time forward and to have no set term but the shareholder loan plus interest shall be paid off from any funds released by THR to its shareholders by way of dividends, shareholder loan repayments, or otherwise proportional to the Lender's 23% interest therein. For example if THR repays shareholder loans totaling \$100,000.00, \$23,000.00 of this amount would be applied towards pay down of the Loan.

7. **SECURITY AND SUPPORTING DOCUMENTS:** The attached Schedule "B" forms part of this Agreement.
8. **INSURANCE:** The attached Schedule "C" forms part of this Agreement. All improvements to the subject property shall be covered to their full insurable value for the term of the Loan on an all risk (including earthquake, flood and collapse) insurance satisfactory to the Lender with first loss payable to the Lender which shall contain the Standard Mortgage Clause approved by the Insurance Bureau of Canada. The policy shall contain comprehensive general liability coverage of not less than \$5,000,000.00.
9. **REPAYMENT:** For the Term of the Loan, loan payments shall be on an interest only basis.

10. **COSTS:** As and if required in the sole discretion of the Lender, the cost of all appraisals and environmental reports, the legal costs of the Lender on a solicitor-client basis, costs of the Lender's insurance consultant and all other reasonable out-of-pocket expenses incurred in the approval and making of the Loan and the preparation, execution, delivery and registration of the Security and Supporting Documents (including the cost of delivering copies of any documents required by law to be given to the Borrowers or any other party) or in the collection of any amount owing under the terms of the Loan shall be for the account of the Borrower and may be debited to advances to be made under the terms of the Loan.
11. **ASSIGNMENT BY BORROWER:** The Borrower shall not assign or encumber its rights and obligations under the Loan, this Agreement or the whole or any part of any advance to be made hereunder, without the prior written consent of the Lender.
12. **EVENT OF DEFAULT:** In the event that the Borrower fails to repay the Loan principal, interest, fees, commissions or other amounts payable to the Lender, the Borrower shall be deemed to have defaulted under this Agreement and the Lender shall have such recourse available to it at law and/or equity.
13. **MATERIAL CHANGE:** Acceptance of this Agreement by the Borrower provides full and sufficient acknowledgement that if, in the opinion of the Lender, any material adverse change in risk occurs, including without limiting the generality of the foregoing, any material adverse change in the financial condition of the Borrower, any obligation by the Lender to advance all or any portion of the Loan may be withdrawn or cancelled at the sole discretion of the Lender.
14. **NON-MERGER:** The terms and conditions set out herein shall not be superseded by nor merge and shall survive the execution, delivery and/or registration of any instruments of security or evidences of indebtedness granted by the Borrower hereafter, and the advancement of any funds by the Lender. In the event of a conflict between the security documents and the terms of this letter, the terms of the security documents shall govern.
15. **LENDER'S COUNSEL:** Legal work and documentation to be performed at the Borrower's expense through the Lender's counsel:

Scott & Down LLP
813 Broadview Ave
#201, Toronto, ON M4K 2P8
Attention: Dustin Down
Telephone: 647-931-7331 Fax: 647-931-7388

16. Notwithstanding anything to the contrary in this Agreement, the Borrower acknowledges that any conditions and/or material terms of this Agreement are subject to change as per the Lender's lawyer's legal advice in regard to securing the Loan and the Borrower hereby agrees to abide by any such change and in the failure to do so acknowledges that it shall not be entitled to receipt of the Loan hereunder.

IN WITNESS WHEREOF the parties have executed this Agreement as of the ___ day and year first above mentioned.

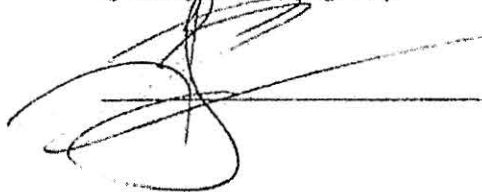
SIGNED AND DELIVERED in the presence of:

0982244 B.C. LTD.

by its duly authorized signatory:



Witness



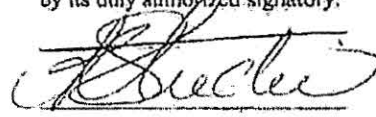
SIGNED AND DELIVERED in the presence of:

BRAY LIMITED PARTNERSHIP

by its duly authorized signatory:



Witness



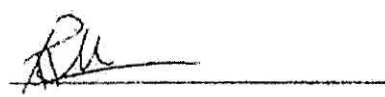
SIGNED AND DELIVERED in the presence of:

TORONTO HERBAL REMEDIES INC.

by its duly authorized signatory:



Witness



SCHEDULE "A"
LEGAL DESCRIPTIONS OF THE PROPERTY

PIN: 06443 ~ 0179 LT

Description LT 89 PL 2176 SCARBOROUGH; LT 90 PL 2176 SCARBOROUGH; LT 91 PL 2176 SCARBOROUGH; LT 101 PL 2291 SCARBOROUGH; LOT 102 PL 2291 SCARBOROUGH; LOT 103 PL 2291 SCARBOROUGH; LT 104 PL 2291 SCARBOROUGH; LT 105 PL 2291 SCARBOROUGH; LT 106 PL 2291 SCARBOROUGH; LT 107 PL 2291 SCARBOROUGH; LT 108 PL 2291 SCARBOROUGH; PT DAVIDSON AV PL 2176 SCARBOROUGH; PT DAVIDSON AV PL 2291 SCARBOROUGH CLOSED BY SC103893 AS IN TB625847; S/T & T/W TB625847; TORONTO, CITY OF TORONTO

Address 64 Raleigh Avenue, Toronto

SCHEDULE "B" - INTERIM CONSTRUCTION SECURITY

All security documentation described herein must be prepared, executed and registered, as required by the Lender, prior to drawdown of any funds except as provided otherwise in this Agreement. The types of security, supporting resolutions and agreements to be provided by the Borrower to the Lender will be in form and content satisfactory to the Lender and its solicitor, and without restricting the generality of the foregoing, will include:

1. Executed Loan Agreement;
2. Promissory Note for \$3,250,000.00 signed by the Borrower;
3. A General Security Agreement from the Borrower providing perfected security interest in all of the Borrower's present and after acquired property including a security interest in the Borrower's business;
4. Demand Collateral Mortgage First Charge in the amount of \$3,250,000.00 on the Property owned by the Borrower. The mortgage document shall contain a "Due on Sale" clause, as well as a clause addressing the appointment of a Receiver Manager of the property in the event of default;
5. Assignment of Rents and/or Leases receivable by the Borrower;
6. Assignment and Postponement of Creditors Claim as applicable;
7. General assignment of sale agreements and the deposits held thereunder, in relation to any sale of the Property;
8. An Assignment of Material Contracts including the general contractor and major sub-trade contracts;
9. Unconditional and unlimited Environmental Agreement and Indemnity Agreement, executed by the Borrower;
10. Assignment of Casualty and Liability insurance as set out under "Insurance" in the Agreement recording the Lender as first loss payee;
11. Cost overrun agreement executed by the Borrower to fund all cost overruns as they occur;
12. Such of the following supporting documents as may be required by the Lender's solicitor:
 - a. Standard form documents relating to authorization of the borrowing and operation of the loan account;
 - b. Statutory Declaration from the Borrower as to residency, title, use of premises, actions or claims and such other matters as the Lender's solicitor may advise; and

- c. Opinion of the Borrower's counsel as to the corporation's existence, power and actions taken and other matters in form and content acceptable to the Lender's counsel; and
13. Such additional security instruments, assurances and supporting documents as the Lender or its solicitor may deem necessary or advisable for the purpose of obtaining and perfecting the foregoing security.

The Borrower agrees to give the Lender other reasonable documents, assurances, information and covenants as the solicitors for the Lender may reasonably require with regard to the Loan or the security documents to be given hereunder.

SCHEDULE "C" - INTERIM CONSTRUCTION INSURANCE

1. All policies must show the Borrower as the named insured.
2. The Lender is to be shown both as mortgagee and loss payee under all policies covering physical loss or damage.

COVERAGE DURING CONSTRUCTION

1. The property must be insured on an all risk builders risk form providing coverage at least equivalent to the following:
 - a. Coverage for 100% of total hard construction costs;
 - b. Coverage for an amount in respect of soft costs that is acceptable to the Lender but which is in any event not less than 25% of total soft costs; and
 - c. Permission for partial or full occupancy.
2. Contractor's Liability Insurance for bodily injury and/or death and damage to property of others in an amount acceptable to the Lender but in any case, not less than \$5,000,000.00 for any one occurrence shall be in place and shall cover construction operations at the project site; The Borrower and Lender are to be shown as Additional Insureds.
3. Evidence of Professional Liability Insurance maintained by the Project architects and engineers is required.

SCHEDULE "D" – GENERAL CONDITIONS

The Borrower agrees:

1. no Event of Default has occurred and is continuing;
2. the Loan Maturity Date has not occurred;
3. the conditions of this agreement and of all previous advances have been satisfied or waived;
4. the Lender will require two (2) full business days prior to written notice for each disbursement, such notice period to be alterable pursuant to the Lender's discretion;
5. the second construction advance will be made within 72 hours of all security documentation having been satisfactorily executed;
6. all cash flow from the Project, including any advances from the Lender, shall be applied to payment of Project costs;
7. construction of the Project is to be in a good workmanlike manner in accordance with final Plans and Specifications approved by the Lender and its cost consultant as may be applicable;
8. the Lender's opinions, approvals and decisions are in its sole discretion and are not subject to judicial review as to their reasonableness;
9. the Lender reserves the right to have its personnel or agents inspect charged assets at the Borrower's expense, to confirm that all work, deliveries and installations are on time, on budget, and in accordance with approved plans, specifications or projections;
10. costs of any searches required prior to disbursements are at the expense of the Borrower;
11. if at any time, in the opinion of the Lender, the amount of the un-advanced portion of the Loan is less than the aggregate of:
 - a. the amount necessary to pay for all Project costs for all approved phases, which are not yet paid or incurred; and
 - b. all amounts not paid by the Borrower to contractors, materialmen and workmen for work completed, labour and services rendered and material furnished;

then the Borrower will forthwith inject funds equal to such deficiency into the Project prior to any further advance by the Lender.

12. the proceeds of the Loan shall be used exclusively for the development of the Project;
13. disbursements may, at the Lender's option be either through the Lender's counsel and/or directly by the Lender;
14. payments must be received at the Lender's office by 12:00pm otherwise they will be credited to the next business day.

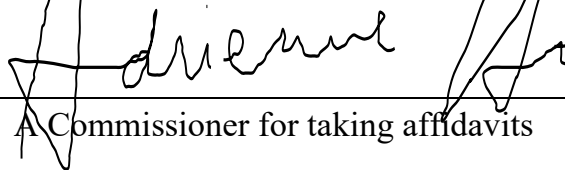
EVENTS OF DEFAULT:

1. The full amount of the indebtedness and liability of the Borrower then outstanding, together with accrued interest and any other charges then owing by the Borrower to the Lender, shall, at the option of the Lender, forthwith be accelerated and be due and payable, and upon being declared to be due and payable, the securities shall immediately become enforceable and the Lender may proceed to realize and enforce the same upon the occurrence and during the continuance of any of the following events or circumstances (which events or circumstances are herein referred to as the "Events of Default"):
 - a. The Borrower fails to make due at a fixed payment date, any payment of interest, principal, fees, commission or other amounts payable to the Lender;
 - b. There is a breach by the Borrower of any other term or condition contained in this Agreement or in any other agreement to which the Borrower and the Lender are parties and the Borrower have not corrected such breach within 5 days of notice having been provided to the Borrower;
 - c. Any default occurs under the terms of any security to be provided in accordance with this Agreement or under any other credit, loan or security agreement to which the Borrower are party and the Borrower has not corrected such breach within 5 days of notice having been provided to the Borrower;
 - d. Any bankruptcy, re-organization, compromise, arrangement, insolvency or liquidation proceedings or other analogous proceedings are instituted by or against the Borrower and, if instituted against the Borrower are allowed against or consented to by the Borrower or are not dismissed or stayed within 30 days of such institution;
 - e. A receiver is appointed over any property of the Borrower or any judgement or order or any process of any court becomes enforceable against the Borrower or any property of the Borrower or any creditor takes possession of any property of the Borrower;
 - f. Any adverse change occurs in the financial condition of the Borrower;
 - i. Any adverse change occurs in the environmental condition of the Property.

MISCELLANEOUS CONDITIONS:

1. The rights and remedies of the Lender pursuant to this Agreement and the securities taken pursuant hereto are cumulative and not alternative, and not in substitution for any other rights, remedies, or powers of the Lender.
2. Any failure or delay by the Lender to exercise, or exercise fully, its rights and remedies pursuant to this Agreement and the securities taken pursuant hereto shall not be construed as a waiver of such rights and remedies.
3. In the absence of a formal Loan Agreement being entered into, this Agreement shall continue in full force and effect and shall not merge in any securities provided by the Borrower to the Lender.
4. The Lender reserves the sole and absolute right to syndicate part or all of the loan facility contemplated herein, with various syndication partners with whom the Lender syndicates loans from time to time, on terms and conditions satisfactory to the Lender.
5. This Agreement and the security documentation to be provided by the Borrower pursuant hereto shall be construed in accordance with and governed by the laws of the Province of Ontario.

This is Exhibit "N" referred to in the Affidavit of Craig Loverock sworn by Craig Loverock located in the City of Newmarket, in the Regional Municipality of York, in the Province of Ontario, before me at the City of Toronto, in the Province of Ontario, this 22nd day of June, 2022 in accordance with *O.Reg. 431/20, Administering Oath or Declaration Remotely*.



A Commissioner for taking affidavits

ADRIENNE HO



Limited Partnership Summary

For

BRAY LIMITED PARTNERSHIP

Date and Time of Search: June 21, 2022 07:04 AM Pacific Daylight Time
Currency Date: May 10, 2022

HISTORICAL

Registration Number: LP0629331
Name of Limited Partnership: BRAY LIMITED PARTNERSHIP
Registration Date: March 17, 2014
Termination Date:

DISSOLUTION/CANCELLATION INFORMATION

Filing/Event	Date of Filing	Date of Dissolution
Registration Dissolved	November 28, 2019	March 31, 2019

REGISTERED OFFICE INFORMATION

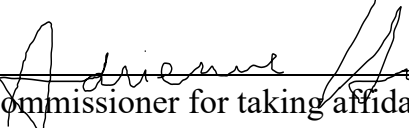
Registered Office Address:
19 FI - 885 GEORGIA ST W
VANCOUVER BC V6C 3H4

GENERAL PARTNER INFORMATION

Individual or Company Name: BRAY PARTNERS INC.
Incorporation or Registration: 0985155

Residential or Registered Address:
1500 Royal Centre
1055 West Georgia Street, P.O. Box 11117
Vancouver BC
CANADA V6E 4N7

This is Exhibit “O” referred to in the Affidavit of Craig Loverock sworn by Craig Loverock located in the City of Newmarket, in the Regional Municipality of York, in the Province of Ontario, before me at the City of Toronto, in the Province of Ontario, this 22nd day of June, 2022 in accordance with *O.Reg. 431/20, Administering Oath or Declaration Remotely*.


A Commissioner for taking affidavits

ADRIENNE HO

SECURED PROMISSORY NOTE

FOR VALUE RECEIVED, and subject to the terms and conditions set forth herein, Toronto Herbal Remedies Inc., a corporation formed pursuant to the laws of the Province of Ontario (the “**Borrower**”), hereby unconditionally promises to pay to the order of 0982244 B.C. Ltd., a corporation formed pursuant to the laws of the Province of British Columbia, or its assigns (the “**Noteholder**”, and together with the Borrower, the “**Parties**”), the principal amount of \$3,250,000.00 CAD (the “**Loan**”) or the aggregate of such amounts the Noteholder has disbursed to the Borrower pursuant to **Section 2.2**, together with all accrued interest thereon, as provided in this Promissory Note (the “**Note**”).

1. **Definitions.** Capitalized terms used herein shall have the meanings set forth in this Section 1.

“**Advance**” means each disbursement made by the Noteholder to the Borrower pursuant to **Section 2.2**.

“**Applicable Rate**” means the rate equal to 8.50% per annum.

“**Borrower**” has the meaning set forth in the introductory paragraph.

“**Borrowing Notice**” has the meaning set forth in **Section 2.2**.

“**Business Day**” means a day other than a Saturday, Sunday or other day on which commercial banks in Toronto, Ontario are authorized or required by law to close.

“**Commitment Period**” means the period from the date hereof to the Maturity Date.

“**Debt**” of the Borrower, means all (a) indebtedness for borrowed money; (b) obligations for the deferred purchase price of property or services, except trade payables arising in the ordinary course of business; (c) obligations evidenced by notes, bonds, debentures or other similar instruments; (d) obligations as lessee under capital leases; (e) obligations in respect of any interest rate swaps, currency exchange agreements, commodity swaps, caps, collar agreements or similar arrangements entered into by the Borrower providing for protection against fluctuations in interest rates, currency exchange rates or commodity prices or the exchange of nominal interest obligations, either generally or under specific contingencies; (f) obligations under acceptance facilities and letters of credit; (g) guaranties, endorsements (other than for collection or deposit in the ordinary course of business), and other contingent obligations to purchase, to provide funds for payment, to supply funds to invest in a any Person, or otherwise to assure a creditor against loss, in each case, in respect of indebtedness set out in clauses (a) through (f) of a Person other than the Borrower; and (h) indebtedness set out in clauses (a) through (g) of any Person other than Borrower secured by any lien on any asset of the Borrower, whether or not such indebtedness has been assumed by the Borrower.

“Default” means any of the events specified in **Section 10** which constitutes an Event of Default or which, upon the giving of notice, the lapse of time, or both pursuant to **Section 10** would, unless cured or waived, become an Event of Default.

“Default Rate” means, at any time, the Applicable Rate plus 2%.

“Event of Default” has the meaning set forth in **Section 10**.

“Extension Maturity Date” means the earlier of: (i) June 18, 2018; and (ii) the date on which all amounts under this Note shall become due and payable pursuant to **Section 11**.

“GAAP” means generally accepted accounting principles in Canada as in effect from time to time.

“Governmental Authority” means the government of any nation or any political subdivision thereof, whether at the national, state, territorial, provincial, municipal or any other level, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of, or pertaining to, government (including any supranational bodies such as the European Union or the European Central Bank).

“Interest Payment Date” means the day that is two years from the date of this Note and thereafter each anniversary of such date.

“Law” as to any Person, means any law (including common law), statute, ordinance, treaty, rule, regulation, policy or requirement of any Governmental Authority and authoritative interpretations thereon, whether now or hereafter in effect, in each case, applicable to or binding on such Person or any of its properties or to which such Person or any of its properties is subject.

“Lien” means any mortgage, pledge, hypothecation, encumbrance, lien (statutory or other), charge or other security interest.

“Loan” has the meaning set forth in the introductory paragraph.

“Material Adverse Effect” means a material adverse effect on (a) the business, assets, properties, liabilities (actual or contingent), operations or condition (financial or otherwise) or prospects of the Borrower; (b) the validity or enforceability of the Note or Security Agreement; (c) the perfection or priority of any Lien purported to be created under the Security Agreement; (d) the rights or remedies of the Noteholder hereunder or under the Security Agreement; or (e) the Borrower’s ability to perform any of its material payment obligations hereunder or under the Security Agreement.

“Maturity Date” means the earlier of (a) June 18, 2017 and (b) the date on which all amounts under this Note shall become due and payable pursuant to **Section 11**.

“**Note**” has the meaning set forth in the introductory paragraph.

“**Noteholder**” has the meaning set forth in the introductory paragraph.

“**Order**” as to any Person, means any order, decree, judgment, writ, injunction, settlement agreement, requirement or determination of an arbitrator or a court or other Governmental Authority, in each case, applicable to or binding on such Person or any of its properties or to which such Person or any of its properties is subject.

“**Parties**” has the meaning set forth in the introductory paragraph.

“**Permitted Debt**” means Debt existing or arising under this Note and any refinancing thereof.

“**Person**” means any individual, corporation, limited liability company, trust, joint venture, association, company, limited or general partnership, unincorporated organization, Governmental Authority or other entity.

“**Security Agreement**” means the Security Agreement, dated as of the date hereof, by and between the Borrower and Noteholder, as the same may be amended, restated, supplemented or otherwise modified from time to time in accordance with its terms.

2. **Loan Disbursement Mechanics.**

2.1 **Commitment.** Subject to **Section 2.2**, the Noteholder shall make available to the Borrower one or more Advances during the Commitment Period in an aggregate amount not to exceed the Loan.

2.2 **Advances.** As a condition to the disbursement of any Advance, the Borrower shall, at least three Business Days prior to the requested disbursement date, deliver to the Noteholder a written notice (the “**Borrowing Notice**”) setting out (a) that no Default has occurred and is continuing; (b) the amount of the Advance; (c) the date on which the Advance is to be disbursed; and (d) any further information required by the Lender or the Lender’s authorized agent required to satisfy the Lender with a complete accounting of all costs paid for from prior advances and such other information, receipts, materials or otherwise as the Lender reasonably requires in its sole discretion. Each Borrowing Notice shall be deemed to repeat the Borrower’s representations and warranties in **Section 7** as of the date of such Borrowing Notice. Upon satisfying itself in its sole and absolute discretion with respect to the progress of the Borrower’s construction activities, Noteholder shall make available to the Borrower on the disbursement date the amount set out in the notice in immediately available funds.

3. **Final Payment Date; Optional Extension.**

3.1 **Final Payment Date.**

(a) In the event that the term of Note has not been extended pursuant to **Section 3.2**, the aggregate unpaid principal amount of the Loan, all accrued and unpaid interest and all other amounts payable under this Note shall be due and payable on the Maturity Date.

(b) In the event that the term of Note has been extended pursuant to **Section 3.2**, (i) all accrued and unpaid interest and all other amounts payable under this Note, not including the unpaid principal amount of the Loan, shall be due and payable on the Maturity Date, and (ii) the aggregate unpaid principal amount of the Loan, all accrued and unpaid interest and all other amounts payable under this Note shall be due and payable on the Extension Maturity Date.

3.2 **Optional Extension.** Provided the Borrower is in good standing under the terms of this Note and the Security Agreement and has not defaulted on any of its obligations pursuant to this Note or the Security Agreement, and upon payment of all interest, costs and charges due and payable up to the Maturity Date, the Borrower shall have the option to extend the term of this note for a further one year period by providing written notice to the Lender of the Borrowers decision to exercise its right to extend the term of the Loan pursuant to this **Section 3.2** not less than 14 days prior to the Maturity Date.

4. **Security Agreement.**

4.1 The Borrower's performance of its obligations hereunder is secured by a first priority security interest in the collateral specified in the Security Agreement.

5. **Interest.**

5.1 **Interest Rate.** Except as otherwise provided herein, the outstanding principal amount of all Advances made hereunder shall bear interest at the Applicable Rate from the date such Advance was made until the Loan is paid in full, whether at maturity, upon acceleration, by prepayment or otherwise.

5.2 **Interest Payment Dates.** Interest shall be payable in arrears to the Noteholder on each Interest Payment Date.

5.3 **Default Interest.** If any amount payable hereunder is not paid when due (without regard to any applicable grace periods), whether at stated maturity, by acceleration or otherwise, such overdue amount shall bear interest at the Default Rate from the date of such non-payment until such amount is paid in full.

5.4 **Computation of Interest.** All computations of interest shall be made on the basis of a year of 365/366 days, as the case may be, and the actual number of days elapsed. Interest shall accrue on each Advance on the day on which such Advance is made, and shall not accrue on any Advance for the day on which it is paid.

5.5 **Interest Rate Limitation.** If at any time and for any reason whatsoever, the interest rate payable on any Advance shall exceed the maximum rate of interest permitted to be charged by the Noteholder to the Borrower under applicable Law, that portion of each sum paid attributable

to that portion of such interest rate that exceeds the maximum rate of interest permitted by applicable Law shall be deemed a voluntary prepayment of principal.

6. **Payment Mechanics.**

6.1 **Manner of Payments.** All payments of interest and principal shall be made in lawful money of Canada no later than 12:00 PM EST on the date on which such payment is due by cashier's check, certified check or by wire transfer of immediately available funds to the Noteholder's account at a bank specified by the Noteholder in writing to the Borrower from time to time.

6.2 **Application of Payments.** All payments made hereunder shall be applied first to the payment of any fees or charges outstanding hereunder, second to accrued interest, and third to the payment of the principal amount outstanding under the Note.

6.3 **Business Day Convention.** Whenever any payment to be made hereunder shall be due on a day that is not a Business Day, such payment shall be made on the next succeeding Business Day and such extension will be taken into account in calculating the amount of interest payable under this Note.

6.4 **Evidence of Debt.** The Noteholder is authorized to record on the grid attached hereto as Exhibit A each Advance made to the Borrower and each payment or prepayment thereof. The entries made by the Noteholder shall, to the extent permitted by applicable Law, be prima facie evidence of the existence and amounts of the obligations of the Borrower therein recorded; *provided, however, that* the failure of the Noteholder to record such payments or prepayments, or any inaccuracy therein, shall not in any manner affect the obligation of the Borrower to repay (with applicable interest) the Advances in accordance with the terms of this Note.

6.5 **Rescission of Payments.** If at any time any payment made by the Borrower under this Note is rescinded or must otherwise be restored or returned upon the insolvency, bankruptcy or reorganization of the Borrower or otherwise, the Borrower's obligation to make such payment shall be reinstated as though such payment had not been made.

7. **Representations and Warranties.** The Borrower hereby represents and warrants to the Noteholder on the date hereof as follows:

7.1 **Existence; Compliance With Laws.** The Borrower is (a) a corporation duly incorporated, validly existing and in good standing under the laws of the state of its jurisdiction of organization and has the requisite power and authority, and the legal right, to own, lease and operate its properties and assets and to conduct its business as it is now being conducted and (b) in compliance with all Laws and Orders.

7.2 **Power and Authority.** The Borrower has the power and authority, and the legal right, to execute and deliver this Note and the Security Agreement and to perform its obligations hereunder and thereunder.

7.3 **Authorization; Execution and Delivery.** The execution and delivery of this Note and the Security Agreement by the Borrower and the performance of its obligations hereunder and thereunder have been duly authorized by all necessary corporate action in accordance with all applicable Laws. The Borrower has duly executed and delivered this Note and the Security Agreement.

7.4 **No Approvals.** No consent or authorization of, filing with, notice to or other act by, or in respect of, any Governmental Authority or any other Person is required in order for the Borrower to execute, deliver, or perform any of its obligations under this Note or the Security Agreement.

7.5 **No Violations.** The execution and delivery of this Note and the Security Agreement and the consummation by the Borrower of the transactions contemplated hereby and thereby do not and will not (a) violate any provision of the Borrower's organizational documents; (b) violate any Law or Order applicable to the Borrower or by which any of its properties or assets may be bound; or (c) constitute a default under any material agreement or contract by which the Borrower may be bound.

7.6 **Enforceability.** Each of the Note and the Security Agreement is a valid, legal and binding obligation of the Borrower, enforceable against the Borrower in accordance with its terms except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general equitable principles (whether enforcement is sought by proceedings in equity or at law).

7.7 **No Litigation.** No action, suit, litigation, investigation or proceeding of, or before, any arbitrator or Governmental Authority is pending or threatened by or against the Borrower or any of its property or assets (a) with respect to the Note, the Security Agreement or any of the transactions contemplated hereby or thereby or (b) that could be expected to materially adversely affect the Borrower's financial condition or the ability of the Borrower to perform its obligations under the Note or the Security Agreement.

8. **Affirmative Covenants.** Until all amounts outstanding in this Note have been paid in full, the Borrower shall:

8.1 **Maintenance of Existence.** (a) Preserve, renew and maintain in full force and effect its corporate or organizational existence and (b) take all reasonable action to maintain all rights, privileges and franchises necessary or desirable in the normal conduct of its business, except, in each case, where the failure to do so could not reasonably be expected to have a Material Adverse Effect.

8.2 **Compliance.** Comply with (a) all of the terms and provisions of its organizational documents; (b) its obligations under its material contracts and agreements; and (c) all Laws and Orders applicable to it and its business, except where the failure to do so could not reasonably be expected to have a Material Adverse Effect.

8.3 **Payment Obligations.** Pay, discharge or otherwise satisfy at or before maturity or before they become delinquent, as the case may be, all its material obligations of whatever nature, except where the amount or validity thereof is currently being contested in good faith by appropriate proceedings, and reserves in conformity with GAAP with respect thereto have been provided on its books.

8.4 **Notice of Events of Default.** As soon as possible and in any event within two (2) Business Days after it becomes aware that a Default or an Event of Default has occurred, notify the Noteholder in writing of the nature and extent of such Default or Event of Default and the action, if any, it has taken or proposes to take with respect to such Default or Event of Default.

8.5 **Further Assurances.** Promptly execute and deliver such further instruments and do or cause to be done such further acts as may be necessary or advisable to carry out the intent and purposes of this Note and the Security Agreement.

9. **Negative Covenants.** Until all amounts outstanding under this Note have been paid in full, the Borrower shall not:

9.1 **Indebtedness.** Incur, create or assume any Debt, other than Permitted Debt.

9.2 **Liens.** Incur, create, assume or suffer to exist any Lien on any of its property or assets, whether now owned or hereinafter acquired except for (a) Liens for taxes not yet due or which are being contested in good faith by appropriate proceedings; (b) non-consensual Liens arising by operation of law, arising in the ordinary course of business, and for amounts which are not overdue for a period of more than 30 days or that are being contested in good faith by appropriate proceedings; and (c) Liens created pursuant to the Security Agreement.

9.3 **Line of Business.** Enter into any business, directly or indirectly, except for those businesses in which the Borrower is engaged on the date of this Note or that are reasonably related thereto.

10. **Events of Default.** The occurrence and continuance of any of the following shall constitute an Event of Default hereunder:

10.1 **Failure to Pay.** The Borrower fails to pay (a) any principal amount of the Loan when due or (b) interest or any other amount when due and such failure continues for 5 Business Days.

10.2 **Breach of Representations and Warranties.** Any representation or warranty made or deemed made by the Borrower to the Noteholder herein or in the Security Agreement is incorrect in any material respect on the date as of which such representation or warranty was made or deemed made.

10.3 **Breach of Covenants.** The Borrower fails to observe or perform (a) any covenant, condition or agreement contained in **Section 8.4** or (b) any other covenant, obligation, condition or agreement contained in this Note or the Security Agreement other than those specified in clause (a) and **Section 10.1** and such failure continues for 30 days.

10.4 **Cross-Defaults.** The Borrower fails to pay when due any of its Debt (other than Debt arising under this Note) or any interest or premium thereon when due (whether by scheduled maturity, acceleration, demand or otherwise) and such failure continues after the applicable grace period, if any, specified in the agreement or instrument relating to such Debt.

10.5 **Bankruptcy.**

(a) the Borrower commences any case, proceeding or other action (i) under any existing or future Law relating to bankruptcy, insolvency, reorganization, or other relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it as bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts or (ii) seeking appointment of a receiver, trustee, custodian, conservator or other similar official for it or for all or any substantial part of its assets, or the Borrower makes a general assignment for the benefit of its creditors;

(b) there is commenced against the Borrower any case, proceeding or other action of a nature referred to in **Section 10.5(a)** above which (i) results in the entry of an order for relief or any such adjudication or appointment or (ii) remains undismissed, undischarged or unbonded for a period of 30 days;

(c) there is commenced against the Borrower any case, proceeding or other action seeking issuance of a warrant of attachment, execution or similar process against all or any substantial part of its assets which results in the entry of an order for any such relief which has not been vacated, discharged, or stayed or bonded pending appeal within 30 days from the entry thereof;

(d) the Borrower takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in **Section 10.5(a)**, **Section 10.5(b)** or **Section 10.5(c)** above; or

(e) the Borrower is generally not, or shall be unable to, or admits in writing its inability to, pay its debts as they become due.

10.6 **Judgments.** One or more judgments or decrees shall be entered against the Borrower and all of such judgments or decrees shall not have been vacated, discharged, stayed or bonded pending appeal within 14 days from the entry thereof.

11. **Remedies.** Upon the occurrence of any Event of Default and at any time thereafter during the continuance of such Event of Default, the Noteholder may at its option, by written notice to the Borrower (a) terminate its commitment to make any Advances hereunder; (b) declare the entire principal amount of this Note, together with all accrued interest thereon and all other amounts payable hereunder, immediately due and payable; and/or (c) exercise any or all of its rights, powers or remedies under the Security Agreement or applicable Law; *provided, however* that, if an Event of Default described in **Section 10.5** shall occur, the principal of and accrued interest on the Loan shall become immediately due and payable without any notice, declaration or other act on the part of the Noteholder.

12. **Miscellaneous.**

12.1 **Notices.**

(a) All notices, requests or other communications required or permitted to be delivered hereunder shall be delivered in writing, in each case to the address specified below or to such other address as such Party may from time to time specify in writing in compliance with this provision:

(i) If to the Borrower:

Toronto Herbal Remedies Inc.
c/o Bray Partners
208 – 13049 76th Ave.
Surrey, British Columbia V3W 2V7
Canada

Attn: Karin Studer

Telephone: (604) 839-6569

Facsimile:

E-mail: Karin@bray.vc

(ii) if to the Noteholder:

0982244 B.C. Ltd.
c/o Isle of Mann Group of Companies
#304 - 15292 Croydon Drive,
Surrey, BC. V3Z 0Z5
Canada

Attn: James Randhawa

Telephone: (604) 535-1628, Facsimile: (604) 535-1627

E-mail: james@isleofmann.ca

With a copy to:

Scott & Down LLP
813 Broadview Avenue, Suite 201
Toronto, Ontario
M4K 2P8

Attn: Dustin Down

Telephone: 647-931-7331, Facsimile: (647) 931-7388

E-mail: dustin@scottanddown.com

(b) Notices if (i) mailed by certified or registered mail or sent by hand or overnight courier service shall be deemed to have been given when received; (ii) sent by facsimile during the recipient's normal business hours shall be deemed to have been given when sent (and if sent after normal business hours shall be deemed to have been given at the opening of the recipient's business on the next business day); and (iii) sent by e-mail shall be deemed received upon the sender's receipt of an acknowledgment from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgment).

12.2 **Expenses.** The Borrower shall reimburse the Noteholder on demand for all reasonable out-of-pocket costs, expenses and fees (including reasonable expenses and fees of its counsel) incurred by the Noteholder in connection with the transactions contemplated hereby including the negotiation, documentation and execution of this Note and the Security Agreement and the enforcement of the Noteholder's rights hereunder and thereunder.

12.3 **Governing Law.** This Note, the Security Agreement and any claim, controversy, dispute or cause of action (whether in contract or tort or otherwise) based upon, arising out of or

relating to this Note, the Security Agreement and the transactions contemplated hereby and thereby shall be governed by the laws of the Province of Ontario.

12.4 **Submission to Jurisdiction.**

(a) The Borrower hereby irrevocably and unconditionally (i) agrees that any legal action, suit or proceeding arising out of or relating to this Note or the Security Agreement may be brought in the courts of the Province of Ontario and (ii) submits to the non-exclusive jurisdiction of any such court in any such action, suit or proceeding. Final judgment against the Borrower in any action, suit or proceeding shall be conclusive and may be enforced in any other jurisdiction by suit on the judgment.

(b) Nothing in this **Section 12.4** shall affect the right of the Noteholder to (i) commence legal proceedings or otherwise sue the Borrower in any other court having jurisdiction over the Borrower or (ii) serve process upon the Borrower in any manner authorized by the laws of any such jurisdiction.

12.5 **Venue.** The Borrower irrevocably and unconditionally waives, to the fullest extent permitted by applicable law, any objection that it may now or hereafter have to the laying of venue of any action or proceeding arising out of or relating to this Note or the Security Agreement in any court referred to in **Section 12.4** and the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

12.6 **Waiver of Jury Trial.** THE BORROWER HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY RELATING TO THIS NOTE, THE SECURITY AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY.

12.7 **Counterparts; Integration; Effectiveness.** This Note, the Security Agreement and any amendments, waivers, consents or supplements hereto and thereto may be executed in counterparts, each of which shall constitute an original, but all taken together shall constitute a single contract. This Note and the Security Agreement constitutes the entire contract between the Parties with respect to the subject matter hereof and supersede all previous agreements and understandings, oral or written, with respect thereto. Delivery of an executed counterpart of a signature page to this Note or the Security Agreement by facsimile or in electronic (i.e., "pdf" or "tif") format shall be effective as delivery of a manually executed counterpart of this Note or the Security Agreement, as applicable.

12.8 **Successors and Assigns.** This Note may be assigned or transferred by the Noteholder to any Person. The Borrower may not assign or transfer this Note or any of its rights hereunder without the prior written consent of the Noteholder. This Note shall inure to the benefit of, and be binding upon, the Parties and their permitted assigns.

12.9 **Waiver of Notice.** The Borrower hereby waives demand for payment, presentment for payment, protest, notice of payment, notice of dishonor, notice of nonpayment, notice of acceleration of maturity and diligence in taking any action to collect sums owing hereunder.

12.10 **Interpretation.** For purposes of this Note (a) the words "include," "includes" and "including" shall be deemed to be followed by the words "without limitation"; (b) the word "or"

is not exclusive; and (c) the words “herein,” “hereof,” “hereby,” “hereto” and “hereunder” refer to this Note as a whole. The definitions given for any defined terms in this Note shall apply equally to both the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. Unless the context otherwise requires, references herein: (x) to Schedules, Exhibits and Sections mean the Schedules, Exhibits and Sections of this Note; (y) to an agreement, instrument or other document means such agreement, instrument or other document as amended, supplemented and modified from time to time to the extent permitted by the provisions thereof; and (z) to a statute means such statute as amended from time to time and includes any successor legislation thereto and any regulations promulgated thereunder. This Note shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting an instrument or causing any instrument to be drafted.

12.11 **Amendments and Waivers.** No term of this Note may be waived, modified or amended except by an instrument in writing signed by both of the parties hereto. Any waiver of the terms hereof shall be effective only in the specific instance and for the specific purpose given.

12.12 **Headings.** The headings of the various Sections and subsections herein are for reference only and shall not define, modify, expand or limit any of the terms or provisions hereof.

12.13 **No Waiver; Cumulative Remedies.** No failure to exercise and no delay in exercising on the part of the Noteholder, of any right, remedy, power or privilege hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

12.14 **Electronic Execution.** The words “execution,” “signed,” “signature,” and words of similar import in the Note shall be deemed to include electronic or digital signatures or the keeping of records in electronic form, each of which shall be of the same effect, validity and enforceability as manually executed signatures or a paper-based recordkeeping system, as the case may be, to the extent and as provided for under applicable law.

12.15 **Severability.** If any term or provision of this Note or the Security Agreement is invalid, illegal or unenforceable in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other term or provision of this Note or the Security Agreement or invalidate or render unenforceable such term or provision in any other jurisdiction. Upon such determination that any term or other provision is invalid, illegal or unenforceable, the parties hereto shall negotiate in good faith to modify this Note so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the greatest extent possible.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Borrower has executed this Note as of the 28th day of August, 2015.

TORONTO HERBAL REMEDIES INC.

By _____

Name:

Title:

By its acceptance of this Note, the Noteholder acknowledges and agrees to be bound by the provisions of **Section 2/2.**

0982244 B.C. LTD

By _____

Name:

Title:

Indep Jans Kachura
Director

Exhibit A
Advances and Payments on the Loan

Date of Advance	Amount of Advance	Amount of Principal Paid	Unpaid Principal Amount of Note	Name of Person Making the Notation
June 18, 2015	\$250,000	\$0	\$250,000	James Randhawa
July 13, 2015	\$180,000	\$0	\$430,000	James Randhawa
July 27, 2015	\$150,000	\$0	\$580,000	James Randhawa
August 11, 2015	\$250,000	\$0	\$830,000	James Randhawa

RECEIPT

TO: TORONTO HERBAL REMEDIES INC.

RE: Delivery of a promissory note in the principal amount of \$3,250,000.00 payable to 0982244 B.C. Ltd. (the "Promissory Note")

THE UNDERSIGNED hereby acknowledges having received from you the Promissory Note.

DATED this 20th day of August, 2015

0982244 B.C. LTD.

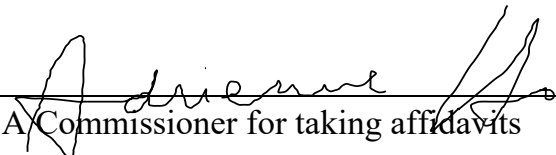
Per: 

Name: Indeep Jansu Narain

Title: Director

I have authority to bind the Corporation

This is Exhibit “P” referred to in the Affidavit of Craig Loverock sworn by Craig Loverock located in the City of Newmarket, in the Regional Municipality of York, in the Province of Ontario, before me at the City of Toronto, in the Province of Ontario, this 44th day of June, 2022 in accordance with *O.Reg. 431/20, Administering Oath or Declaration Remotely*.


A/Commissioner for taking affidavits

ADRIENNE HO

Properties

PIN 06443 – 0179 LT *Interest/Estate* Fee Simple

Description LT 89 PL 2176 SCARBOROUGH; LT 90 PL 2176 SCARBOROUGH; LT 91 PL 2176 SCARBOROUGH; LT 101 PL 2291 SCARBOROUGH; LT 102 PL 2291 SCARBOROUGH; LT 103 PL 2291 SCARBOROUGH; LT 104 PL 2291 SCARBOROUGH; LT 105 PL 2291 SCARBOROUGH; LT 106 PL 2291 SCARBOROUGH; LT 107 PL 2291 SCARBOROUGH; LT 108 PL 2291 SCARBOROUGH; PT DAVIDSON AV PL 2176 SCARBOROUGH; PTDAVIDSON AV PL 2291 SCARBOROUGH CLOSED BY SC103893 AS
IN TB625847; S/T & T/W TB625847; TORONTO , CITY OF TORONTO

Address 64 RALEIGH AV
TORONTO

Chargor(s)

The chargor(s) hereby charges the land to the chargee(s). The chargor(s) acknowledges the receipt of the charge and the standard charge terms, if any.

Name TORONTO HERBAL REMEDIES INC.

Address for Service c/o Bray Partners Inc.
208 – 13049 76th Ave.
Surrey, British Columbia V3W 2V7
Attn: Karin Studer

I, Pamudri Ayshka Hemachandra (President and Director), have the authority to bind the corporation.

This document is not authorized under Power of Attorney by this party.

Chargee(s)*Capacity**Share*

Name 0982244 B. C. LTD.

Address for Service 304 – 15292 Croydon Drive, Surrey, British Columbia, V3Z
0Z5

Statements

Schedule: See Schedules

Provisions

Principal \$3,250,000.00 *Currency* CDN

Calculation Period semi-annually, not in advance

Balance Due Date 2017/06/18

Interest Rate 8.5% per annum

Payments

Interest Adjustment Date

Payment Date

First Payment Date

Last Payment Date

Standard Charge Terms 200033

Insurance Amount See standard charge terms

Guarantor

Additional Provisions

This is a collateral charge.

Signed By

Jesse Noah Simon Blinick

307 Sheppard Ave. E
Toronto
M2N 3B3

acting for Chargor Signed 2015 08 31
(s)

Signed By

Fax 647-795-8151

I have the authority to sign and register the document on behalf of the Chargor(s).

Submitted By

BLINICK LAW

307 Sheppard Ave. E
Toronto
M2N 3B3

2015 08 31

Tel 416-509-2874

Fax 647-795-8151

Fees/Taxes/Payment

Statutory Registration Fee \$60.00

Total Paid \$60.00

**SCHEDULE A
ADDITIONAL PROVISIONS**

to be affixed to the Mortgage/Charge
in respect of 64 Raleigh Avenue, Toronto, Ontario

PIN: 06443 – 0179 LT

Legal Description: lt 89 pl 2176 scarborough; lt 90 pl 2176 scarborough; lt 91 pl 2176 scarborough; lt 101 pl 2291 scarborough; lt 102 pl 2291 scarborough; lt 103 pl 2291 scarborough; lt 104 pl 2291 scarborough; lt 105 pl 2291 scarborough; lt 106 pl 2291 scarborough; lt 107 pl 2291 scarborough; lt 108 pl 2291 scarborough; pt davidson av pl 2176 scarborough; pt davidson av pl 2291 scarborough closed by sc103893 as in tb625847; s/t & t/w tb625847; toronto , city of Toronto

(the “**Charged Property**”)

Survival of Mortgage Loan Commitment

This Mortgage/Charge shall be read together with and shall be subject to the terms of the Loan Agreement dated June 18, 2015 between the 0982244 B.C. Ltd. (the “**Mortgagee/Chargee**”) and Toronto Herbal Remedies Inc. (the “**Mortgagor/Chargor**”), and the promissory note delivered by the Mortgagor/Chargor to the Mortgagee/Chargee (the “**Promissory Note**”), security agreement and ancillary documents delivered pursuant thereto (the “**Mortgage Loan Commitment**”). Defined terms that are not otherwise defined herein shall have the meaning ascribed thereto in the Promissory Note.

The warranties, representations, agreements, and covenants contained in the Mortgage Loan Commitment executed by the Mortgagor/Chargor for this Mortgage/Charge shall not merge but shall survive the advancement of the funds under this Mortgage/Charge or any other security document provided to the Mortgagee/Chargee as security for the loan evidenced by this Mortgage/Charge to which the Mortgagor/Chargor is a party, and if the Mortgagor/Chargor fails to comply with any such warranty, covenant or agreement or representation contained in the Mortgage Loan Commitment either prior to or subsequent of the advancement of the funds under this Mortgage/Charge, the Mortgagor/Chargor shall at the sole option of the Mortgagee/Chargee be deemed to be in default under the provisions of the Mortgage Loan Commitment and/or this Mortgage/Charge and the Mortgagee/Chargee shall be empowered and authorized to exercise all remedies available to it hereunder. In the event of any ambiguity, conflict or inconsistency between the warranties, representations, covenants or agreements contained herein and those set out in the Mortgage Loan Commitment, then the Mortgagee/Chargee may at its sole option elect which term shall govern and take precedence.

The Mortgagee/Chargee has the right and privilege of registering the Mortgage Loan Commitment on the Title of the Charged Property.

Prepayment Privilege

The Mortgagor/Chargor, when not in default hereunder, shall have the privilege of prepaying the whole of the principal sum herein secured, together with all accrued interest and costs and expenses owing to

the Mortgagee/Chargee, on any monthly payment date(s), provided that the Mortgagor/Chargor must provide the Mortgagee/Chargee with at least 14 days written notice prior to any such prepayment.

Payments made after 11:59 a.m.

Any payment (other than payment of the regular payments of interest) that is made after 11:59 a.m. on any date shall be deemed, for the purpose of calculation of interest, to have been made and received on the next bank business day following receipt. For the purposes of this paragraph, Saturday, Sunday Provincial and Federal Holidays shall be deemed to be non-business bank days. If the Mortgage/Charge is paid off after 11:59 a.m. on any given day interest must be paid up to the next bank business day.

Administration Fees

The Mortgagee/Chargee shall charge an administration fee of \$800 for each occurrence of any of the following events:

- (1) late payment;
- (2) cheque dishonored for any reason;
- (3) failure to pay realty taxes when same fall due;
- (4) failure to provide proof of payment of realty taxes within 10 days of request by the Mortgagee/Chargee;
- (5) failure to obtain and/or maintain insurance coverage, with Mortgagee/Chargee endorsement in favour of the herein Chargee/Mortgagee/Chargee or its assigns;
- (6) failure to provide proof of insurance coverage on an annual basis within 10 days of request by the Mortgagee/Chargee;
- (7) failure to provide post-dated cheques within 10 days of request by the Mortgagee/Chargee;
- (8) failure to provide operating statement and rental roll (if applicable) within 10 days of request by the Mortgagee/Chargee;
- (9) failure to notify Mortgagee/Chargee of registration of a lien by the municipal, provincial or federal government
- (10) failure to notify the Mortgagee/Chargee of registration of a lien from a lien claimant pertaining to services performed in connection with construction on the Charged Property within 10 days of any such registration;
- (11) collection Letter issued by the Mortgagee/Chargee, its agents or its solicitor; and
- (12) default under prior Mortgage/Charge, or Encumbrance.

Such administration fee shall be automatically and immediately added to the principal amount outstanding upon the happening of each such occurrence, unless contested by the Mortgagor/Chargor.

Mortgage Statement Fee

There will be a fee of \$375 for each Mortgage Statement issued by the Mortgagee/Chargee requested by the Mortgagor/Chargor, its solicitor or in connection with any Defaults of the terms of the Mortgage/Charge.

This fee shall be automatically and immediately added to the principal amount outstanding upon the happening of each such occurrence.

Mortgage Discharge Fee

There will be a fee of \$475 for each Mortgage Discharge together with the applicable Registration Fees and Mortgagee/Chargee's solicitors fees and disbursements which will be automatically and immediately added to the principal amount outstanding upon the happening of each such occurrence.

Right to Renew

The Mortgagor/Chargor shall have the Right to Renew the Mortgage/Charge at maturity for one further 12 month period subject to the terms and conditions set out herein and in the Mortgage Loan Commitment. The Mortgagee/Chargee does not have to provide this privilege to the Mortgagor/Chargor if the Mortgagor/Chargor is in default at maturity or has been in default of the Mortgage/Charge during the Term. To be eligible to renew this Mortgage/Charge for a further twelve (12) month period the Mortgagor/Chargor must, prior to maturity date of the Mortgage/Charge, provide the Mortgagee/Chargee with the following:

- (1) realty tax certificate indicating no arrears;
- (2) property insurance policy naming the Mortgagee/Chargee as a loss payee with an insurable interest;
- (3) grant the Mortgagee/Chargee an interior inspection of the Property;
- (4) provide verification and validation that the Mortgagor/Chargor is not in default or has not been in default now or during the Term of the Loan;
- (5) provide such other documentation as may be required pursuant to the Mortgage Loan Commitment;

In the event the Mortgagor/Chargor does not renew the mortgage term by complying with the above requirements, all amounts, whether principal, interest or otherwise that may be owing hereunder including administration fees and bonuses, shall be immediately due and payable upon the expiry of the original term of the Mortgage/Charge.

Disposition of the Mortgaged Land

Provided that if the Mortgagor/Chargor, sells, transfers, conveys or otherwise disposes of the lands and premises all amounts, whether principal, interest or otherwise that may be owing hereunder including administration fees and bonuses, shall, at the sole option of the Mortgagee/Chargee, be immediately due and payable and shall bear interest at the rate of interest in accordance with the terms of this Mortgage/Charge from the payment date next preceding the date of such sale, transfer, conveyance or disposition to the date of payment.

Acknowledgment of Assignment/Transfer

In the event that the Mortgage/Chargee assigns, transfers or otherwise conveys its interest hereunder, and upon the delivery of notice of same to the Mortgagor/Chargor, the Mortgagor/Chargor, if so requested, shall without cost, at any time and from time to time, execute an acknowledgement with respect to the terms and conditions of the Mortgage/Charge and the amount outstanding thereunder. Failure to execute the acknowledgement shall be deemed to be default by the Mortgagor/Chargor under the Mortgage/Charge.

Assumption of Mortgage/Charge Clause

Notwithstanding anything to the contrary hereinbefore or hereinafter contained, the Mortgagor/Chargor expressly covenants, undertakes and agrees that the prior written approval of the Mortgagee/Chargee (which approval may at its sole and unfettered discretion be withheld by the Mortgagee/Chargee) shall be obtained to any proposed sale or transfer of title to the said lands and premises or any part thereof; in the event of failure by the Mortgagor/Chargor to obtain such prior approval, the within Mortgage/Charge shall at the sole option of the Mortgagee/Chargee become due and payable. Following approval by the Mortgagee/Chargee to any sale or transfer of title as aforesaid, the Mortgagor/Chargor shall obtain from the Purchaser an agreement in writing assuming the within Mortgage/Charge and all monies then owing thereunder and in default of the execution and delivery to the Mortgagee/Chargee of such assumption agreement, the monies then owing hereunder shall be accelerated and become legally due and payable; it being understood and agreed, however, that the Mortgagor/Chargor shall also remain liable to the Mortgagee/Chargee in respect to any deficiency upon a sale of the said lands and premises by the Mortgagee/Chargee under the Power of Sale provisions contained in the within Mortgage/Charge, or upon sale of the said lands and premises by a prior Mortgage/Charge or other prior encumbrance.

Realty Taxes

Realty taxes shall mean and include all taxes, rates, levies and assessments of whatever nature or kind, including local improvement rates and any and all interest and penalties thereon. The Mortgagor/Chargor shall provide to the Mortgagee/Chargee copies of tax assessments or realty tax statements within 5 Business Days of receipt and shall pay installments of realty taxes as they become due and shall provide evidence of payment of each installment within 5 Business Days of such payment becoming due. Failure to do so shall constitute a default under this Mortgage/Charge. At the option of the Mortgagee/Chargee, the Mortgagor/Chargor shall also provide a series of Twelve (12) postdated cheques payable to the Mortgagee/Chargee each in an amount of One-Twelfth of the annual taxes. In the case when payments on account of Realty Taxes are collected from the Mortgagor/Chargor by the Mortgagee/Chargee the Mortgagee/Chargee will allow for 10 business days for the cheques to clear its accounts and then proceed to remit the amount collected from the Mortgagor/Chargor to the City or Township on account of the Realty Taxes collected.

Acceleration on Default Under Realty Taxes

If Default is made by the Mortgage/Chargor in the payment of realty taxes that is not cured by the Mortgagor/Chargor within 5 Business Days of notice by the Mortgagee/Chargee, the principal and outstanding interest hereby secured shall, at the option of the Mortgagee/Chargee, become due and payable immediately and the Mortgagee/Chargee shall be entitled to charge an additional fee equivalent to Two (2) Months interest.

Assignment of Rents. Leases. Etc.

To further secure the indebtedness secured hereunder, the Chargor hereby assigns and transfers unto the Mortgagee/Chargee all rents, issues and profits now due and which may hereafter become due under or

by virtue of any lease, whether written or verbal, or any letting of, or of any agreement for the use or occupancy of the Charged Property or any part thereof (the "tenancies"), which may have been heretofore or may hereafter be made or agreed to, or which may be granted, it being the intention of the parties to establish an absolute transfer and assignment of all such rents, issues and profits under such tenancies and all the avails thereunder unto the Mortgagee/Chargee and the Mortgagor/Chargor shall direct any tenant to whom the Charged Property is leased to make all payments of rent to the Mortgagee/Chargee.

The Mortgagor/Chargor further covenants and agrees to execute and deliver at the request of the Mortgagee/Chargee all further assurances and assignments with respect to such tenancies as the Mortgagee/Chargee shall from time to time request, and to do all other acts with respect to such tenancies as requested by the Mortgagee/Chargee.

In the event that the Mortgagee/Chargee collects any payments of rent as a result of the Mortgagor/Chargor's default, the Mortgagee/Chargee shall be entitled to receive from such rent a management and servicing fee of fifteen per cent (15%) of gross receipts received by the Mortgagee/Chargee which the parties acknowledge is a just and equitable fee, and which shall be in addition to any charges or expenses incurred by the Mortgagee/Chargee including fees and disbursements paid by the Mortgagee/Chargee to a management company, real estate company or like person or entity retained by the Mortgagee/Chargee to assist it to recover rents.

The Mortgagor/Chargor covenants and agrees that no rent has been or will be paid by any person in possession of any portion of the Charged Property in advance, and that no portion of the rents to accrue for any portion of the said Charged Property have been or will be waived, released, reduced, discounted or otherwise discharged or compromised by the Mortgagor/Chargor.

The Mortgagor/Chargor will not do or omit to do any act which results in a breach of any tenancy in or upon the Charged Property without the written consent of the Mortgagee/Chargee.

The Mortgagor/Chargor agrees that all leases, offers to lease, or lettings of the Charged Property or any part thereof shall be bona fide and shall be at rates and on terms consistent with comparable space in the area of the Charged Property, and provided further that the Mortgagor/Chargor shall obtain the written consent of the Mortgagee/Chargee prior to the execution of any lease, offer to lease, or any letting or tenancy agreement, such consent not to be unreasonably withheld.

Any entry upon the Charged Property under the terms of this Mortgage/Charge shall not constitute the Mortgagee/Chargee to be a Mortgagee/Chargee in Possession in contemplation of law and the Mortgagee/Chargee shall not become liable to account to the Mortgagor/Chargor or to credit the Mortgagor/Chargor with any monies on account of the Mortgage/Charge except those which shall come into its hands or into the hands of any agents appointed by it; and neither shall the Mortgagee/Chargee be liable for failure to collect rents or revenues, it being agreed that the Mortgagee/Chargee shall be under no obligation to take any action or proceeding or exercise any remedy for the collection or recovery of rents and revenues, or any part thereof, and then only, subject to all appropriate deductions and payments made out of the rents and revenues received from the Charged Property as herein provided; nor shall the Mortgagee/Chargee be liable to remedy any environmental contamination of the Charged Property or to indemnify any party on account of the need to remedy an environmental contamination.

This assignment is taken only as additional security and neither the taking of this assignment nor any act in pursuance hereof shall make the Mortgagee/Chargee liable in any way, as landlord or otherwise, for the performance or any covenants, obligations or liabilities under any lease, agreement to lease, letting or tenancy agreement.

Operating Statements & Rental Roll

The Mortgagor/Chargor agrees to provide to the Mortgagee/Chargee annually, and each extension thereof audited statements of income and operating expenses for the lands and premises mortgaged together with the updated Rental Roll, which statements shall be certified by an officer of the Mortgagor/Chargor to be true and accurate. Failure to provide such statements of income and operating expenses in accordance with the provisions herein shall at the Mortgagee/Chargee's option constitute default under the Mortgage/Charge.

Receivership

In the event of a Default of the Mortgagor/Chargor on the Charged Property, then the Mortgagee/Chargee in addition to any other lights which it may have, shall be entitled to appoint a receiver manager or receiver, either privately or court appointed to manage the building and to do all things necessary as an owner would be entitled to do to sell the Charged Property.

Without limitation, the purpose of such appointment shall be the orderly management, administration and/or sale of the Lands or any part thereof and the Mortgagor/Chargor hereby consents to a court order for the appointment of such receiver or trustee. If the Mortgagee/Chargee, in its discretion, chooses to obtain such an order, it may be obtained on the terms and for such purposes as the Mortgagee/Chargee, in its sole discretion, may require, including, without limitation, the power to manage, mortgage, pledge, lease and/or loans entered into by the receiver or trustee or the Mortgagor/Chargor.

Upon the appointment of any such receiver or trustee from time to time, the Mortgagor/Chargor covenants and agrees that the following provisions shall apply;

- (a) a statutory declaration of an officer of the Mortgagee/Chargee as to default under the provisions of these presents shall be conclusive evidence thereof; provided, however, that the Mortgagor/Chargor shall not be prejudiced as a result of such statutory declaration from arguing that an event of default has not, in fact, occurred;
- (b) every such receiver shall be the irrevocable agent or attorney of the Mortgagor/Chargor (whose appointment, as such, shall be revocable only by the Mortgagee/Chargee) for the collection of all rents falling due in respect of the Lands or any part thereof, whether in respect of any tenancies created in priority to the Mortgage/Charge or subsequent thereto;
- (c) every such receiver may, at the discretion of the Mortgagee/Chargee, be vested with all or any of the powers and discretions of the Mortgagee/Chargee;
- (d) the Mortgagee/Chargee may from time to time fix the remuneration of every such trustee or receiver who shall be entitled to deduct same out of the Lands or the proceeds thereof;
- (e) every, such Receiver shall, so far as concerns responsibility and liability for his acts and omissions, be deemed to be the agent or attorney of the Mortgagor/Chargor and in no event the agent of the Mortgagee/Chargee;

- (f) the appointment of every such receiver or trustee by the Mortgagee/Chargee shall not incur or create any liability on the part of the Mortgagee/Chargee to the receiver or trustee or to the Mortgagor/Chargor or to any other person, firm or corporation in any respect and such appointment or anything which may be done by any such receiver or trustee or the removal of any such receiver or trustee or the termination of any such receivership or trusteeship shall not have the effect of constituting the Mortgagee/Chargee a Mortgagee/Chargee in Possession in respect of the Lands or any part thereof;
- (g) the receiver or trustee shall have the power to rent any portion of the Lands for such term and subject to such provisions as he may deem advisable or expedient, subject to the restrictions on leasing contained in any existing leases or agreements to lease affecting the Lands and, in so doing, such receiver or trustee shall be acting as the attorney or agent of the Mortgagor/Chargor and shall have the authority to execute any lease of any such premises in the name and on behalf of the Mortgagor/Chargor and the Mortgagor/Chargor undertakes to ratify and confirm whatever acts such receiver may do in the Lands;
- (h) every such receiver may make such arrangement at such time or times as it may deem necessary without the concurrence of any other persons for the repairing, finishing, adding to or putting in order the Lands, including, with restricting the generality of the foregoing, for the completion of the construction of any building or buildings or other erections or improvements on the Lands left by any Mortgagor/Chargor in an unfinished state or award the same to others to complete, notwithstanding that the resulting cost exceeds the principal sum hereinbefore set forth, and, in either of such cases, shall have the right to take possession of an use or permit others to use all or any part of the Mortgagor/Chargor's materials, supplies, plans, tools, equipment (including appliances on the Lands) and Charged Property of every kind and description;
- (i) every such receiver or trustee shall have full power to manage, operate, amend, repair or alter the Lands and the buildings and improvements thereon or any part thereof in the name of the Mortgagor/Chargor for the purpose of obtaining rental and other income from the lands or any part thereof;
- (j) no such receiver shall be liable to the Mortgagor/Chargor or account for monies or damages, other than monies actually received by him in respect of the Lands, and out of such monies so received from time to time, every such receiver shall pay in the following order:
 - (1) his remuneration aforesaid;
 - (2) all obligations, costs and expenses made or incurred by him, including, but not limited to, any expenditures in connection with the management, operation, amendment, repair, construction or alternation of the Lands or any part thereof;
 - (3) interest, principal and other monies which may from time to time be or become charged upon the Lands in priority to the Mortgage/Charge and all taxes, insurance premiums and every other proper expenditure made or incurred by him in respect of the Lands or any part thereof;
 - (4) to the Mortgagee/Chargee all interest due or falling due under Mortgage/Charge and the balance to be applied upon principal and other monies due and payable to the

Mortgagee/Chargee and, at the option of the Mortgagee/Chargee to prepay principal hereunder; and

- (5) subject to the above, at the discretion of the receiver, interest, principal and other monies which may from time to time constitute a charge or encumbrance on the Lands subsequent in priority or subordinate to the interest of the Mortgagee/Chargee under this Mortgage/Charge;

and that such receiver shall, in his discretion, retain reasonable reserves to meet accruing amounts and anticipated payments in connection with any of the foregoing and, further, that any surplus remaining in the hands of every such receiver after payments made and such reasonable reserves retained as aforesaid shall be payable to the Mortgagor/Chargor.

- (k) the Mortgagee/Chargee may at any time and from time to time terminate any such receivership by notice in writing to the Mortgagor/Chargor and to any such receiver and if the Mortgagor/Chargor has ceased for a period of two (2) months to be in default under this Mortgage/Charge, the Mortgagee/Chargee may so terminate such receivership upon the request in writing of the Mortgagor/Chargor; and
- (l) save as to monies payable to the Mortgagor/Chargor as set forth above, the Mortgagor/Chargor hereby releases and discharges the Mortgagee/Chargee and every such receiver from every claim of every nature, whether in damages for negligence or trespass or otherwise, which may arise or be caused to the Mortgagor/Chargor or any person claiming through or under it by reason or as a result of anything done by the Mortgagee/Chargee or any such receiver under the provisions of this Section, unless such claim be the direct and proximate result of bad faith or gross negligence.

The Mortgagor/Chargor hereby irrevocably appoints the Mortgagee/Chargee as his attorney to execute such consent or consents and all such documents as may be required, in the sole discretion of the Mortgagee/Chargee and/or the receiver or trustee and/or with respect to the Lands in same manner as if such documentation was duly executed by the Mortgagor/Chargor himself. Provided that, in the event of a monetary default only under the within Mortgage/Charge, a Receiver will not be appointed until such time as the Mortgagor/Chargor has been in default for a thirty (30) day period.

Expropriation

In the event that the Charged Property or a substantial part thereof is expropriated by any government, government agency or government regulated entity, the Mortgagee/Chargee shall, at its sole option, have the right to accelerate payment of the amounts secured by this Mortgage/Charge and all such amounts secured by this Mortgage/Charge shall immediately become due and payable together with all interest and other amounts secured by this Mortgage/Charge with interest thereon at the rate of interest provided in the Mortgage/Charge, until payment is made in full.

Occurrences of Default

Each and every of the following events shall constitute default under this Mortgage/Charge:

- (1) Default in the payment of the Principal Amount, interest or any other amount secured by this Mortgage/Charge, when payment of such amount becomes due under the terms of this Mortgage/Charge;

- (2) If the Mortgagor/Chargor sells, transfers or otherwise disposes of the Charged Property or any interest in the Charged Property, to a purchaser not approved by the Mortgagee/Chargee in writing;
- (3) If the Mortgagor/Chargor is a Corporation and there is a change of control to a person or persons not approved by the Mortgagee/Chargee in writing;
- (4) If a petition in bankruptcy is filed against the Mortgagor/Chargor, if the Mortgagor/Chargor makes a proposal to creditors under the Bankruptcy and Insolvency Act, or makes a general assignment for the benefit of its creditors, if a receiver, interim receiver, monitor or similar person is placed or is threatened to be placed in control of or for overview of the Mortgagor/Chargor's affairs or Charged Property, or in the opinion of the Mortgagee/Chargee, the Mortgagor/Chargor becomes insolvent;
- (5) Default under any terms or covenants contained herein or under any terms or covenants contained in any encumbrance registered in priority or subsequent to this Mortgage/Charge, or in payment of the realty taxes or condominium common expenses for the said Charged Property, shall constitute default under this Mortgage/Charge unless such default is curable by the Mortgagor/Chargor and the Mortgagor/Chargor cures such default within 10 Business Days of notice received from the Mortgagee/Chargee.

Inspection Fee when in Default

When in default, the Mortgagee/Chargee shall at its option have the right to inspect the Charged Property and shall add the cost thereof, together with an administrative charge of \$2,150 plus HST to the principal amount outstanding.

Appraisal and/or Letter of Opinion when in default

When in default, the Mortgagee/Chargee shall at its option have the right to undertake to determine the value of the Charged Property by way of two or more appraisers opinion of value and/or relators letter of opinion of value and shall add the cost of these reports together with an administrative charge of \$1,000 plus HST to the principal amount outstanding.

Default Proceeding Fees

When in default, and the Mortgagee/Chargee institutes default proceedings a fee of \$650 will be charged for each action, (Power of Sale, Claim, Writ for Possession).

Such administration fee shall be automatically and immediately added to the principal amount outstanding upon the happening of each such occurrence.

Two Month Interest Bonus

Should the Mortgagee/Chargee commence action due to default under the Mortgage/Charge, that the Mortgagee/Chargee at its option shall be entitled to charge an additional fee equivalent to Two (2) Months interest.

Servicing Fee

In the event that the Mortgagee/Chargee is called upon to pay any payment in order to protect its security position including but not limited to the payment of realty taxes, insurance premiums, condominium common expenses, principal interest or costs under a prior Mortgage/Charge, it is agreed that such payment shall bear interest at the greater eighteen (18%) percent per annum, calculated and compounded monthly or the current mortgage rate and that there shall be a service charge of not less than \$600 for making each such payment or payments.

Costs

In the event of Default under the herein Mortgage/Charge, notwithstanding anything contained to the contrary hereinbefore or hereinafter, all costs, charges and expenses including all legal costs on a solicitor and client basis, which may be incurred in endeavoring to collect any monies overdue under this Mortgage/Charge, and/or rectifying all other monetary or non-monetary default under the terms of this Mortgage/Charge and including but not limited to obtaining legal counsel and advice and to the taking, recovering and keeping possession of the said lands and of negotiating this loan, investigating title, and registering the Mortgage/Charge and other necessary deeds, and generally in any other acts, actions and/or proceedings taken, in connection with or to realize this security, shall be, with interest at a rate as set out herein, a charge upon the said lands in favour of the Mortgagee/Chargee.

Accrual of Interest

In the event the terms of this Mortgage/Charge specifically provide for the accrual of interest for a specified period of time, the Mortgagor/Chargor confirms, represents and warrants that the provision for the accrual of interest has been requested by the Mortgagor/Chargor and the Mortgagor/Chargor represents, warrants and undertakes to use the monies that would otherwise be paid to the herein Mortgagee/Chargee but for the accrual, towards payment of outstanding realty taxes or to subsequent Mortgagee/Chargees and other subsequent encumbrances.

Default Abandonment

Subject to Force Majeure, in the event of abandonment for a period in excess of fifteen (15) consecutive days, the Mortgagee/Chargee shall be entitled to, after giving the Mortgagor/Chargor fifteen (15) days' notice of any abandonment or failure to continue business operations or any failure to construct with due diligence and provided the Mortgagor/Chargor fails to rectify same, forthwith withdraw and cancel its obligations hereunder and/or decline to advance further funds, if any, as the case may be and it declare any monies theretofore advanced with interest to be forthwith due and payable at the sole option of the Mortgagee/Chargee.

Default of Prior Encumbrances

If any at any time or from time to time any default or breach of covenant occurs under any encumbrances registered against the Charged Property and which encumbrance has prior over the Mortgage/Charge, it shall constitute default under the Mortgage/Charge and the Chargee may pay all monies and take appropriate action to cure any default or breach under any encumbrance.

All costs, fees, charges, expenses and amounts paid by the Chargee to cure any default or breach any such prior encumbrance, shall be a charge on the Charged Property and secured under the Mortgage and shall be recoverable by the Chargee in the same manner as any default or breach of covenant in the Mortgage.

Possession

Notwithstanding anything herein to the contrary, if default shall happen to be made of or in the payment of the principal amount or the interest payable thereon or any part of either thereof, as provided in this Mortgage/Charge, or of or in the doing, observing, performing, fulfilling or keeping of one or more of the provisions, agreements or stipulations contained therein contrary to the true intent and meaning of this Mortgage/Charge, then and in every case it shall and may be lawful to and for the said Mortgagee/Chargee to peaceably and quietly enter into, have, hold, use, occupy, possess, and enjoy the Lands hereby charged free and clear and freely and clearly acquitted, exonerated and discharged of and from all former conveyance, mortgages, charges, rights, annuities, debts, executions and recognizance, and of and from all manners of other charges or encumbrances whatsoever without the let, suit, hindrance, interruption or denial of the Mortgagor/Chargor or any other person or persons whatsoever.

In the event of default under the Mortgage/Charge by the Mortgagor/Chargor and the Mortgagee/Chargee obtains possession of the Charged Property and the Mortgagee/Chargee reasonably determines, in its sole discretion, that the Charged Property requires work and/or improvements in order to market the Charged Property, then the Mortgagee/Chargee shall have the right, at its sole option, to complete such work on such terms as it deems advisable. The cost of completion of the servicing and work by the Mortgagee/Chargee and its agents and all expenses incidental thereto, shall be added to the Loan amount, together with management fee of fifteen percent (15.00%) of the costs of the work and improvements completed by the Mortgagee/Chargee. All costs and expenses, as well as said management fee, shall bear interest at the rate as herein provided for and shall form part of the Loan secured hereunder and the Mortgagee/Chargee shall have the same rights and remedies with respect to collection of same as it would have with respect to collection of Mortgage/Charge principal and Interest hereunder or at law.

Sale on Terms

In the event Power of Sale proceedings are taken, the Mortgagee/Chargee as vendor may sell the Charged Property on terms and if the result is that a Mortgage/Charge by the Mortgagee/Chargee are taken back as part consideration of the sale, then the Mortgagee/Chargee shall be entitled to sell those mortgages at a discount, without recourse by the Mortgagor/Chargor and the discount shall form part of the loss incurred by the Mortgagee/Chargee and be recoverable against the Mortgagor/Chargor. In the case of a sale on credit the Mortgagee/Chargee shall be bound to apply on account only such monies as have been actually received from the purchasers from time to time. After the satisfaction of all Mortgagee/Chargee's claims, the Mortgagee/Chargee will not be bound to pay any amount to the Mortgagor/Chargor or any other person claiming entitlement thereto until all such agreements and assurances as the Mortgagee/Chargee considers fit have been executed and delivered. The Mortgagee/Chargee may buy in or rescind or vary and contract for the sale of the whole or any part of the Charged Property and resell without being answerable for loss occasioned thereby. Any person, including the Mortgagee/Chargee herein, may bid on, tender for or purchase the Charged Property at the sale.

Obligation to Repair and Right to Inspect

The Mortgagor/Chargor covenants and agrees to keep the Charged Property in good condition and repair according to the nature and description thereof, and the Mortgagee/Chargee and the Chargee's agents may, whenever the Mortgagee/Chargee reasonably deems it necessary, enter on and in the Charged Property for the purpose of inspecting the same and to make any necessary repairs, including majors repairs; provided that the Mortgagee/Chargee shall first advise the Mortgagor/Chargor in writing of such repairs to be undertaken five (5) business days prior to any repair being commenced. The costs of such repairs and inspections shall be added to the debt secured by this Mortgage/Charge and shall be a Mortgage/Charge and lien on the Charged Property in priority to all other claims against the Charged

Property subsequent to this Mortgage/Charge, and shall be payable forthwith, and shall bear interest at the Interest Rate set forth in this Mortgage/Charge until paid in full.

Security Interest in Chattels

All chattels, equipment, installations, erections, structures and improvements, fixed or otherwise, now or hereafter put upon the said Charged Property and owned by the Mortgagor/Chargor, including, but without limiting the generality of the foregoing, all drapes and curtains, lobby furniture, refrigerators, stoves, washers, dryers, heating equipment, air-conditioning and ventilation equipment, blinds, storm windows and doors, window screens, mirrors, shelving, railings, counters, cupboards, built-ins and the like, and all apparatus and equipment appurtenant thereto are and shall in addition to other fixtures be an accession to the freehold and a part of the realty, and shall be a portion of the security for the indebtedness in the within Mortgage/Charge.

The Mortgagor/Chargor covenants and agrees to execute and deliver to the Mortgagee/Chargee, on demand, a security interest in all such chattels, furnishings, equipment, appliances and all other similar personal Charged Property owned now or in the future owned by the Mortgagor/Chargor and situate in or about the Charged Property. The form and content of such security interest shall be acceptable to the Mortgagee/Chargee in its discretion. The Mortgagor/Chargor agrees to pay all reasonable legal and other expenses incurred by the Mortgagee/Chargee in connection with the preparation and registration of a financing statements under the Personal Property Security Act of Ontario and replacement or successor legislation and all other documents relating to the security interest and any renewals thereof forthwith upon demand and such fees and expenses, together with interest thereon at the interest rate charged hereunder, paid forthwith by the Mortgagor/Chargor and treated as Additional Fees as provided in Section I herein.

Enforcement of Additional Security

In the event that, in addition to the Lands charged hereby, the Mortgage/Chargee holds further security on account of the monies secured hereby, it is agreed that no single or partial exercise of any of the Mortgagee/Chargee's powers hereunder or under any such security, shall preclude other and further exercise of any other right, power or remedy pursuant to any of such security.

The Mortgagee/Chargee shall at all times have the right to proceed against all, any, or any portion of such security in such order and in such manner as it shall in its sole discretion deem fit, without waiving any rights which the Mortgagee/Chargee may have with respect to any and all of such security, and the exercise of any such powers of remedies from time to time shall in no way affect the liability of the Mortgagor/Chargor under the remaining security, provided however, that upon payment of the full indebtedness secured hereunder the rights of the Mortgagee/Chargee with respect to any and all such security shall be at an end.

Prepaid Interest Payment and Taxes

In the event the Mortgagor/Chargor requests prepayment of the interest payments and held back on closing by the Mortgagee/Chargee the Mortgagor/Chargor understands that there will be no discount to the interest held by the Mortgagee/Chargee and that the full interest for the term will be set aside until maturity by the Mortgagee/Chargee. Mortgagor/Chargor represents, warrants and undertakes to use the monies that would otherwise be paid to the herein Mortgagee/Chargee but for the accrual, towards payment of outstanding realty taxes or to subsequent Mortgagee/Chargees and other subsequent encumbrances.

Covenant to Pay Broker Fee; Referral Fee; Mortgagee's Legal Fees and Costs

The Mortgagor/Chargor acknowledges that the loan hereby secured was arranged by one or more mortgage brokers or real estate brokers or by others and that broker/referral fees and legal costs were incurred by the Mortgagee/Chargee, on behalf of the Mortgagor/Chargor, in connection herein. Part of the consideration received by the Mortgagee/Chargee in agreeing to advance the funds secured hereby is the payment of the mortgage brokers fees stipulated in Form 2 as required under the Mortgage Brokerages, Lenders and Administrators Act, 2006 or the payment of the real estate brokers fees or referral fees, as the case may be, and legal costs incurred by the Chargee on behalf of the Chargor herein. Upon registration of this Charge, and where the Mortgagor/Chargor is unable to or unwilling to receive the monies secured hereby, the Mortgagor/Chargor shall not be entitled to a discharge of this Mortgage/Charge until the mortgage brokers fees or real estate brokers fees or referral fees, as the case may be, the Mortgagee/Chargee fees, and the legal costs incurred by the Mortgagee/Chargee, on behalf of the Mortgagor/Chargor herein, are paid in full.

Priority of Payment of Accommodation and/or Amendment Fee Broker Fee; Referral Fee; Mortgagee's Legal Fees and Costs

In the event the terms of this mortgage or any amendment and/or accommodation agreement made with respect thereto specifically provide for the capitalization or deferment of any accommodation and/or amendment fee, broker fee, referral fee, Mortgagee/Chargee fee and/or legal costs, the Mortgagor/Chargor hereby acknowledges and agrees and warrants and represents that all payments made are intended to and shall be first applied as payment against accommodation and/or amendment fees, referral fees, broker fees, Mortgagee/Chargee fees and legal costs so capitalized or deferred, until such fees and costs are paid in full.

Severability of any invalid provisions

In the event that any covenant, term or provision contained in this Mortgage/Charge is held to be invalid, illegal or unenforceable in whole or in part, then the validity, legality and enforceability of the remaining covenants, provisions and terms shall not be affected or impaired thereby, and all such remaining covenants, provisions and terms shall continue in full force and effect. All covenants, provisions and terms hereof are declared to be separate and distinct covenants, provisions or terms as the case may be.

Farm Debt Mediation Act

Provided further that the Mortgagor/Chargor represents and warrants that it is not a "Farmer" as defined in the Farm Debt Mediation Act and the Mortgagor/Chargor further covenants and agrees that during the currency of the within Mortgage/Chargee will not engage in any activity which would have the effect of deeming it a Farmer within the meaning of the Farm Debt Mediation Act. In the event that the Mortgagor/Chargor fails to comply with the within provision, the within Mortgage/Charge shall, at the Mortgagee/Chargee's option, immediately become due and payable in full, together with a service charge equivalent to two (2) months interest thereon.

Severability of any invalid Provisions

If in the event that any covenant, term or provision contained in this Charge is held to be invalid, illegal or unenforceable in whole or in part, then the validity, legality and enforceability of the remaining covenants, provisions and terms shall not be affected or impaired thereby, and all such remaining covenants, provisions and terms shall continue in full force and effect. All covenants, provisions and terms hereof are declared to be separate and distinct covenants, provisions or terms as the case may be.

Insurance

The Mortgagor/Chargor shall insure all buildings on the Lands and keep them constantly insured against loss or damage by any other cause or peril, which, in the Mortgagee/Chargee's solicitor's opinion, should be protected by insurance to the full extent of their insurable value in a company or companies approved by the Mortgagee/Chargee and transferred to the Mortgagee/Chargee as first loss payee.

Such insurance shall contain the Standard Mortgage Clause approved by the Insurance Bureau of Canada and shall include (i) fire insurance for full replacement cost of the improvements (chattel security to have theft coverage), on an "all risk" basis; (ii) comprehensive general liability, minimum coverage of five million dollars (\$5,000,000.00) per occurrence; (iii) rental insurance for twelve (12) months on a one hundred percent (100%) basis; and (iv) boiler insurance in an amount of not less than one hundred percent (100%) of the fire insurance coverage limit if a boiler is present; (v) insurance for the foundation and all parts below ground level; (vi) director's liability insurance.

Notwithstanding the immediately foregoing paragraph, during periods of construction of the insurance available to the Mortgagor/Chargor may be restricted by the policy provider and, during such period, the Mortgagor/Chargor shall be required to obtain only as much of the insurance coverage set out in the immediately preceding paragraph as is reasonably available in the circumstances; provided, however, that the Mortgagor/Chargor shall at all times keep the Mortgagee/Chargee informed as to the current insurance coverage on the Charged Property.

Cost and Expenses

It is agreed that all costs and expenses of the Mortgagee/Chargee incurred in endeavouring to collect any money overdue under this Mortgage/Charge, including all legal costs on a solicitor and client basis, whether legal proceedings are instituted or not, shall be added to the principal and be payable forthwith by the Mortgagor/Chargor.

Final Payment to Discharge

The Mortgagor/Chargor covenants and agrees that the payment at maturity, or earlier if notice to prepay is delivered, of the Mortgage/Charge shall be certified cheque, bank draft or money order. After payment in full of the principal sum and all other amounts hereby provided, a Discharge of the Mortgage/Charge shall be prepared by the solicitor for the Mortgagee/Chargee, at the cost and expense of the Mortgagor/Chargor within a reasonable time after such payment and such solicitors fees shall not include attendance outside the office in order to deliver the said Discharge of the attendance on a closing or registration of and the cost of registration of the said Discharge.

In the event that the loan is not repaid at the time or times provided within the Mortgage/Charge or in the notice to prepay earlier, the Mortgagee/Chargee will not be required to accept payment of the principal monies without first receiving two (2) months additional notice in writing or receiving two (2) months interest bonus in advance of the principal monies. No further monies, if any, will be advanced under the Loan, once the Mortgagee/Chargee received notice to discharge.

Alterations

The Mortgagor/Chargor will not make or permit to be made any structural alterations or additions to Lands or change or permit to be changed the use of the premises or the zoning of the land, without the written consent of the Mortgagee/Chargee, and will promptly observe, perform, execute and comply with all legislation, laws, rules, requirement, orders, directions, ordinances and regulation of every

governmental authority or agency concerning the Lands and will at his own cost and expense make any and all improvements thereon or alternations thereof, structural or otherwise, ordinary or extraordinary, which may be required at any time by such present or future law, rules, requirement, order, direction, ordinance or regulations.

Mortgagee/Chargee Not in Possession

It is agreed between the Mortgagor/Chargor and the Mortgagee/Chargee that the Mortgagee/Chargee, in exercising any of the rights given to the Mortgagee/Chargee under the Mortgage/Charge, shall be deemed not to be a Mortgagee/Chargee in possession.

Additional Remedies

The rights, powers, and remedies conferred herein are supplementary to and not in substitution for any of the powers which the Mortgagee/Chargee may have or be entitled to at law or otherwise. Any one or more remedies may from time to time be exercised independently of or in combination with any of the others.

Severability of Any Invalid Provisions

If in the event that any covenant, term or provision contained in this Mortgage/Charge is held to be invalid, illegal or unenforceable in whole or in part, then the validity, legality and enforceability of the remaining covenants, provisions and terms shall not be affected or impaired hereby, and all such remaining covenants, provisions and terms shall continue in full force and effect.

All covenants, provisions and terms hereof are declared to be separate and distinct covenants, provisions or terms as the case may be.

Indemnification of Mortgagee/Chargee

In the event the Mortgagee/Chargee shall, without fault on its part, be made a party to any litigation commenced by or against the Mortgagor/Chargor, the Mortgagor/Chargor shall protect and hold the Mortgagee/Chargee harmless therefrom and shall pay all costs, expenses and solicitors' and counsels' fees on a solicitor and his own client basis. Such costs shall be a charge on the lands and may be added to the loan secured hereby.

Bankruptcy and Insolvency Act

The Mortgagor/Chargor hereby waives and releases any right that it may have to receive from the Mortgagee/Chargee notice of intention to enforce security pursuant to subsection 244(1) of the Bankruptcy and Insolvency Act (Canada). This waiver and release shall not be deemed or interpreted to be a prior consent to earlier enforcement of a security within the meaning of subsection 244(1) of the said Act.

The Mortgagor/Chargor hereby acknowledges and agrees that the security held by the Mortgagee/Chargee is not all or substantially all of the inventory, accounts receivable or other Charged Property of the Mortgagor/Chargor acquired for or used in relation to any business carried on by the Mortgagor/Chargor. The Mortgagor/Chargor hereby further acknowledges and agrees that notwithstanding any act of the Mortgagee/Chargee by way of appointment of any person or persons for the purposes of taking possession of the Lands as agent on behalf of the Mortgagor/Chargor or otherwise or by taking possession of the Lands itself pursuant to any rights that the Mortgagee/Chargee may have

with respect to thereto shall not constitute the Mortgagee/Chargee or any such person, a receiver within the meaning of subsection 243(2) of the Bankruptcy and Insolvency Act (Canada), and that any and all requirement of Part XI of the said Act as it may pertain to obligations of receivers shall not be applicable to the Mortgagee/Chargee with respect to the transaction pursuant to which this Mortgage/Charge has been given or with respect to enforcement of this Mortgage/Charge or any other security held by the Mortgagee/Chargee. The Mortgagor/Chargor hereby acknowledges and agrees that no action shall lie against the Mortgagee/Chargee as a receiver and manager or otherwise for any loss or damage arising from noncompliance with any obligations of a receiver pursuant to the provisions of the Bankruptcy and Insolvency Act (Canada) whether or not the Mortgagee/Chargee had reasonable grounds to believe that the Mortgagor/Chargor was not insolvent

The Mortgagor/Chargor further acknowledges and agrees that any and all costs as may be incurred from time to time by the Mortgagee/Chargee in order to effect compliance or avoid any adverse ramifications of the Bankruptcy and Insolvency Act (Canada) shall be entirely for the account of the Chargor. The Chargee shall be entitled to incur any such costs, including any costs for its personnel in administering any requirement so the said Act and to add the same to the indebtedness owing pursuant hereto and the same shall be secured hereunder and under any and all security held by the Chargee for the indebtedness owing to the Chargee in the same manner and in the same priority as the principal secured hereunder.

Urea Formaldehyde Foam Insulation (UFFI) and Environment

The Mortgagor/Chargor covenants that, to the best of the Mortgagor/Chargor's knowledge and belief, the Charged Property has never had "UREA FORMALDEHYDE FOAM" insulation installed, asbestos, PCBs waste, radioactive material, noxious substances, or any contaminant as defined in the Canadian Environmental Protection Act and that the Charged Property is and will be environmentally sound and there are no and will be no restrictions which would economically affect any buildings on the Charged Property. If it is found that the Charged Property contains any of the aforementioned substances then the Mortgagor/Chargor shall be deemed to be in default of the Mortgage/Charge.

Zoning

The Mortgagor/Chargor covenants with the Mortgagee/Chargee that it will not apply the zoning designation for the Charged Property, without the prior written consent of the Mortgagee/Chargee, which Consent may be arbitrarily and unreasonably withheld. For greater certainty, the Mortgagor/Chargor shall not change the industrial zoning of the Charged Property.

Representations Regarding Environmental Matters

The Charged Property and all businesses and operations conducted thereon comply with all environmental laws. The Charged Property has not been used for or designated as a waste disposal site and contains no hazardous substances and there is no existing or threatened environmental proceeding against or affecting the Charged Property. Copies of all existing environmental assessments, audits, tests and reports relating to the Charged Property have been delivered to the Mortgagee/Chargee. To the best of the Mortgagor/Chargor's knowledge and belief, there are no pending or proposed changes to environmental laws or to any environmental proceedings which would render illegal or materially restrict or change the present use and operation of the Charged Property. Neither of the Mortgagor/Chargor nor, to the best of the Mortgagor/Chargor's knowledge and belief after due inquiry and investigation, any other person or organization: (i) has used or permitted the use of the Charged Property to generate, manufacture, refine, treat, transport, store, handle, dispose, transfer, produce or process hazardous substances; (ii) has been subject to any environmental proceeding related to the Charged Property; (iii) has caused or permitted the release or discharge of any hazardous substance on or

in the vicinity of the Charged Property; (iv) has received or otherwise has knowledge of any environmental proceeding or any facts which could give rise to any environmental proceeding related to the Charged Property; (v) has undertaken any remediation or clean-up of any hazardous substance on or in the vicinity of the Charged Property; or (vi) has defaulted in reporting any occurrence or circumstance to any governmental authority in relation to the Charged Property which is or was required to be reported pursuant to any environmental laws.

Covenants Regarding Environmental Matters

The Mortgagor/Chargor shall: (i) ensure that the Charged Property and the Mortgagor/Chargor comply with all Environmental Laws at all times; (ii) not permit any hazardous substances to be located, manufactured, stored, spilled, discharged or disposed of at, on or under the Charged Property (except in the ordinary course of business of the Mortgagor/Chargor or any tenant and in compliance with all environmental laws) nor permit any other activity on or in respect of the Charged Property that might result in any environmental proceeding affecting the Charged Property, Mortgagor/Chargor or Mortgagee/Chargee; (iii) notify the Mortgagee/Chargee promptly of any threatened or actual environmental proceedings; (iv) remediate and cure in a timely manner any non-compliance by the Charged Property or the Mortgagor/Chargor with environmental laws, including removal of any hazardous substances from the Charged Property; (v) maintain all environmental and operating documents and records including all permits, licenses, certificates, approvals, orders and agreements relating to the Charged Property as required by environmental laws; (vi) provide the Mortgagee/Chargee promptly upon request with such information, documents, records, permits, licenses, certificates, approvals, orders, agreements, environmental audits, reports, assessments and inspections and take such other steps (all at the Mortgagor/Chargor's expense) as may be required by the Mortgagee/Chargee to confirm and/or ensure compliance by the Charged Property and the Mortgagor/Chargor with environmental laws; and (vii) execute all consents, authorizations and directions necessary to permit any inspection of the Charged Property by any governmental authority and to permit the release to the Mortgagee/Chargee or its representatives, of any information relating to the Charged Property and the Mortgagor/Chargor.

Environmental Indemnity

Without limiting any other provision of this Mortgage/Charge or any document collateral hereto, the Mortgagor/Chargor shall indemnify and pay, protect, defend and save the Mortgagee/Chargee harmless from and against all actions, proceedings, losses, damages, liabilities, claims, demands, judgments, costs, expenses (including legal fees and disbursements on a solicitor and his own client basis) (collectively "**Environmental Claims**"), imposed on, made against or incurred by the Mortgagee/Chargee arising from or relating to, directly or indirectly, and whether or not disclosed by an environmental audit and whether or not caused by the Mortgagor/Chargor within its control: (i) any actual or alleged breach of Environmental Laws relating to or affecting the Charged Property; (ii) the actual or alleged presence, release, discharge or disposition of any hazardous substance in, on, over, under, from or affecting all or part of the Charged Property or surrounding lands, including any personal injury or Charged Property damage arising therefrom; (iii) any actual or threatened environmental proceeding affecting the Charged Property including any settlement thereof; (iv) any assessment, investigation, containment, monitoring, remediation and/or removal of all hazardous substances from all or part of the Charged Property or surrounding areas or otherwise complying with environmental laws; or (v) any breach by the Mortgagor/Chargor of any covenant hereunder or under any document collateral hereto or under applicable law relating to environmental matters. This indemnity shall survive repayment of the loan secured hereby, foreclosure upon this Mortgage/Charge and any other extinguishing of the obligations of the Mortgagor/Chargor under this Mortgage/Charge and any other exercise by the Mortgagee/Chargee of any remedies available to it against the Mortgagor/Chargor.

The Mortgagee/Chargee or agent of the Mortgagee/Chargee may, at any time, before and after default, and for any purpose deemed necessary by the Mortgagee/Chargee, enter upon the Charged Property to inspect the Charged Property and buildings thereon. Without in any way limiting the generality of the foregoing, the Mortgagee/Chargee (or its agent) may enter upon the Charged Property to conduct any environmental testing, site assessment, investigation or study deemed necessary by the Mortgagee/Chargee and the reasonable cost of such testing, assessment, investigation or study, as the case may be, with interest at the interest rate set out in this Mortgage/Charge, shall be a charge upon the Charged Property. The exercise of any of the powers enumerated in this clause shall not deem the Mortgagee/Chargee or its agent to be in possession, management, or control of the Charged Property and buildings.

Construction Lien Act

Except as otherwise agreed by the Mortgagor/Chargor and Mortgagee/Chargee, no portion of the proceeds of this Mortgage/Charge is to be used to finance any construction, alterations, renovations or improvements to the subject Charged Property within the meaning of the Construction Lien Act (Ontario) or to repay a Mortgage/Charge which was taken out for this purpose, failing which all amounts, whether principal, interest or otherwise that may be owing hereunder, including Administration Fees and bonuses, shall be immediately due and payable at the sole option of the Mortgagee/Chargee. If any amount of money is claimed in priority over this Mortgage/Charge pursuant to the Construction Lien Act (Ontario) and if the Mortgagee/Chargee is obligated to pay any amounts owing under the said Act, same shall be added to the principal amount outstanding under the Mortgage/Charge.

Hazardous Substances

The Mortgagor/Chargor represents, warrants, covenants and agrees that:

- (a) it has not and, to the best of its knowledge, information and belief after making due inquiry, no other person has caused or permitted any hazardous substances to be placed, stored, located or on, under or at the Lands;
- (b) it and its tenants, invitees and other occupiers of the Lands have and will at all times, and, to the best of their respective knowledge, information and belief after making due inquiry, all prior owners and occupiers of the Lands have at all times carried out all business and other activities upon the Lands in compliance with all applicable laws intended to protect the environment including, without limitation, laws respecting the discharge, emission, spill or disposal of any hazardous substances;
- (c) no order, direction, enforcement action or other governmental or regulatory action or notice, nor any action, suit or proceeding relating to any hazardous substances or the environment has been issued or is otherwise threatened or pending with respect to the Lands;
- (d) each representations and warranties set out herein shall remain true and accurate in all respects up to and including the date of the first advance of funds hereunder and thereafter until all amounts secured hereunder are paid in full; and
- (e) the Mortgagee/Chargee may delay or refuse to make any advances to the Mortgagor/Chargor if the Mortgagee/Chargee believes that any of the representations and warranties set out herein were not true and accurate when made or at any time thereafter.

The Mortgagor/Chargor shall permit the Mortgagee/Chargee to conduct, at the Mortgagor/Chargor's expense, any and all tests, inspections, appraisals, and environmental audits of the Lands so as to determine and ensure compliance with the provisions of this paragraph including, without limitation, the right to conduct soil tests and to review and copy any records relating to the Lands or the business and other activities conducted thereon at any time and from time to time.

The Mortgagor/Chargor agrees to indemnify and save harmless the Mortgagee/Chargee and its officers, directors, employees, agents and shareholders from and against any and all losses, damages, costs and expenses of any and every nature and kind whatsoever which at any time or from time to time may be paid or incurred by or asserted against any of them as a direct or indirect result of:

- (a) a breach of any of the representations, warranties or covenants hereinbefore set out;
- (b) the presences of any hazardous substances in or under the Lands; or
- (c) the discharge, emission, spill or disposal of any hazardous substances from the Lands into or upon the lands, atmosphere, any watercourse, body of water or wetland;

and the provisions of all representatives, warranties, covenants and indemnifications set out herein shall survive the release and discharge of this Mortgage and any other security held by the Chargee and repayment and satisfaction of the loan secured by this Mortgage.

No Subsequent Encumbrances

The Mortgagor/Chargor covenants with the Mortgagee/Chargee that it will not create, assume or permit to exist any further mortgage, charge, hypothec, pledge, lien or other encumbrance or security interest with respect to the herein described Lands or any part thereof, any personal Charged Property associated therewith or any Charged Property substituted therefore without the prior written consent of the Mortgagee/Chargee, which consent may be withheld at the Mortgagee/Chargee's discretion notwithstanding any statutory or other provision of law inconsistent therewith.

In the event that a subsequent Mortgage/Charge is placed on the Charged Property without the Mortgagee/Chargee's written consent, the Mortgagee/Chargee shall have the right, at its option, to immediately declare all unpaid principal and interest and accrued interest and costs and expenses owing to the Mortgagee/Chargee immediately due and payable together with the Mortgagee/Chargee's current prepayment penalties and fees.

Headings

The headings herein are not to be considered part of this Mortgage/Charge and are included solely for the convenience of reference and are not intended to be full or accurate descriptions of the contents of the paragraphs to which they relate.

Additional Fee and Amendment to Fees

The Mortgagee/Chargee reserves the right to charge reasonable fees for other administrative services and amend its fees from time to time.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement 29 day of August, 2015.

**ON BEHALF OF THE
CHARGOR/MORTGAGOR:**

TORONTO HERBAL REMEDIES INC.

Name:
Title:
Address for Notices:

**ON BEHALF OF THE
CHARGE/MORTGAGEE:**

0982244 B.C. LTD.

Name: Lyndee Saver Rastine
Title: Director
Address for Notices: 304-15242

Oryzela Drive, Sunnyvale, BC
V7Z0Z5

IN WITNESS WHEREOF, the parties hereto have executed this Agreement 28 day of August, 2015.

**ON BEHALF OF THE
CHARGOR/MORTGAGOR:**

TORONTO HERBAL REMEDIES INC.



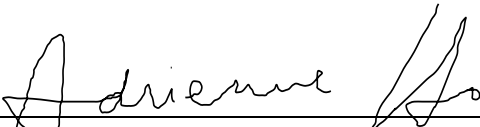
Name: Pamvri Hemachandra
Title: President
Address for Notices:

**ON BEHALF OF THE
CHARGEE/MORTGAGEE:**

0982244 B.C. LTD.

Name:
Title:
Address for Notices:

This is Exhibit “Q” referred to in the Affidavit of Craig Loverock sworn by Craig Loverock located in the City of Newmarket, in the Regional Municipality of York, in the Province of Ontario, before me at the City of Toronto, in the Province of Ontario, this 44th day of June, 2022 in accordance with *O.Reg. 431/20, Administering Oath or Declaration Remotely*.



A Commissioner for taking affidavits

ADRIENNE HO

LAND
REGISTRY
OFFICE #66

06443-0179 (LT)

PAGE 1 OF 4

PREPARED FOR ROXANA MANEA
ON 2022/06/17 AT 14:49:54

* CERTIFIED IN ACCORDANCE WITH THE LAND TITLES ACT * SUBJECT TO RESERVATIONS IN CROWN GRANT *

PROPERTY DESCRIPTION: LT 89 PL 2176 SCARBOROUGH; LT 90 PL 2176 SCARBOROUGH; LT 91 PL 2176 SCARBOROUGH; LT 101 PL 2291 SCARBOROUGH; LT 102 PL 2291 SCARBOROUGH; LT 103 PL 2291 SCARBOROUGH; LT 104 PL 2291 SCARBOROUGH; LT 105 PL 2291 SCARBOROUGH; LT 106 PL 2291 SCARBOROUGH; LT 107 PL 2291 SCARBOROUGH; LT 108 PL 2291 SCARBOROUGH; PT DAVIDSON AV PL 2176 SCARBOROUGH; PT DAVIDSON AV PL 2291 SCARBOROUGH CLOSED BY SC103893 AS IN TB625847; S/T & T/W TB625847; TORONTO , CITY OF TORONTO

PROPERTY REMARKS:

ESTATE/QUALIFIER:

FEE SIMPLE
LT CONVERSION QUALIFIED

RECENTLY:

FIRST CONVERSION FROM BOOK

PIN CREATION DATE:

2000/10/23

OWNERS' NAMES

TORONTO HERBAL REMEDIES INC.

CAPACITY SHARE

ROWN

REG. NUM.	DATE	INSTRUMENT TYPE	AMOUNT	PARTIES FROM	PARTIES TO	CERT/CHKD
<p>** PRINTOUT INCLUDES ALL DOCUMENT TYPES AND DELETED INSTRUMENTS SINCE 2000/10/20 **</p> <p>**SUBJECT, ON FIRST REGISTRATION UNDER THE LAND TITLES ACT, TO:</p> <p>** SUBSECTION 44(1) OF THE LAND TITLES ACT, EXCEPT PARAGRAPH 11, PARAGRAPH 14, PROVINCIAL SUCCESSION DUTIES * AND ESCHEATS OR FORFEITURE TO THE CROWN.</p> <p>** THE RIGHTS OF ANY PERSON WHO WOULD, BUT FOR THE LAND TITLES ACT, BE ENTITLED TO THE LAND OR ANY PART OF IT THROUGH LENGTH OF ADVERSE POSSESSION, PRESCRIPTION, MISDESCRIPTION OR BOUNDARIES SETTLED BY CONVENTION.</p> <p>** ANY LEASE TO WHICH THE SUBSECTION 70(2) OF THE REGISTRY ACT APPLIES.</p> <p>**DATE OF CONVERSION TO LAND TITLES: 2000/10/23 **</p>						
SC424023	1970/07/17	CHARGE		*** COMPLETELY DELETED ***	M. RUBENSTEIN ENTERPRISES LIMITED	
SC448928	1971/12/31	TRANSFER		*** COMPLETELY DELETED ***	M. RUBENSTEIN ENTERPRISES LIMITED JOSEPH MORGAN CONSTRUCTION LIMITED	
SC622925	1981/10/02	NOTICE OF LEASE		*** COMPLETELY DELETED ***	COLOUR COATINGS LIMITED	
TB606309	1989/05/30	NOTICE		*** COMPLETELY DELETED ***		
TB625847	1989/08/09	TRANSFER		*** COMPLETELY DELETED ***	JOSEPH MORGAN CONSTRUCTION LIMITED	

NOTE: ADJOINING PROPERTIES SHOULD BE INVESTIGATED TO ASCERTAIN DESCRIPTIVE INCONSISTENCIES, IF ANY, WITH DESCRIPTION REPRESENTED FOR THIS PROPERTY.
NOTE: ENSURE THAT YOUR PRINTOUT STATES THE TOTAL NUMBER OF PAGES AND THAT YOU HAVE PICKED THEM ALL UP.

LAND
REGISTRY
OFFICE #66

06443-0179 (LT)

PREPARED FOR ROXANA MANEA
ON 2022/06/17 AT 14:49:54

* CERTIFIED IN ACCORDANCE WITH THE LAND TITLES ACT * SUBJECT TO RESERVATIONS IN CROWN GRANT *

REG. NUM.	DATE	INSTRUMENT TYPE	AMOUNT	PARTIES FROM	PARTIES TO	CERT/ CHKD
TB625848	1989/08/09	CHARGE		*** COMPLETELY DELETED ***	SUN LIFE ASSURANCE CO. OF CANADA	
TB625851	1989/08/09	ASSIGNMENT GENERAL <i>REMARKS: SC424022, SC448928</i>		*** COMPLETELY DELETED ***		
AT2210257	2009/10/23	DISCH OF CHARGE <i>REMARKS: TB625848.</i>		*** COMPLETELY DELETED *** SUN LIFE ASSURANCE CO. OF CANADA		
AT3554715	2014/04/08	DISCH OF CHARGE <i>REMARKS: SC424023.</i>		*** COMPLETELY DELETED *** M. RUBENSTEIN ENTERPRISES LIMITED		
AT3557612	2014/04/14	APL (GENERAL) <i>REMARKS: DELETE SC622925 & TB606309</i>		*** COMPLETELY DELETED *** JOSEPH MORGAN CONSTRUCTION LIMITED		
AT3668558	2014/08/22	APL CH NAME OWNER		*** COMPLETELY DELETED *** JOSEPH MORGAN CONSTRUCTION LIMITED	MORGAN MAE ENTERPRISES LIMITED	
AT3669814	2014/08/22	TRANSFER <i>REMARKS: PLANNING ACT STATEMENTS.</i>	\$1,370,000	MORGAN MAE ENTERPRISES LIMITED	TORONTO HERBAL REMEDIES INC.	C
AT3669828	2014/08/22	CHARGE		*** COMPLETELY DELETED *** TORONTO HERBAL REMEDIES INC.	1010046 B.C. LTD.	
AT3669850	2014/08/22	NO ASSGN RENT GEN <i>REMARKS: AT3669828</i>		*** COMPLETELY DELETED *** TORONTO HERBAL REMEDIES INC.	1010046 B.C. LTD.	
AT3966750	2015/08/04	DISCH OF CHARGE <i>REMARKS: AT3669828.</i>		*** COMPLETELY DELETED *** 1010046 B.C. LTD.		
AT3995694	2015/08/31	CHARGE	\$3,250,000	TORONTO HERBAL REMEDIES INC.	0982244 B. C. LTD.	C
AT3995695	2015/08/31	NO ASSGN RENT GEN <i>REMARKS: RENTS AT3995694</i>		TORONTO HERBAL REMEDIES INC.	0982244 B. C. LTD.	C
AT4316252	2016/08/19	CONSTRUCTION LIEN		*** COMPLETELY DELETED *** BROWN DANIELS ASSOCIATES INC.		

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REG. NUM.	DATE	INSTRUMENT TYPE	AMOUNT	PARTIES FROM	PARTIES TO	CERT/ CHKD
AT4317975	2016/08/22	CONSTRUCTION LIEN		*** COMPLETELY DELETED *** SUBURBAN FENCE SYSTEMS LTD.		
AT4322758	2016/08/26	CERTIFICATE		*** COMPLETELY DELETED *** BROWN DANIELS ASSOCIATES INC.		
		REMARKS: AT4316252				
AT4339424	2016/09/12	CONSTRUCTION LIEN		*** COMPLETELY DELETED *** JOHNSONS CONTROLS BE LTD. JOHNSON CONTROLS CANADA LP		
AT4363598	2016/10/04	CERTIFICATE		*** COMPLETELY DELETED *** SUBURBAN FENCE SYSTEMS LTD.	BROWN DANIELS ASSOCIATES INC. TORONTO HERBAL REMEDIES INC. 0982244 B.C. LTD.	
		REMARKS: CERT OF ACTION AT4317975				
AT4428461	2016/12/08	CHARGE		*** COMPLETELY DELETED *** TORONTO HERBAL REMEDIES INC.	2546308 ONTARIO INC.	
AT4430472	2016/12/09	APL DEL CONST LIEN		*** COMPLETELY DELETED *** BROWN DANIELS ASSOCIATES INC.		
		REMARKS: AT4316252. AT4322758				
AT4430505	2016/12/09	APL DEL CONST LIEN		*** COMPLETELY DELETED *** JOHNSONS CONTROLS BE LTD. JOHNSON CONTROLS CANADA LP		
		REMARKS: AT4339424.				
AT4430772	2016/12/09	APL DEL CONST LIEN		*** COMPLETELY DELETED *** SUBURBAN FENCE SYSTEMS LTD.		
		REMARKS: AT4317975.				
AT4739481	2017/11/22	CONSTRUCTION LIEN		*** COMPLETELY DELETED *** BROCK'S GENERAL CONTRACTING		
AT4812828	2018/03/01	NOTICE	\$2	TORONTO HERBAL REMEDIES INC.	0982244 B.C. LTD.	C
		REMARKS: AMENDING AT3995694				
AT4992456	2018/10/29	APL DEL CONST LIEN		*** COMPLETELY DELETED *** BROCK'S GENERAL CONTRACTING		
		REMARKS: AT4739481.				

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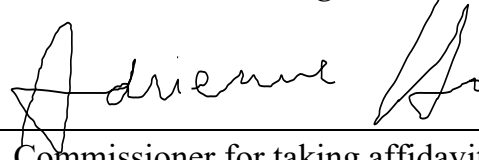
06443-0179 (LT)

PREPARED FOR ROXANA MANEA
ON 2022/06/17 AT 14:49:54

* CERTIFIED IN ACCORDANCE WITH THE LAND TITLES ACT * SUBJECT TO RESERVATIONS IN CROWN GRANT *

REG. NUM.	DATE	INSTRUMENT TYPE	AMOUNT	PARTIES FROM	PARTIES TO	CERT/ CHKD
AT5341593	2020/01/15	DISCH OF CHARGE		*** COMPLETELY DELETED *** 2546308 ONTARIO INC.		
	REMARKS: AT4428461.					
AT5352062	2020/01/28	NOTICE	\$2	TORONTO HERBAL REMEDIES INC.	0982244 B.C. LTD.	C
	REMARKS: AT3995694					
AT5382792	2020/03/06	CHARGE	\$1,000,000	TORONTO HERBAL REMEDIES INC.	INFUSION BIOSCIENCES INC.	C
AT5748147	2021/05/27	LIEN	\$8,782	HER MAJESTY THE QUEEN IN RIGHT OF ONTARIO AS REPRESENTED BY THE MINISTER OF FINANCE		C

This is Exhibit “**R**” referred to in the Affidavit of Craig Loverock sworn by Craig Loverock located in the City of Newmarket, in the Regional Municipality of York, in the Province of Ontario, before me at the City of Toronto, in the Province of Ontario, this 22nd day of June, 2022 in accordance with *O.Reg. 431/20, Administering Oath, or Declaration Remotely*.

A handwritten signature in black ink, appearing to read "Adrienne Ho". The signature is written in a cursive style with a large initial 'A' and a distinct 'H'.

A Commissioner for taking affidavits

ADRIENNE HO

Properties

PIN 06443 – 0179 LT
Description LT 89 PL 2176 SCARBOROUGH; LT 90 PL 2176 SCARBOROUGH; LT 91 PL 2176 SCARBOROUGH; LT 101 PL 2291 SCARBOROUGH; LT 102 PL 2291 SCARBOROUGH; LT 103 PL 2291 SCARBOROUGH; LT 104 PL 2291 SCARBOROUGH; LT 105 PL 2291 SCARBOROUGH; LT 106 PL 2291 SCARBOROUGH; LT 107 PL 2291 SCARBOROUGH; LT 108 PL 2291 SCARBOROUGH; PT DAVIDSON AV PL 2176 SCARBOROUGH; PT DAVIDSON AV PL 2291 SCARBOROUGH CLOSED BY SC103893 AS IN TB625847; S/T & T/W TB625847; TORONTO , CITY OF TORONTO
Address 64 RALEIGH AV
TORONTO

Applicant(s)

The assignor(s) hereby assigns their interest in the rents of the above described land. The notice is based on or affects a valid and existing estate, right, interest or equity in land.

Name TORONTO HERBAL REMEDIES INC.
Address for Service c/ Bray Partners Inc.
208 – 13049 76th Ave.
Surrey, British Columbia V3W 2V7
Attn: Karin Studer

I, Pamudri Ayshka Hemachandra (President and Director), have the authority to bind the corporation.

This document is not authorized under Power of Attorney by this party.

Party To(s)*Capacity**Share*

Name 0982244 B. C. LTD.
Address for Service 304 – 15292 Croydon Drive, Surrey, British Columbia, V3Z
0Z5

Statements

The applicant applies for the entry of a notice of general assignment of rents.

This notice may be deleted by the Land Registrar when the registered instrument, AT3995694 registered on 2015/08/31 to which this notice relates is deleted

Schedule: See Schedules

Signed By

Jesse Noah Simon Blinick 307 Sheppard Ave. E acting for Signed 2015 08 31
Toronto Applicant(s)
M2N 3B3

Tel 416-509-2874

Fax 647-795-8151

I have the authority to sign and register the document on behalf of the Applicant(s).

Dustin Troy Down 813 Broadview Avenue, Suite 201 acting for Party To Signed 2015 08 31
Toronto (s)
M4K 2P8

Tel 647-931-7331

Fax 647-931-7388

I have the authority to sign and register the document on behalf of the Party To(s).

Submitted By

SCOTT & DOWN LLP 813 Broadview Avenue, Suite 201 2015 08 31
Toronto
M4K 2P8

Tel 647-931-7331

Fax 647-931-7388

The applicant(s) hereby applies to the Land Registrar.

Fees/Taxes/Payment

<i>Statutory Registration Fee</i>	\$60.00
<i>Total Paid</i>	\$60.00

GENERAL ASSIGNMENT OF RENTS

BETWEEN:

TORONTO HERBAL REMEDIES INC.

(hereinafter called the "Assignor")

OF THE FIRST PART

And

0982244 B.C. LTD.

(hereinafter called the "Assignee")

OF THE SECOND PART

WHEREAS the Assignee is advancing funds to the Assignor upon the security of a mortgage dated the [DATE], which mortgage secures the principal sum of Three Million Two Hundred and Fifty Thousand Dollars (\$3,250,000.00), made by the Assignor in favour of the Assignee and covering the lands and premises described herein, which lands and all buildings at any time situate thereon during the existence of the mortgage are hereinafter referred to as the "mortgaged premises";

AND WHEREAS as a condition precedent to the making of the mortgage and the advancing of the moneys thereby secured to the Assignor, it was agreed between the parties hereto that subject to the terms and conditions hereinafter set forth the Assignor would assign to the Assignee by way of additional security all rents now due or accruing due or at any time hereafter to become due under all leases, present and future, at any time made during the existence of the mortgage in respect of the mortgaged premises or any part thereof;

NOW THEREFORE THIS INDENTURE WITNESSETH that in consideration of the premises and of the said loan being made by the Assignee to the Assignor, the parties hereto mutually covenant, declare and agree as follows:

1. The Assignor hereby assigns to the Assignee and its successors and assigns, as security for the principal, interest and other amounts secured by the mortgage, and until the moneys due under and by virtue of the mortgage have been fully paid and satisfied, all rents and other moneys now due and payable or hereafter to become due and payable from the mortgaged premises and the benefit of all covenants of tenants and assignees ("**the rents**");
 - (a) under every existing and future lease of and agreement to lease of the whole or any portion of the mortgaged premises;
 - (b) in respect of every existing and future tenancy, agreement as to use or occupation and licence in respect of the whole or any portion of the mortgaged premises, whether or not pursuant to any written lease, agreement or licence;

- (c) under every existing and future guarantee of all or any of the obligations of any existing or future tenant, subtenant, occupier or licensee of the whole or any portion of the mortgaged premises; and
 - (d) under every future agreement to assume the obligations of tenants of the whole or any portion of the mortgaged premises; (All of the foregoing leases, future agreements, licences and guarantees being hereinafter referred to as the "leases"); with full power and authority to demand, collect, sue for, recover, receive and give receipts for the rents and to enforce payment thereof in the name of the Assignor or the owner from time to time of the mortgaged premises.
2. The Assignor shall be permitted to collect and receive the rents as and when they shall become due and payable according to the terms of each of the leases, unless and until there shall be default made in any payment provided for in the mortgage or until the breach of any covenant on the part of the Assignor contained in the mortgage, in which case the Assignee may give notice in writing to the tenant, subtenant, occupier, licensee or guarantor, advising of default. In such event the Assignor hereby irrevocably directs such tenant, subtenant, occupier, licensee or guarantor to make payment of rental due after receipt of such notice to the Assignee or as the Assignee may direct, upon being furnished with a true copy of this Assignment and the aforesaid notice in writing, without any further direction or authority being required by such tenant, subtenant, occupier, licensee or guarantor.
 3. Nothing herein contained shall have the effect of making the Assignee or its successors or assigns responsible for the collection of the rents or any of them, or for the performance of any of the covenants, obligations or conditions under or in respect of the leases, or any of them, to be observed and performed by the Assignor.
 4. The Assignee shall not, by virtue of this agreement, or its receipt of the rents or any of them, become or be deemed a mortgagee in possession of the mortgaged premises, and the Assignee shall not be under any obligation to take any action or exercise any remedy in the collection or recovery of the rents, or any of them, or to see to or enforce the performance of the obligations and liabilities of any person under or in respect of the leases, or any of them.
 5. The Assignee shall be liable to account only for such moneys as shall actually come into its hands, less all costs and expenses and other proper deductions, and such moneys shall be applied on account of any indebtedness of the Assignor to the Assignee.
 6. The Assignor hereby agrees to execute such further assurances as may be reasonably required by the Assignee from time to time to perfect this Agreement and whenever in the future any lease, agreement, licence or guarantee with respect to the mortgaged premises or any part thereof is made, the Assignor will forthwith advise the Assignee of the terms thereof and, if requested by the Assignee, give the Assignee a specific assignment of the lease and rents thereunder in the form requested by the Assignee.
 7. The Assignor further agrees that the Assignor will not lease or agree to lease any part of the mortgaged premises except at a rent, on terms and conditions and to tenants which are not less favourable or desirable to the Assignor than those which prudent landlord would expect to receive for the premises to be leased.
 8. Whenever any and all default under the mortgage has been cured, and all taxes and insurance on the mortgaged premises have been paid to date, and all moneys which the Assignee or its agents may have expended or become liable for in connection with the mortgaged premises have been fully repaid, the Assignor shall resume collection of the rentals on the mortgaged premises until further

IN WITNESS WHEREOF the Assignor has executed this Assignment this 28 day of August, 2015.

ON BEHALF OF THE ASSIGNOR:

TORONTO HERBAL REMEDIES INC.



Name: Pamudri Hemachandra

Title: President.

Address for Notices:

**ACKNOWLEDGED ON BEHALF
OF THE ASSIGNEE:**

0982244 B.C. LTD.

Name: Luvdeep Randhawa

Title: Director

Address for Notices: 304 - 15292

Croydon Drive, Surrey, BC, V3S 0Z5

IN WITNESS WHEREOF the Assignor has executed this Assignment this 20 day of August, 2015.

ON BEHALF OF THE ASSIGNOR:

TORONTO HERBAL REMEDIES INC.

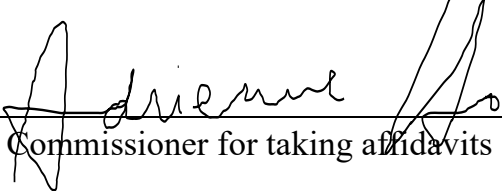
Name:
Title:
Address for Notices:

**ACKNOWLEDGED ON BEHALF
OF THE ASSIGNEE:**

0982244 B.C. LTD.

Name: Luydeep Randhawa
Title: Director
Address for Notices: 304 - 15292
Croydon Drive, Surrey, BC, V3S 0Z5

This is Exhibit "S" referred to in the Affidavit of Craig Loverock sworn by Craig Loverock located in the City of Newmarket, in the Regional Municipality of York, in the Province of Ontario, before me at the City of Toronto, in the Province of Ontario, this 44th day of June, 2022 in accordance with *O.Reg. 431/20, Administering Oath or Declaration Remotely*.



A Commissioner for taking affidavits

ADRIENNE HO

GENERAL SECURITY AGREEMENT

This SECURITY AGREEMENT, dated as of August 28th, 2015 (as amended, supplemented or otherwise modified from time to time in accordance with the provisions hereof, this "Agreement"), made by and among Toronto Herbal Remedies Inc., a corporation formed pursuant to the laws of the Province of Ontario (the "Grantor"), in favour of 0982244 B.C. Ltd., a corporation formed pursuant to the laws of the Province of British Columbia, or its assigns (the "Secured Party").

WHEREAS, on the date hereof, the Secured Party has made and may make loans to the Grantor in an aggregate unpaid principal amount of \$3,250,000.00 (the "Loan"), evidenced by that certain Promissory Note of even date herewith (as amended, supplemented or otherwise modified from time to time, the "Promissory Note") made by the Grantor and payable to the order of the Secured Party.

WHEREAS, this Agreement is given by the Grantor in favour of the Secured Party to secure the payment and performance of all of the Secured Obligations; and

WHEREAS, it is a condition to the obligations of the Lender to make the Loans under the Promissory Note that the Grantor execute and deliver this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants, terms and conditions set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Definitions.

(a) Unless otherwise specified herein, all references to Sections and Schedules herein are to Sections and Schedules of this Agreement.

(b) Capitalized terms used but not otherwise defined herein shall have the meanings assigned to such terms in the Promissory Note.

(c) Unless otherwise defined herein or as set out in the immediately preceding paragraph, terms used herein that are defined in the *Personal Property Security Act* (Ontario) (the "Act") shall have the meanings assigned to them in the Act.

(d) For purposes of this Agreement, the following terms shall have the following meanings:

"Collateral" has the meaning set forth in Section 2.

"Event of Default" has the meaning set forth in the Promissory Note.

"Equity Interest" means, any and all shares, interests, participations or other equivalents (however designated) of capital stock of a corporation, any and all equivalent ownership (or profit) interests in a person (other than a corporation), securities convertible into or exchangeable for shares of capital stock of (or other ownership or profit interest in) such person, and any and all warrants, rights or options to purchase any of the foregoing, whether voting or nonvoting, and

whether or not such shares, warrants, options, rights or other interests are authorized or otherwise existing on any date of determination.

“First Priority” means, with respect to any lien and security interest purported to be created in any Collateral pursuant to this Agreement, such lien and security interest is the most senior lien to which such Collateral is subject (subject only to liens permitted under the Promissory Note).

“Loan Agreement” means the loan agreement dated June 18, 2015 between the Grantor, the Secured Party and Bray Limited Partnership.

“Perfection Certificate” has the meaning set forth in Section 5.

“Pledged Securities” means, collectively, with respect to the Grantor, (i) all issued and outstanding Equity Interests of each subsidiary that are owned by the Grantor and all options, warrants, rights, agreements and additional Equity Interests of whatever class of any such subsidiary acquired by such Grantor in any manner, together with all claims, rights, privileges, authority and powers of such Grantor relating to such Equity Interests in each such subsidiary or under any organizational document of each such subsidiary, and the certificates, instruments and agreements representing such Equity Interests and any and all interest of such Grantor in the entries on the books of any financial intermediary pertaining to such Equity Interests, including the Equity Interests listed in Schedule 1 hereof, (ii) all additional Equity Interests of any subsidiary from time to time acquired by or issued to such Grantor and all options, warrants, rights, agreements and additional Equity Interests of whatever class of any such subsidiary from time to time acquired by such Grantor in any manner, together with all claims, rights, privileges, authority and powers of such Grantor relating to such Equity Interests or under any Organizational Document of any such subsidiary, and the certificates, instruments and agreements representing such Equity Interests and any and all interest of such Grantor in the entries on the books of any financial intermediary pertaining to such Equity Interests, from time to time acquired by such Grantor in any manner, and (iii) all Equity Interests issued in respect of the Equity Interests referred to in clause (i) or (ii) upon any consolidation or merger of any issuer of such Equity Interests/all Equity Interests of any successor subsidiary owned by such Grantor (unless such Grantor is the surviving entity) formed by or resulting from any consolidation or merger in which any person listed in Schedule 1 hereof is not the surviving entity.

“Proceeds” means the following property:

- (a) whatever is acquired upon the sale, lease, license, exchange, or other disposition of Collateral;
- (b) whatever is collected on, or distributed on account of, Collateral;
- (c) rights arising out of Collateral;
- (d) to the extent of the value of Collateral, claims arising out of the loss, nonconformity, or interference with the use of, defects or infringement of rights in, or damage to, the collateral; or
- (e) to the extent of the value of Collateral and to the extent payable to the Grantor or the Secured Party, insurance payable by reason of the loss or

nonconformity of, defects or infringement of rights in, or damage to, the collateral;

and, in any event, shall include, without limitation, all dividends or other income from the Collateral, collections thereon or distributions with respect thereto.

“Secured Obligations” has the meaning set forth in Section 3.

2. **Grant of Security Interest.** The Grantor hereby pledges and grants to the Secured Party, and hereby creates a continuing First Priority lien and security interest in favour of the Secured Party in and to all of its right, title and interest in and to the following, wherever located, whether now existing or hereafter from time to time arising or acquired (collectively, the “Collateral”):

(a) all fixtures and personal property of every kind and nature including, without limitation, the Pledged Securities, all accounts, goods (including inventory and equipment), documents (including, if applicable, electronic documents), instruments, promissory notes, chattel paper (whether tangible or electronic), letters of credit, letter-of-credit rights (whether or not the letter of credit is evidenced by a writing), securities and all other investment property, general intangibles (including all payment intangibles), money, deposit accounts, and any other contract rights or rights to the payment of money; and

(b) all Proceeds and products of each of the foregoing, all books and records relating to the foregoing, all supporting obligations related thereto, and all accessions to, substitutions and replacements for, and rents, profits and products of, each of the foregoing, and any and all Proceeds of any insurance, indemnity, warranty or guaranty payable to such Grantor from time to time with respect to any of the foregoing.

3. **Secured Obligations.** The Collateral secures the due and prompt payment and performance of:

(a) the obligations of the Grantor from time to time arising under the Promissory Note, the Loan Agreement and this Agreement or otherwise with respect to the due and prompt payment of (i) the principal of and premium, if any, and interest on the Loan (including interest accruing during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding), when and as due, whether at maturity, by acceleration, upon one or more dates set for prepayment or otherwise and (ii) all other monetary obligations, including fees, costs, lawyers’ fees and disbursements, reimbursement obligations, contract causes of action, expenses and indemnities, whether primary, secondary, direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising, fixed or otherwise (including monetary obligations incurred during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding), of the Grantor under or in respect of the Promissory Note and this Agreement; and

(b) all other covenants, duties, debts, obligations and liabilities of any kind of the Grantor under or in respect of the Promissory Note, this Agreement or any other document made, delivered or given in connection with any of the foregoing, in each case whether evidenced by a note or other writing, whether allowed in any bankruptcy, insolvency, receivership or other similar proceeding, whether arising from an extension of credit, issuance of a letter of credit, acceptance, loan, guaranty, indemnification or otherwise, and whether primary,

secondary, direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising, fixed or otherwise (all such obligations, covenants, duties, debts, liabilities, sums and expenses set forth in this Section 3 being herein collectively called the "Secured Obligations").

4. Perfection of Security Interest and Further Assurances.

(a) The Grantor shall, from time to time, as may be required by the Secured Party with respect to all Collateral, immediately take all actions as may be reasonably requested by the Secured Party to perfect the security interest of the Secured Party in the Collateral, including, without limitation, with respect to all Collateral over which control may be obtained within the meaning of Section 1(2) of the Act, the Grantor shall immediately take all actions as may be requested from time to time by the Secured Party so that control of such Collateral is obtained and at all times held by the Secured Party. All of the foregoing shall be at the sole cost and expense of the Grantor.

(b) The Grantor hereby irrevocably authorize the Secured Party at any time and from time to time to file in any relevant jurisdiction any financing statements and amendments thereto that contain the information required by the Act or the personal property security legislation of each applicable jurisdiction for the filing of any financing statement or amendment relating to the Collateral, including any financing or continuation statements or other documents for the purpose of perfecting, confirming, continuing, enforcing or protecting the security interest granted by the Grantor hereunder, without the signature of the Grantor where permitted by law, including the filing of a financing statement describing the Collateral as all assets now owned or hereafter acquired by the Grantor, or words of similar effect. The Grantor agrees to provide all information required by the Secured Party pursuant to this Section promptly to the Secured Party upon request.

(c) If the Grantor shall at any time hold or acquire any certificated securities, promissory notes, tangible chattel paper, negotiable documents or warehouse receipts relating to the Collateral, the Grantor shall immediately endorse, assign and deliver the same to the Secured Party, accompanied by such instruments of transfer or assignment duly executed in blank as the Secured Party may from time to time specify.

(d) If the Grantor shall at any time hold or acquire a commercial tort claim, the Grantor shall immediately notify the Secured Party in a writing signed by the Grantor of the particulars thereof and grant to the Secured Party in such writing a security interest therein and in the proceeds thereof, all upon the terms of this Agreement, with such writing to be in form and substance satisfactory to the Secured Party.

(e) If any Collateral is at any time in the possession of a bailee, the Grantor shall promptly notify the Secured Party thereof and, at the Secured Party's request and option, shall promptly obtain an acknowledgment from the bailee, in form and substance satisfactory to the Secured Party, that the bailee holds such Collateral for the benefit of the Secured Party and the bailee agrees to comply, without further consent of the Grantor, at any time with instructions of the Secured Party as to such Collateral.

(f) The Grantor agree that at any time and from time to time, at the expense of the Grantor, the Grantor will promptly execute and deliver all further instruments and documents, obtain such agreements from third parties, and take all further action, that may be necessary or desirable, or that the Secured Party may request, in order to perfect and protect any security

interest granted hereby or to enable the Secured Party to exercise and enforce its rights and remedies hereunder or under any other agreement with respect to any Collateral.

5. Representations and Warranties. The Grantor represent and warrant as follows:

(a) It has previously delivered to the Secured Party a certificate signed by the Grantor and entitled "Perfection Certificate" (the "**Perfection Certificate**"), and that: (i) the Grantor's exact legal name is that indicated on the Perfection Certificate and on the signature page hereof, (ii) the Grantor is an organization of the type, and is organized in the jurisdiction, set forth in the Perfection Certificate, (iii) the Perfection Certificate accurately sets forth the Grantor's organizational identification number (or accurately states that such Grantor has none), the Grantor's place of business (or, if more than one, its chief executive office), and its mailing address, (iv) all other information set forth on the Perfection Certificate relating to the Grantor is accurate and complete and (v) there has been no change in any such information since the date on which the Perfection Certificate was signed by the Grantor.

(b) All information set forth on the Perfection Certificate relating to the Collateral is accurate and complete and there has been no change in any such information since the date on which the Perfection Certificate was signed by the Grantor.

(c) The Collateral consisting of securities have been duly authorized and validly issued, and are fully paid and non-assessable and subject to no options to purchase or similar rights. The Grantor holds no commercial tort claims.

(d) At the time the Collateral becomes subject to the lien and security interest created by this Agreement, the Grantor will be the sole, direct, legal and beneficial owner thereof, free and clear of any lien, security interest, encumbrance, claim, option or right of others except for the security interest created by this Agreement.

(e) The pledge of the Collateral pursuant to this Agreement creates a valid and perfected First Priority security interest in the Collateral, securing the payment and performance when due of the Secured Obligations.

(f) It has full power, authority and legal right to borrow the Loan and pledge the Collateral pursuant to this Agreement.

(g) Each of this Agreement, the Promissory Note, and the Loan Agreement has been duly authorized, executed and delivered by the Grantor and constitutes a legal, valid and binding obligation of the Grantor enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and subject to equitable principles (regardless of whether enforcement is sought in equity or at law).

(h) No authorization, approval, or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the borrowing of the Loan and the pledge by the Grantor of the Collateral pursuant to this Agreement or for the execution and delivery of the Promissory Note and this Agreement by the Grantor or the performance by the Grantor of their obligations thereunder.

(i) The execution and delivery of the Promissory Note and this Agreement by the Grantor and the performance by the Grantor of their obligations thereunder, will not violate any

provision of any applicable law or regulation or any order, judgment, writ, award or decree of any court, arbitrator or governmental authority, domestic or foreign, applicable to the Grantor or any of their property, or the organizational or governing documents of such Grantor or any agreement or instrument to which such Grantor is party or by which it or its property is bound.

(j) The Grantor has taken all action required on its part for control (as defined in Section 1(2) of the Act) to have been obtained by the Secured Party over all Collateral with respect to which such control may be obtained pursuant to the Act. No person other than the Secured Party has control or possession of all or any part of the Collateral.

6. **Receivables**. The Secured Party may, or at the request and option of the Secured Party the Grantor shall, notify account debtors and other persons obligated on any of the Collateral of the security interest of the Secured Party in any account, chattel paper, general intangible, instrument or other Collateral and that payment thereof is to be made directly to the Secured Party.

7. **Covenants**. The Grantor covenants as follows:

(a) The Grantor will not, without providing at least 30 days' prior written notice to the Secured Party, change its legal name, identity, type of organization, jurisdiction of organization, corporate structure, location of its chief executive office or its principal place of business or its organizational identification number, unless otherwise agreed to by the Secured Party. The Grantor will, prior to any change described in the preceding sentence, take all actions requested by the Secured Party to maintain the perfection and priority of the Secured Party's security interest in the Collateral.

(b) The Collateral, to the extent not delivered to the Secured Party pursuant to Section 4, will be kept at those locations listed on the Perfection Certificate and the Grantor will not remove the Collateral from such locations without providing at least 30 days' prior written notice to the Secured Party, unless otherwise agreed to by the Secured Party. The Grantor will, prior to any change described in the preceding sentence, take all actions required by the Secured Party to maintain the perfection and priority of the Secured Party's security interest in the Collateral.

(c) The Grantor shall, at its own cost and expense, defend title to the Collateral and the First Priority lien and security interest of the Secured Party therein against the claim of any person claiming against or through the Grantor and shall maintain and preserve such perfected First Priority security interest for so long as this Agreement shall remain in effect.

(d) The Grantor will not sell, offer to sell, dispose of, convey, assign or otherwise transfer, grant any option with respect to, restrict, or grant, create, permit or suffer to exist any mortgage, pledge, lien, security interest, option, right of first offer, encumbrance or other restriction or limitation of any nature whatsoever on, any of the Collateral or any interest therein except as expressly provided for in the Promissory Note or with the prior written consent of the Secured Party.

(e) The Grantor will keep the Collateral in good order and repair and will not use the same in violation of law or any policy of insurance thereon. The Grantor will permit the Secured Party, or its designee, to inspect the Collateral at any reasonable time, wherever located.

(f) The Grantor will pay promptly when due all taxes, assessments, governmental charges, and levies upon the Collateral or incurred in connection with the use or operation of the Collateral or incurred in connection with this Agreement.

8. Secured Party Appointed Attorney-in-Fact. The Grantor hereby appoints the Secured Party the Grantor's attorney-in-fact, with full authority in the place and stead of the Grantor and in the name of the Grantor or otherwise, from time to time in the Secured Party's discretion to take any action and to execute any instrument which the Secured Party may deem necessary or advisable to accomplish the purposes of this Agreement (but the Secured Party shall not be obligated to and shall have no liability to the Grantor or any third party for failure to do so or take action). This appointment, being coupled with an interest, shall be irrevocable. The Grantor hereby ratifies all that said attorneys shall lawfully do or cause to be done by virtue hereof.

9. Secured Party May Perform. If the Grantor fails to perform any obligation contained in this Agreement, the Secured Party may itself perform, or cause performance of, such obligation, and the expenses of the Secured Party incurred in connection therewith shall be payable by the Grantor; provided that the Secured Party shall not be required to perform or discharge any obligation of the Grantor.

10. Reasonable Care. The Secured Party shall have no duty with respect to the care and preservation of the Collateral beyond the exercise of reasonable care. The Secured Party shall be deemed to have exercised reasonable care in the custody and preservation of the Collateral in its possession if the Collateral is accorded treatment substantially equal to that which the Secured Party accords its own property, it being understood that the Secured Party shall not have any responsibility for (a) ascertaining or taking action with respect to any claims, the nature or sufficiency of any payment or performance by any party under or pursuant to any agreement relating to the Collateral or other matters relative to any Collateral, whether or not the Secured Party has or is deemed to have knowledge of such matters, or (b) taking any necessary steps to preserve rights against any parties with respect to any Collateral. Nothing set forth in this Agreement, nor the exercise by the Secured Party of any of the rights and remedies hereunder, shall relieve the Grantor from the performance of any obligation on the Grantor's part to be performed or observed in respect of any of the Collateral.

11. Remedies Upon Default. If any Event of Default shall have occurred and be continuing:

(a) The Secured Party, without any other notice to or demand upon the Grantor, may assert all rights and remedies of a secured party under the Act or other applicable law, including, without limitation, the right to take possession of, hold, collect, sell, lease, deliver, grant options to purchase or otherwise retain, liquidate or dispose of all or any portion of the Collateral. If notice prior to disposition of the Collateral or any portion thereof is necessary under applicable law, written notice mailed to the Grantor at its notice address as provided in Section 15 hereof ten days prior to the date of such disposition shall constitute reasonable notice, but notice given in any other reasonable manner shall be sufficient. So long as the sale of the Collateral is made in a commercially reasonable manner, the Secured Party may sell such Collateral on such terms and to such purchaser(s) as the Secured Party in its absolute discretion may choose, without assuming any credit risk and without any obligation to advertise or give notice of any kind other than that necessary under applicable law. Without precluding any other methods of sale, the sale of the Collateral or any portion thereof shall have been made in a commercially reasonable manner if conducted in conformity with reasonable commercial practices of creditors disposing of similar property. At any sale of the Collateral, if permitted by applicable law, the Secured Party may be the purchaser, licensee, assignee or recipient of the Collateral or any part thereof

and shall be entitled, for the purpose of bidding and making settlement or payment of the purchase price for all or any portion of the Collateral sold, assigned or licensed at such sale, to use and apply any of the Secured Obligations as a credit on account of the purchase price of the Collateral or any part thereof payable at such sale. To the extent permitted by applicable law, the Grantor waives all claims, damages and demands it may acquire against the Secured Party arising out of the exercise by it of any rights hereunder. The Grantor hereby waives and releases to the fullest extent permitted by law any right or equity of redemption with respect to the Collateral, whether before or after sale hereunder, and all rights, if any, of marshalling the Collateral and any other security for the Secured Obligations or otherwise. At any such sale, unless prohibited by applicable law, the Secured Party or any custodian may bid for and purchase all or any part of the Collateral so sold free from any such right or equity of redemption. Neither the Secured Party nor any custodian shall be liable for failure to collect or realize upon any or all of the Collateral or for any delay in so doing, nor shall it be under any obligation to take any action whatsoever with regard thereto. The Secured Party shall not be obligated to clean-up or otherwise prepare the Collateral for sale.

(b) All rights of the Grantor to (i) exercise the voting and other consensual rights it would otherwise be entitled to exercise and (ii) receive the dividends and other distributions which it would otherwise be entitled to receive and retain, shall immediately cease, and all such rights shall thereupon become vested in the Secured Party, which shall have the sole right to exercise such voting and other consensual rights and receive and hold such dividends and other distributions as Collateral.

(c) Any cash held by the Secured Party as Collateral and all cash Proceeds received by the Secured Party in respect of any sale of, collection from, or other realization upon all or any part of the Collateral shall be applied in whole or in part by the Secured Party to the payment of expenses incurred by the Secured Party in connection with the foregoing or incidental to the care or safekeeping of any of the Collateral or in any way relating to the Collateral or the rights of the Secured Party hereunder, including reasonable lawyers' fees, and the balance of such proceeds shall be applied or set off against all or any part of the Secured Obligations in such order as the Secured Party shall elect. Any surplus of such cash or cash Proceeds held by the Secured Party and remaining after payment in full of all the Secured Obligations shall be paid over to the Grantor or to whomsoever may be lawfully entitled to receive such surplus. The Grantor shall remain liable for any deficiency if such cash and the cash Proceeds of any sale or other realization of the Collateral are insufficient to pay the Secured Obligations and the fees and other charges of any lawyers employed by the Secured Party to collect such deficiency.

(d) If the Secured Party shall determine to exercise its rights to sell all or any of the Collateral pursuant to this Section, the Grantor agrees that, upon request of the Secured Party, such Grantor will, at its own expense, do or cause to be done all such acts and things as may be necessary to make such sale of the Collateral or any part thereof valid and binding and in compliance with applicable law.

12. No Waiver and Cumulative Remedies. The Secured Party shall not by any act (except by a written instrument pursuant to Section 14), delay, indulgence, omission or otherwise be deemed to have waived any right or remedy hereunder or to have acquiesced in any Default or Event of Default. All rights and remedies herein provided are cumulative and are not exclusive of any rights or remedies provided by law.

13. Security Interest Absolute. The Grantor hereby waives demand, notice, protest, notice of acceptance of this Agreement, notice of loans made, credit extended, Collateral received or

delivered or other action taken in reliance hereon and all other demands and notices of any description. All rights of the Secured Party and liens and security interests hereunder, and all Secured Obligations of the Grantor hereunder, shall be absolute and unconditional irrespective of:

(a) any illegality or lack of validity or enforceability of any Secured Obligation or any related agreement or instrument;

(b) any change in the time, place or manner of payment of, or in any other term of, the Secured Obligations, or any rescission, waiver, amendment or other modification of the Promissory Note, the Loan Agreement, this Agreement or any other agreement, including any increase in the Secured Obligations resulting from any extension of additional credit or otherwise;

(c) any taking, exchange, substitution, release, impairment or non-perfection of any Collateral or any other collateral, or any taking, release, impairment, amendment, waiver or other modification of any guaranty, for all or any of the Secured Obligations;

(d) any manner of sale, disposition or application of proceeds of any Collateral or any other collateral or other assets to all or part of the Secured Obligations;

(e) any default, failure or delay, wilful or otherwise, in the performance of the Secured Obligations;

(f) any defense, set-off or counterclaim (other than a defense of payment or performance) that may at any time be available to, or be asserted by, the Grantor against the Secured Party; or

(g) any other circumstance (including, without limitation, any statute of limitations) or manner of administering the Loan or any existence of or reliance on any representation by the Secured Party that might vary the risk of the Grantor or otherwise operate as a defense available to, or a legal or equitable discharge of, the Grantor or any other grantor, guarantor or surety.

14. Amendments. None of the terms or provisions of this Agreement may be amended, modified, supplemented, terminated or waived, and no consent to any departure by the Grantor therefrom shall be effective unless the same shall be in writing and signed by the Secured Party and the Grantor, and then such amendment, modification, supplement, waiver or consent shall be effective only in the specific instance and for the specific purpose for which made or given.

15. Addresses For Notices. All notices and other communications provided for in this Agreement shall be in writing and shall be given in the manner and become effective as set forth in the Promissory Note, and addressed to the respective parties at their addresses as specified on the signature pages hereof or as to either party at such other address as shall be designated by such party in a written notice to each other party.

16. Continuing Security Interest; Further Actions. This Agreement shall create a continuing First Priority lien and security interest in the Collateral and shall (a) subject to Section 17, remain in full force and effect until payment and performance in full of the Secured Obligations, (b) be binding upon the Grantor, its successors and assigns, and (c) inure to the benefit of the Secured Party and its successors, transferees and assigns; *provided that* the Grantor may not assign or otherwise transfer any of its rights or obligations under this

Agreement without the prior written consent of the Secured Party. Without limiting the generality of the foregoing clause (c), any assignee of the Secured Party's interest in any agreement or document which includes all or any of the Secured Obligations shall, upon assignment in accordance with Section 11.8 of the Promissory Note, become vested with all the benefits granted to the Secured Party herein with respect to such Secured Obligations.

17. Termination; Release. On the date on which all Secured Obligations have been paid and performed in full, the Secured Party will, at the request and sole expense of the Grantor, (a) duly assign, transfer and deliver to or at the direction of the Grantor (without recourse and without any representation or warranty) such of the Collateral as may then remain in the possession of the Secured Party, together with any monies at the time held by the Secured Party hereunder, and (b) execute and deliver to the Grantor a proper instrument or instruments acknowledging the satisfaction and termination of this Agreement.

18. Governing Law. This Agreement and the Promissory Note and any claim, controversy, dispute or cause of action (whether in contract or tort or otherwise) based upon, arising out of or relating to this Agreement, the Promissory Note, or the Loan Agreement and the transactions contemplated hereby and thereby shall be governed by, and construed in accordance with, the laws of the Province of Ontario and the federal laws of Canada applicable therein. The other provisions of Sections 11 of the Promissory Note are incorporated herein, *mutatis mutandis*, as if a part hereof.

19. Counterparts. This Agreement and any amendments, waivers, consents or supplements hereto may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all taken together shall constitute a single contract. Delivery of an executed counterpart of a signature page to this Agreement by facsimile or in electronic (i.e., "pdf" or "tif") format shall be effective as delivery of a manually executed counterpart of this Agreement. This Agreement, the Promissory Note and the Loan Agreement, together with all documentation delivered in connection with said agreements, constitute the entire contract among the parties with respect to the subject matter hereof and supersede all previous agreements and understandings, oral or written, with respect thereto.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

ON BEHALF OF THE GRANTOR:

TORONTO HERBAL REMEDIES INC.



Name: Pamudri Hemachandran

Title: President

Address for Notices: 40 Bray Partners Inc.
208-13049 76th Ave
Surrey, B.C. V3W 2V7

**ON BEHALF OF THE SECURED
PARTY**

0982244 B.C. LTD.

Name:

Title:

Address for Notices:

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

ON BEHALF OF THE GRANTOR:

TORONTO HERBAL REMEDIES INC.

Name:
Title:
Address for Notices:

**ON BEHALF OF THE SECURED
PARTY**

0982244 B.C. LTD.

Per:

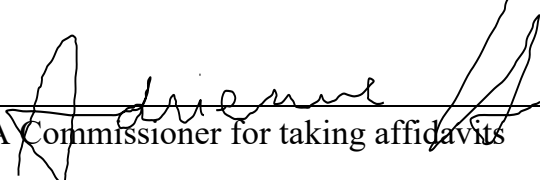
Name: *Amdeep Singh Randhawa*

Title: *Director*

Address for Notices: *304-15292*

*Croyden Drive, Surrey, BC
V3Z0R5*

This is Exhibit “T” referred to in the Affidavit of Craig Loverock sworn by Craig Loverock located in the City of Newmarket, in the Regional Municipality of York, in the Province of Ontario, before me at the City of Toronto, in the Province of Ontario, this 44th day of June, 2022 in accordance with *O.Reg. 431/20, Administering Oath or Declaration Remotely*.



A Commissioner for taking affidavits

ADRIENNE HO

SHARE PURCHASE OPTION AND LOAN CONVERSION AGREEMENT

This Share Purchase Option and Loan Conversion Agreement (“**Agreement**”) is made and entered into as of August 28, 2015 (“**Effective Date**”), by and between Toronto Herbal Remedies Inc., a corporation formed pursuant to the laws of the Province of Ontario (the “**Herbal Remedies**”), and 0982244 B.C. Ltd., a corporation formed pursuant to the laws of the Province of British Columbia, or its assigns (the “**Buyer**”). Herbal Remedies and Buyer are sometimes together referred to in this Agreement as the “**Parties**” and individually as a “**Party**.”

RECITALS:

WHEREAS pursuant to the terms of a loan agreement dated June 18, 2015 (the “**Loan Agreement**”) entered into between Herbal Remedies, Bray Limited Partnership (“**Bray**”) and the Buyer, the Buyer has made and may make loans to Herbal Remedies in an aggregate principal amount of \$3,250,000.00 (the “**Loan**”) which Loan is due, subject to any extension permitted or granted pursuant to the Loan Agreement, on June 18, 2017 (the “**Maturity Date**”);

AND WHEREAS the Loan is evidenced by a promissory note of even date herewith made by Herbal Remedies and payable to the order of the Buyer in the principal amount of \$3,250,000.00 (as amended, supplemented or otherwise modified from time to time, the “**Promissory Note**”);

AND WHEREAS the Loan is secured by, among other things, a collateral first mortgage charge (the “**Mortgage**”) against the property known municipally as 64-70 Raleigh Avenue, Toronto, Ontario and a general security agreement over the assets of Herbal Remedies (the “**Security Agreement**”; the Promissory Note, the Mortgage, the Security Agreement and all other collateral delivered pursuant to the Loan Agreement, the “**Collateral**”);

AND WHEREAS, pursuant to the terms of the Loan Agreement, the Buyer is entitled, at any time on or prior to the Maturity Date, to exercise the exclusive option to purchase common shares in the capital of Herbal Remedies (“**Common Shares**”) comprising 23% of all issued and outstanding Common Shares, representing, as of this date and on a fully diluted basis including the exercise of the Pam Option (as defined herein) and the Venus Option (as defined herein), Fifty-Seven Thousand and Five Hundred (57,500) common shares in the capital of Herbal Remedies (the “**Buyer Option Shares**”) for a price per Share of \$0.01 (the “**Buyer Option**”);

AND WHEREAS, Herbal Remedies has determined that, conditional upon the Buyer’s exercise of the Option, it is in the best interests of the corporation to issue an option (the “**Pam Option**”) to purchase Two Thousand and Five Hundred Common Shares to Pamudri Ayesha Hemachandra (“**Pam**”);

AND WHEREAS, Herbal Remedies has determined that, conditional upon the Buyer’s exercise of the Option, it is in the best interests of the corporation to issue an option (the “**Venus Option**”) to purchase Two Thousand and Five Hundred Common Shares to Venushki Kavinga Hemachandra (“**Venus**”);

AND WHEREAS, provided no other Common Shares are issued, after the exercise of the Buyer Option, the Pam Option and the Venus Option, the issued and outstanding Common Shares and percentage holdings will be as set out in the table attached hereto as Exhibit A;

AND WHEREAS, pursuant to the terms of the Loan Agreement, upon the exercise by the Buyer of the Option, a portion of the amounts outstanding pursuant to the Loan up to a maximum principal amount of \$1,500,000.00 is to be converted into a shareholder loan with an interest rate of 4% per annum (the “**Loan Conversion**”);

AND WHEREAS Bray, Pam and Venus are parties to an Amended and Restated Unanimous Shareholders Agreement for Herbal Remedies dated August 1, 2014 (the “**USA**”);

AND WHEREAS in conjunction with the transactions contemplated by the Loan Agreement, Bray, Pam, Venus and the Buyer have entered into an Amendment to the USA (the “**Shareholders Agreement**”) which amendment shall become effective upon the exercise of the Buyer Option pursuant to the terms hereof.

AND WHEREAS, the Buyer desires to accept the Buyer Option, upon the terms and conditions and for the consideration set forth in this Agreement, for the right to purchase the Buyer Option Shares from Herbal Remedies;

NOW, THEREFORE, in consideration of the mutual covenants, terms and conditions set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. **Incorporation of Recitals.** The Recitals set forth above are material and by this reference are incorporated herein and made a part of this Agreement.
2. **Exclusive Option to Purchase Shares.** Subject to the terms and conditions of this Agreement, Herbal Remedies hereby grants to the Buyer the exclusive option to purchase and the Buyer agrees to accept the option and right to purchase from Herbal Remedies, the Buyer Option Shares for the aggregate sum of Five Hundred and Seventy Five Dollars and Zero Cents (\$575.00) (the “**Purchase Price**”), which option payments shall be strictly made in accordance with the terms of this Agreement.
3. **Expiry; Notice of Early Loan Repayment.** If the Buyer Option is not exercised on or prior to the later of (i) Maturity Date, as the same may be extended pursuant to the Loan Agreement, or (ii) the date on which all amounts, including without limitation all interest and penalties, owing pursuant to the Loan Agreement are repaid to the Buyer, this Agreement and all unexercised options, including without limitation the Pam Option and the Venus Option, shall immediately terminate; provided, however, that in the event that the Herbal Remedies repays the Loan prior to the Maturity Date, Herbal Remedies shall provide the Buyer with not less than Fourteen (14) days’ notice of such early repayment, during which time the Buyer shall be permitted to exercise the Buyer Option, failing which, upon the expiry of the Fourteen (14) day notice period, this Agreement and all unexercised options, including without limitation the Pam Option and the Venus Option, shall immediately terminate (together, the “**Expiry Date**”)
4. **Exercise of Option; Delivery.**
 - 4.1 If the Buyer elects to exercise the Buyer Option, the Buyer shall provide Herbal Remedies with written notice of such election (“**Exercise Notice**”).

- 4.2 The purchase and sale of the Buyer Option Shares shall take place at the offices of Herbal Remedies, located at 3220 Kingston Road, Unit 2, Toronto, Ontario on the seventh business day (7th) after the Exercise Notice, or at such other time and place as Herbal Remedies and the Buyer mutually agree upon, orally or in writing (which time and place are designated as the “Closing”).
 - 4.3 At the Closing the Buyer shall pay Herbal Remedies the principal sum of the Purchase Price in cash or other immediately available funds.
 - 4.4 At the Closing, Herbal Remedies shall issue the Buyer Option Shares as fully paid and nonassessable and shall deliver to the Buyer an original share certificate representing the Buyer Option Shares, which new certificate shall represent the Buyer Option Shares as fully paid and nonassessable common shares in the capital of Herbal Remedies and the Buyer shall be recorded in the register of shareholders for Herbal Remedies as the holder of the Buyer Option Shares.
5. **Loan Conversion.** Upon Closing, One Million and Five Hundred Thousand Dollars and Zero Cents (\$1,500,000.00) of the principal balance then outstanding pursuant to the Loan (the “**Converted Amount**”) shall be converted into a new shareholders loan with a principal balance of One Million and Five Hundred Thousand Dollars and Zero Cents (\$1,500,000.00) subject to the following terms (the “**Converted Loan**”):
 - 5.1 All amounts outstanding pursuant to the Loan other than the Converted Amount, including without limitation any penalties and interest thereon, shall remain outstanding and continue to be governed by the terms of the Loan Documents without amendment.
 - 5.2 Herbal Remedies shall deliver to the Buyer a promissory note substantially in the form attached hereto as Exhibit “A” representing the principal amount of the Converted Loan (the “**Converted Loan Promissory Note**”). The Converted Loan Promissory Note shall continue to be secured by the Collateral until repaid in full.
 - 5.3 Upon receipt by the Buyer of the Converted Loan Promissory Note, the Buyer shall deliver to Herbal Remedies a receipt for the Converted Amount showing a reduction in the principal balance outstanding pursuant to the Loan equal to the Converted Amount.
6. **Representations, Warranties and Covenants of Herbal Remedies.** Herbal Remedies hereby represents, warrants and covenants to the Buyer that:
 - 6.1 **Authorization.** This Agreement, when executed and delivered by Herbal Remedies, shall constitute a valid and legally binding obligation of Herbal Remedies, enforceable against Herbal Remedies in accordance with its terms. The Buyer Option Shares shall be free and clear of all encumbrances, liens and pledges and Herbal Remedies has the right to sell the Shares in accordance with the terms of this Agreement.
 - 6.2 **Valid Issuance of Securities.** The Buyer Option Shares, when issued, sold and delivered in accordance with the terms of this Agreement, will be fully paid and nonassessable and

free of restrictions on transfer other than restrictions on transfer under applicable securities regulations and pursuant to the Shareholders Agreement.

6.3 Organization and Standing of Herbal Remedies. Herbal Remedies is a corporation formed pursuant to the laws of the Province of Ontario, is legally organized, validly existing and in good standing under the laws of the Province of Ontario and has all necessary power and authority to carry on its business as now conducted.

6.4 No Approvals. No consent or authorization of, filing with, notice to or other act by, or in respect of, any governmental authority or any other person is required in order for Herbal Remedies to execute, deliver, or perform any of its obligations under this Agreement.

6.5 Capital of Herbal Remedies. The authorized capital of Herbal Remedies consists of an unlimited number of Common Shares of which 187,500 Common Shares are issued and outstanding. Other than this Agreement, the Pam Option and the Venus Option, Herbal Remedies is not a party to any agreement pursuant to which a person would have a right to become a shareholder of Herbal Remedies, and there is no security or debt or other instrument or obligation outstanding pursuant to which a person would have the right to become a shareholder of Herbal Remedies.

6.6 No Further Issuance. Herbal Remedies hereby covenants and agrees that, prior to the Expiry Date, it will not issue any Common Shares, nor enter into any agreement to issue Common Shares.

6.7 Adjustment. Notwithstanding any other provision of this Agreement, if, for any reason, the issued and outstanding capital of Herbal Remedies on Closing is other than as stated in Section 6.5, than the number of shares to be issued to the Buyer on Closing shall be adjusted such that, after exercise of the Buyer Option, the Pam Option and Venus Option, the Buyer will be the holder of 23% of the issued and outstanding Common Shares.

7. Representations and Warranties of the Buyer. The Buyer hereby represents and warrants to Herbal Remedies that:

7.1 No Approvals. No consent or authorization of, filing with, notice to or other act by, or in respect of, any governmental authority or any other person is required in order for the Buyer to execute, deliver, or perform any of its obligations under this Agreement.

7.2 Purchase Entirely for Own Account. This Agreement is made with the Buyer in reliance upon the Buyer's representation to Herbal Remedies that the Buyer Option Shares to be acquired by the Buyer will be acquired for investment for the Buyer's own account, not as a nominee or agent, and not with a view to the resale or distribution of any part thereof, and that the Buyer has no present intention of selling, granting any participation in, or otherwise distributing the same. By executing this Agreement, the Buyer further represents that the Buyer does not presently have any contract, undertaking, agreement or arrangement with any person to sell, transfer or grant participations to such person or to any third person, with respect to any of the Shares. The Buyer represents that it has full power and authority to enter into this Agreement.

8. **Survival.** The warranties, representations, and covenants of each of the Parties to this Agreement, the Buyer and Herbal Remedies, shall survive the consummation of the purchase and sale of the Shares herein described.
9. **Indemnification by Herbal Remedies.** Herbal Remedies shall indemnify, defend, and hold harmless the Buyer against and in respect of any and all claims, demands, losses, costs, expenses, obligations, liabilities, damages, recoveries, and deficiencies, including interest, penalties, and reasonable attorney's fees, that the Buyer shall incur or suffer, which arise, result or relate to any breach of, or failure of Herbal Remedies to perform any of its representations, warranties, covenants, or agreements in this Agreement or in any schedule, certificate, exhibit, or other instrument furnished or to be furnished by Herbal Remedies under this Agreement.
10. **Indemnification by the Buyer.** The Buyer shall indemnify, defend, and hold harmless Herbal Remedies against and in respect of any and all claims, demands, losses, costs, expenses, obligations, liabilities, damages, recoveries, and deficiencies, including interest, penalties, and reasonable attorney's fees, that Herbal Remedies shall incur or suffer, which arise, result or relate to any breach of, or failure of the Buyer to perform any of his representations, warranties, covenants, or agreements in this Agreement or in any schedule, certificate, exhibit, or other instrument furnished or to be furnished by the Buyer under this Agreement.
11. **Miscellaneous Provisions.**
 - 11.1 **Assignment.** This Agreement shall be not be assignable by the Buyer without the prior written consent of Herbal Remedies, which consent shall not be unreasonably withheld or delayed; provided that the Buyer shall be permitted to assign this Agreement without the consent of Herbal Remedies to an Affiliate of the Buyer. For the purposes of this Section 11.1, "Affiliate" shall have the meaning ascribed thereto the *Business Corporations Act* (Ontario), as amended.
 - 11.2 **Notices.** All notices and other communications required or permitted to be given hereunder shall be in writing and shall be sent by registered mail, postage prepaid, deposited in Canada, and if intended for either Party shall be addressed to the address provided below each Party's name on the signature page of this Agreement. Any Party, by written notice to the other Party, may change the address for notices to be delivered.
 - 11.3 **Inurement.** Subject to the restrictions against assignment set forth above, this Agreement shall inure to the benefit of, and shall be binding upon, the assigns, successors in interest, personal representatives, estates, heirs, and legatees of each of the Parties.
 - 11.4 **Severability.** If any provision of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions of this Agreement shall continue in full force and effect without being impaired or invalidated in any way and shall be construed in accordance with the purposes and intent of this Agreement.
 - 11.5 **Entire Agreement.** This Agreement contains the entire agreement of the Parties, and supersedes any prior written or oral agreements between them concerning the subject

matter contained herein. There are no representations, agreements, arrangements, or understandings, oral or written, between and among the Parties, relating to the subject matter contained in this Agreement, which are not fully expressed herein.

- 11.6 **Counterparts.** This Agreement may be executed in one or more counterparts, each of which shall be an original, but all of which together shall be deemed to be one and the same instrument.
- 11.7 **Governing Law; Jurisdiction.** This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein, without regard to any conflict of law principles. Each party irrevocably submits to the non-exclusive jurisdiction of the courts of the Province of Ontario and all courts competent to hear appeals from those courts with respect to any matter related to this Agreement.
- 11.8 **Further Assurances.** Each of the parties hereto shall promptly do, make, execute, deliver or cause to be done, made, executed or delivered, all such further acts, documents and things as the other parties hereto may require, acting reasonably, from time to time for the purpose of giving effect to this Agreement and shall use reasonable efforts and take all such steps as may be reasonably within its power to implement to the full extent the provisions of this Agreement.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the Effective Date.

TORONTO HERBAL REMEDIES INC.



Name: PAMUDRI HEMACHANDRA

Title: PRESIDENT

Address for Notices: 40 Bray Partners Inc.
208-13049 76th Ave.
Surrey, B.C. V3W 2V7
Attn: Karin Studer

0982244 B.C. LTD.

Name: Luvdeep Randhawa

Title: Director

Address for Notices:

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the Effective Date.

TORONTO HERBAL REMEDIES INC.

Name:
Title:
Address for Notices:

0982244 B.C. LTD.

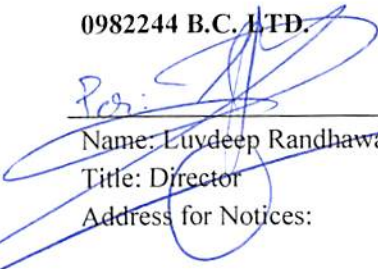
Per: 
Name: Luvdeep Randhawa
Title: Director
Address for Notices:

EXHIBIT "A"

FORM OF PROMISSORY NOTE FOR CONVERTED LOAN

WHEREAS Toronto Herbal Remedies Inc., a corporation formed pursuant to the laws of the Province of Ontario (the "**Borrower**"), and 0982244 B.C. Ltd., a corporation formed pursuant to the laws of the Province of British Columbia, or its assigns (the "**Lender**") are parties to a certain series of transactions pursuant to the loan agreement dated June 18, 2015 (the "**Loan Agreement**") entered into between the Borrower, Bray Limited Partnership ("**Bray**") and the Lender;

AND WHEREAS pursuant to the Loan Agreement the obligations of the Borrower were secured by, among other things, a promissory note dated August __, 2015 made by Herbal Remedies and payable to the order of the Buyer in the principal amount of \$3,250,000.00 (the "**2015 Promissory Note**"), a collateral first mortgage charge (the "**Mortgage**") against the property known municipally as 64-70 Raleigh Avenue, Toronto, Ontario and a general security agreement over the assets of Herbal Remedies (the "**Security Agreement**"; the Promissory Note, the Mortgage, the Security Agreement and all other collateral delivered pursuant to the Loan Agreement, the "**Collateral**");

AND WHEREAS pursuant to the Loan Agreement the Lender has converted a portion of the loan delivered thereunder for the loan represented by this promissory note;

1. PROMISE OF PAYMENT

For value received, the Borrowers hereby promise to pay to the Lender at #304 - 15292 Croydon Drive, Surrey, BC. V3Z 0Z5, Canada, or such other place or to such other party, as the Lender may from time to time designate in writing, the principal sum of \$1,500,000.00.

2. INTEREST RATE

The unpaid portion of the principal sum be subject to interest at the rate of 4% per annum, compounded semi-annually.

3. PAYMENT

This Note may be prepaid in part or in full at any time by the Borrower without penalty. This Note is not subject to a fixed repayment term.

4. DEFAULT AND ACCELERATION

Notwithstanding any contrary statements contained in this Note, if the Borrower defaults on payment of this Note or any other obligation set forth herein, and the default continues after the Lender notifies the Borrower of the default and the period within which it must be corrected, as may be required by law, then the Lender may declare the unpaid principal balance, and any accrued interest, immediately due and payable.

5. SECURITY

This Note is, and the 2015 Promissory Note continues to be, secured by the Collateral.

6. GOVERNING LAW

This Note is being delivered in, and shall be governed, construed, enforced, and interpreted by, through, and under, the laws of the Province of Ontario, excluding conflict of law principles that would cause the application of the laws of another jurisdiction.

7. PRESENTMENT

Presentment, protest, notice of protest and notice of dishonor are hereby waived by the Borrower.

8. COLELLECTION COSTS

Should the Borrowers default on payment of this Note or any other obligations set forth herein, all costs incurred by the Lender in attempting to enforce this Note, including, but not limited to, any and all legal costs, will be added to the outstanding principal and will be paid immediately by the Borrowers.

9. BINDING EFFECT

The covenants and obligations set forth in this Note shall be binding on and inure to the benefit of the heirs, executors, successors, legal representatives, administrators, and assigns of the Borrowers and the Lender. The Borrowers waive presentment for payment, demand and protest and notice of protest, and of dishonor and non-payment of this Note.

[SIGNATURE PAGE TO FOLLOW]

SIGNED, SEALED, AND DELIVERED this ___ day of _____, 201__.

TORONTO HERBAL REMEDIES INC.

Name:

Title:

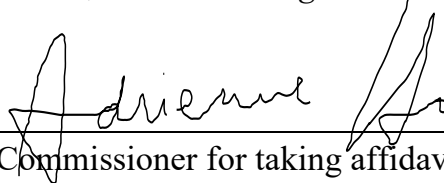
Address for Notices:

EXIBHIT A

POST-EXERCISE SHAREHOLDINGS OF TORONTO HERBAL REMEDIES INC.

Shareholder	# of Shares	Percentage
Bray Limited Partnership	150,000	60%
Pamudri Ayesha Hemachandra	21,250	8.5%
Venushki Kavinga Hemachandra	21,250	8.5%
0982244 B.C. Ltd.	57,500	23%
Total Issued and Outstanding Common Shares	250,000	100%

This is Exhibit “U” referred to in the Affidavit of Craig Loverock sworn by Craig Loverock located in the City of Newmarket, in the Regional Municipality of York, in the Province of Ontario, before me at the City of Toronto, in the Province of Ontario, this 22nd day of June, 2022 in accordance with *O.Reg. 431/20, Administering Oath or Declaration Remotely*.

A handwritten signature in black ink, appearing to read "Adrienne Ho", is written over a horizontal line.

A Commissioner for taking affidavits

ADRIENNE HO

OPTION AMENDMENT, EXERCISE AND LOAN CONVERSION AGREEMENT

This option amendment, exercise and loan conversion agreement (“**Agreement**”) is made and entered into as of _____, 2018 (“**Effective Date**”), by and between Toronto Herbal Remedies Inc., a corporation formed pursuant to the laws of the Province of Ontario (the “**Herbal Remedies**”), and 0982244 B.C. Ltd., a corporation formed pursuant to the laws of the Province of British Columbia, or its assigns (the “**Lender**”). Herbal Remedies and the Lender are sometimes together referred to in this Agreement as the “**Parties**” and individually as a “**Party**.”

RECITALS:

WHEREAS pursuant to the terms of a loan agreement dated June 18, 2015 (the “**Loan Agreement**”) entered into between Herbal Remedies, Bray Limited Partnership and the Lender, the Lender has made and may make loans to Herbal Remedies in an aggregate principal amount of \$3,250,000.00 (the “**Loan**”) which Loan is due, subject to any extension permitted or granted pursuant to the Loan Agreement, on June 24, 2018 (the “**Maturity Date**”);

AND WHEREAS the Loan is evidenced by a promissory note dated August 28, 2015, made by Herbal Remedies and payable to the order of the Lender in the principal amount of \$3,250,000.00 (as amended, supplemented or otherwise modified from time to time, the “**2015 Promissory Note**”);

AND WHEREAS the Loan is secured by, among other things, a collateral first mortgage charge against the property known municipally as 64-70 Raleigh Avenue, Toronto, Ontario (the “**Mortgage**”) and a general security agreement over the assets of Herbal Remedies (the “**2015 Security Agreement**”; the 2015 Promissory Note, the Mortgage, the 2015 Security Agreement and all other collateral delivered pursuant to the Loan Agreement, the “**Collateral**”; the Loan Agreement and the Collateral, the “**Loan Documents**”);

AND WHEREAS, pursuant to the terms of the Loan Agreement and a share purchase option and loan conversion agreement dated August 28, 2015 (the “**2015 Option and Loan Conversion Agreement**”), the Lender is entitled, at any time on or prior to the Maturity Date, to exercise the exclusive option to purchase common shares in the capital of Herbal Remedies (“**Common Shares**”) comprising 23% of all issued and outstanding Common Shares, representing, as of this date and on a fully diluted basis, [Two Million Three Hundred Ninety Nine Thousand Nine Hundred and Eighteen (2,399,918)] Common Shares (the “**Lender Option Shares**”) for an aggregate exercise price of \$575.00 (the “**Lender Option**”);

FS11

AND WHEREAS, pursuant to the terms of the Loan Agreement and the Lender Option, upon exercise of the Lender Option, a portion of the amount outstanding pursuant to the Loan up to a maximum principal amount of \$1,500,000.00 is to be converted into a new shareholder loan such that the principal amount outstanding under the Loan shall be reduced by \$1,500,000.00 and a new loan shall be issued to the Lender with a principal amount of \$1,500,000.00 with additional terms and conditions substantially on the terms set out in the Form of 2018 Promissory Note attached as Exhibit “A” hereto (the “**Converted Loan**”);

AND WHEREAS, the Lender wishes to hereby exercise the Lender Option on the terms herein contained;

AND WHEREAS, pursuant to a share purchase option agreement made between Herbal Remedies and Pamudri Ayeshka Hemachandra ("**Pam**") dated August 28, 2015, Herbal Remedies agreed to, upon exercise of the Lender Option, issue an option (the "**Pam Option**") to purchase a certain amount of Common Shares to Pam (the "**Pam Option Shares**");

AND WHEREAS, Pam has waived her right to be issued the Pam Option and to purchase the Pam Option Shares as of the date hereof;

AND WHEREAS, pursuant to a share purchase option agreement made between Herbal Remedies and Venushki Kavinga Hemachandra ("**Venus**") dated August 28, 2015, Herbal Remedies agreed to, upon exercise of the Lender Option, issue an option (the "**Venus Option**") to purchase a certain amount of Common Shares to Venus (the "**Venus Option Shares**");

AND WHEREAS, Venus has waived her right to be issued the Venus Option and to purchase the Venus Option Shares as of the date hereof;

NOW, THEREFORE, in consideration of the mutual covenants, terms and conditions set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. **Incorporation of Recitals.** The Recitals set forth above are material and by this reference are incorporated herein and made a part of this Agreement.
2. **Entire Agreement.** Except as otherwise stated herein, this Agreement contains the entire agreement of the Parties, and supersedes any prior written or oral agreements between them concerning the subject matter contained herein, including, without limitation, the 2015 Option and Loan Conversion Agreement. There are no representations, agreements, arrangements, or understandings, oral or written, between and among the Parties, relating to the subject matter contained in this Agreement, which are not fully expressed herein.
3. **Exercise of the Lender Option.** The Lender hereby exercises its right to purchase the Lender Option Shares pursuant to the Lender Option and the Parties agree that, on the date hereof, the Lender shall deliver the exercise price of \$575.00 to Herbal Remedies and Herbal Remedies shall issue the Lender Option Shares as fully paid and non-assessable and shall deliver to the Lender an original share certificate representing the Lender Option Shares, which new certificate shall represent the Lender Option Shares as fully paid and non-assessable Common Shares and the Lender shall be recorded in the register of shareholders for Herbal Remedies as the holder of the Lender Option Shares.
4. **Conversion to Shareholder Loan.** Upon delivery to the Lender of the 2018 Promissory Note (as hereinafter defined), a portion of the principal amount of the Loan equal to \$1,500,000.00 (the "**Converted Loan Amount**") is hereby converted to the Converted Loan, which loan includes the terms herein contained.
5. **Interest Rate.** The Converted Loan shall bear interest at:

- (a) 8.5% per annum (compounded semi-annually) for the period commencing on the date hereof and ending on the Maturity Date; and
- (b) 4.0% per annum (compounded semi-annually) thereafter;

with interest payments due annually on each anniversary date of the date hereof until the end of the term. Until the end of the term, loan payments shall be on an interest only basis.

- 6. **Term and Converted Loan Maturity Date.** Except as herein set forth to the contrary, the Converted Loan Amount is repayable in full, together with all unpaid interest, costs and charges, on [or before][**NTD: Parties to confirm that the Converted Loan can be prepaid**] the date that is five years from the date hereof and provided all interest, costs and charges are paid to date by the end of such term Herbal Remedies may extend the term for another period of five years under the same terms and conditions in accordance with the 2018 Promissory Note (as hereinafter defined).

- 7. **Collateral.**

- 7.1 All amounts outstanding pursuant to the Loan other than the Converted Loan Amount, including without limitation any penalties and interest thereon (the “**Outstanding Loan Amount**”), shall remain outstanding and continue to be governed by the terms of: (i) the Loan Documents without amendment, except where the context otherwise requires; and (ii) an amendment to, and restatement of, the Mortgage in respect of the Converted Loan, registered on the date hereof (the “**Amended and Restated Mortgage**”). For greater certainty, and without limiting the generality of the foregoing, the Outstanding Loan Amount shall continue to be secured by the Collateral, and by the Registered Mortgage, until repaid in full.

- 7.2 On the date hereof, Herbal Remedies shall deliver to the Lender a promissory note substantially in the form attached hereto as Exhibit “A” representing the Converted Loan Amount (the “**2018 Promissory Note**”). The Parties intend that the 2018 Promissory Note be issued in place of the Form of Promissory Note for Converted Loan that was attached as Exhibit “A” to the 2015 Option and Loan Conversion Agreement, which promissory note was, pursuant to the Loan Documents, initially intended to be issued for the same purpose as the 2018 Promissory Note.

- 7.3 Upon receipt by the Lender of the 2018 Promissory Note, the Lender shall deliver to Herbal Remedies a receipt for the Converted Loan Amount showing a reduction in the principal balance outstanding pursuant to the Loan equal to the Converted Loan Amount.

- 7.4 The Converted Loan Amount shall continue to be secured by the Collateral, and by the Amended and Restated Mortgage and a general security agreement entered into by the Parties as of the date hereof (the “**2018 Security Agreement**”), until repaid in full.

- 8. **Costs.** As and if required in the sole discretion of the Lender, the legal costs of the Lender on a solicitor-client basis and all other reasonable out-of-pocket expenses incurred in the approval and making of the Converted Loan and the preparation, execution, delivery and registration of the

documents required by law to be given to Herbal Remedies or any other party) or in the collection of any amount owing under the terms of the Converted Loan shall be for the account of Herbal Remedies and added to principal amount owing under the Converted Loan.

9. **Representations, Warranties and Covenants of Herbal Remedies.** Herbal Remedies hereby represents, warrants and covenants to the Lender that:

9.1 **Authorization.** This Agreement, when executed and delivered by Herbal Remedies, shall constitute a valid and legally binding obligation of Herbal Remedies, enforceable against Herbal Remedies in accordance with its terms. The Lender Option Shares shall be free and clear of all encumbrances, liens and pledges and Herbal Remedies has the right to sell the Lender Option Shares in accordance with the terms of this Agreement.

9.2 **Valid Issuance of Securities.** The Lender Option Shares, when issued, sold and delivered in accordance with the terms of this Agreement, will be fully paid and non-assessable and free of restrictions on transfer other than restrictions on transfer under applicable securities regulations and pursuant to any shareholders agreement.

9.3 **Organization and Standing of Herbal Remedies.** Herbal Remedies is a corporation formed pursuant to the laws of the Province of Ontario, is legally organized, validly existing and in good standing under the laws of the Province of Ontario and has all necessary power and authority to carry on its business as now conducted.

9.4 **No Approvals.** No consent or authorization of, filing with, notice to or other act by, or in respect of, any governmental authority or any other person is required in order for Herbal Remedies to execute, deliver, or perform any of its obligations under this Agreement.

10. **Representations and Warranties of the Lender.** The Lender hereby represents and warrants to Herbal Remedies that consent or authorization of, filing with, notice to or other act by, or in respect of, any governmental authority or any other person is required in order for the Lender to execute, deliver, or perform any of its obligations under this Agreement.

11. **Survival.** The warranties, representations, and covenants of each of the Parties to this Agreement shall survive and not merge upon the completion of the transaction contemplated by this Agreement.

12. **Indemnification by Herbal Remedies.** Herbal Remedies shall indemnify, defend, and hold harmless the Lender against and in respect of any and all claims, demands, losses, costs, expenses, obligations, liabilities, damages, recoveries, and deficiencies, including interest, penalties, and reasonable attorney's fees, that the Lender shall incur or suffer, which arise, result or relate to any breach of, or failure of Herbal Remedies to perform any of its representations, warranties, covenants, or agreements in this Agreement or in any schedule, certificate, exhibit, or other instrument furnished or to be furnished by Herbal Remedies under this Agreement.

13. **Indemnification by the Lender.** The Lender shall indemnify, defend, and hold harmless Herbal Remedies against and in respect of any and all claims, demands, losses, costs, expenses, obligations, liabilities, damages, recoveries, and deficiencies, including interest, penalties, and

reasonable attorney's fees, that Herbal Remedies shall incur or suffer, which arise, result or relate to any breach of, or failure of the Lender to perform any of his representations, warranties, covenants, or agreements in this Agreement or in any schedule, certificate, exhibit, or other instrument furnished or to be furnished by the Lender under this Agreement.

14. **Miscellaneous Provisions.**

- 14.1 **Assignment by Lender.** This Agreement shall be not be assignable by the Lender without the prior written consent of Herbal Remedies, which consent shall not be unreasonably withheld or delayed; provided that the Lender shall be permitted to assign this Agreement without the consent of Herbal Remedies to an Affiliate of the Lender. For the purposes of this Section 14.1, "**Affiliate**" shall have the meaning ascribed thereto under the *Business Corporations Act* (Ontario), as amended.
- 14.2 **Assignment by Herbal Remedies.** Herbal Remedies shall not assign or encumber its rights and obligations under the Converted Loan or this Agreement without the prior written consent of the Lender.
- 14.3 **Notices.** All notices and other communications required or permitted to be given hereunder shall be in writing and shall be sent by registered mail, postage prepaid, deposited in Canada, and if intended for either Party shall be addressed to the address provided below each Party's name on the signature page of this Agreement. Any Party, by written notice to the other Party, may change the address for notices to be delivered.
- 14.4 **Inurement.** Subject to the restrictions against assignment set forth above, this Agreement shall inure to the benefit of, and shall be binding upon, the assigns, successors in interest, personal representatives, estates, heirs, and legatees of each of the Parties.
- 14.5 **Severability.** If any provision of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions of this Agreement shall continue in full force and effect without being impaired or invalidated in any way and shall be construed in accordance with the purposes and intent of this Agreement.
- 14.6 **Counterparts.** This Agreement may be executed in one or more counterparts, each of which shall be an original, but all of which together shall be deemed to be one and the same instrument.
- 14.7 **Governing Law; Jurisdiction.** This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein, without regard to any conflict of law principles. Each party irrevocably submits to the non-exclusive jurisdiction of the courts of the Province of Ontario and all courts competent to hear appeals from those courts with respect to any matter related to this Agreement.
- 14.8 **Further Assurances.** Each of the parties hereto shall promptly do, make, execute, deliver or cause to be done, made, executed or delivered, all such further acts, documents and

things as the other parties hereto may require, acting reasonably, from time to time for the purpose of giving effect to this Agreement and shall use reasonable efforts and take all such steps as may be reasonably within its power to implement to the full extent the provisions of this Agreement.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the Effective Date.

TORONTO HERBAL REMEDIES INC.



Name: Pamvri Hemachandra

Title: President

Address for Notices:

c/o Sproutly Inc.

1050-1095 West Pender Street

Vancouver, BC V6E 2M6

0982244 B.C. LTD.

Name: Luvdeep Randhawa

Title: Director

Address for Notices:

c/o Isle of Mann Group of Companies

304-15292 Croydon Drive


Surrey, BC V3Z 0Z5

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the Effective Date.

TORONTO HERBAL REMEDIES INC.

Name:
Title:
Address for Notices:
c/o Sproutly Inc.
1050-1095 West Pender Street
Vancouver, BC V6E 2M6

0982244 B.C. LTD.

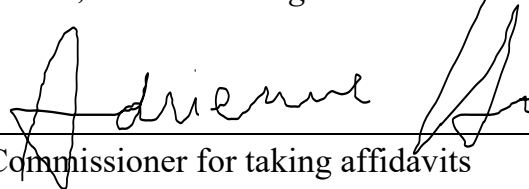


Name: Luvdeep Randhawa
Title: Director
Address for Notices:
c/o Isle of Mann Group of Companies
304-15292 Croydon Drive
Surrey, BC V3Z 0Z5

EXHIBIT "A"

FORM OF 2018 PROMISSORY NOTE

This is Exhibit “V” referred to in the Affidavit of Craig Loverock sworn by Craig Loverock located in the City of Newmarket, in the Regional Municipality of York, in the Province of Ontario, before me at the City of Toronto, in the Province of Ontario, this 44th day of June, 2022 in accordance with *O.Reg. 431/20, Administering Oath or Declaration Remotely*.

A handwritten signature in black ink, appearing to read "Adrienne Ho", is written over a horizontal line.

A Commissioner for taking affidavits

ADRIENNE HO

SECURED PROMISSORY NOTE

FOR VALUE RECEIVED, and subject to the terms and conditions set forth herein, Toronto Herbal Remedies Inc., a corporation formed pursuant to the laws of the Province of Ontario (the "**Borrower**"), hereby unconditionally promises to pay to the order of 0982244 B.C. Ltd., a corporation formed pursuant to the laws of the Province of British Columbia, or its assigns (the "**Noteholder**"), and together with the Borrower, the "**Parties**"), the principal amount of \$1,500,000.00 CAD (the "**Loan**"), together with all accrued interest thereon, as provided in this Promissory Note (the "**Note**").

1. **Definitions.** Capitalized terms used herein shall have the meanings set forth in this Section 1.

"Applicable Rate" means the rate equal to: (a) 8.5% per annum (compounded semi-annually) for the period commencing on the date hereof and ending on June 24, 2018; and (b) 4.0% per annum (compounded semi-annually) thereafter.

"Borrower" has the meaning set forth in the introductory paragraph.

"Business Day" means a day other than a Saturday, Sunday or other day on which commercial banks in Toronto, Ontario are authorized or required by law to close.

"Commitment Period" means the period from the date hereof to the Maturity Date.

"Debt" of the Borrower, means all (a) indebtedness for borrowed money; (b) obligations for the deferred purchase price of property or services, except trade payables arising in the ordinary course of business; (c) obligations evidenced by notes, bonds, debentures or other similar instruments; (d) obligations as lessee under capital leases; (e) obligations in respect of any interest rate swaps, currency exchange agreements, commodity swaps, caps, collar agreements or similar arrangements entered into by the Borrower providing for protection against fluctuations in interest rates, currency exchange rates or commodity prices or the exchange of nominal interest obligations, either generally or under specific contingencies; (f) obligations under acceptance facilities and letters of credit; (g) guaranties, endorsements (other than for collection or deposit in the ordinary course of business), and other contingent obligations to purchase, to provide funds for payment, to supply funds to invest in a any Person, or otherwise to assure a creditor against loss, in each case, in respect of indebtedness set out in clauses (a) through (f) of a Person other than the Borrower; and (h) indebtedness set out in clauses (a) through (g) of any Person other than Borrower secured by any lien on any asset of the Borrower, whether or not such indebtedness has been assumed by the Borrower.

"Default" means any of the events specified in **Section 9** which constitutes an Event of Default or which, upon the giving of notice, the lapse of time, or both pursuant to **Section 9** would, unless cured or waived, become an Event of Default.

"Default Rate" means, at any time, the Applicable Rate plus 2%.

“Event of Default” has the meaning set forth in **Section 9**.

“Extension Maturity Date” means the earlier of: (i) the date that is 10 years from the date hereof and (ii) the date on which all amounts under this Note shall become due and payable pursuant to **Section 10**.

“GAAP” means generally accepted accounting principles in Canada as in effect from time to time.

“Governmental Authority” means the government of any nation or any political subdivision thereof, whether at the national, state, territorial, provincial, municipal or any other level, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of, or pertaining to, government (including any supranational bodies such as the European Union or the European Central Bank).

“Interest Payment Date” means the day that is one year from the date of this Note and thereafter each anniversary of such date.

“Law” as to any Person, means any law (including common law), statute, ordinance, treaty, rule, regulation, policy or requirement of any Governmental Authority and authoritative interpretations thereon, whether now or hereafter in effect, in each case, applicable to or binding on such Person or any of its properties or to which such Person or any of its properties is subject.

“Lien” means any mortgage, pledge, hypothecation, encumbrance, lien (statutory or other), charge or other security interest.

“Loan” has the meaning set forth in the introductory paragraph.

“Material Adverse Effect” means a material adverse effect on (a) the business, assets, properties, liabilities (actual or contingent), operations or condition (financial or otherwise) or prospects of the Borrower; (b) the validity or enforceability of the Note or Security Agreement; (c) the perfection or priority of any Lien purported to be created under the Security Agreement; (d) the rights or remedies of the Noteholder hereunder or under the Security Agreement; or (e) the Borrower’s ability to perform any of its material payment obligations hereunder or under the Security Agreement.

“Maturity Date” means the earlier of (a) the date that is five years from the date hereof and (b) the date on which all amounts under this Note shall become due and payable pursuant to **Section 10**.

“Note” has the meaning set forth in the introductory paragraph.

“Noteholder” has the meaning set forth in the introductory paragraph.

“Order” as to any Person, means any order, decree, judgment, writ, injunction, settlement agreement, requirement or determination of an arbitrator or a court or other Governmental Authority, in each case, applicable to or binding on such

Person or any of its properties or to which such Person or any of its properties is subject.

“**Parties**” has the meaning set forth in the introductory paragraph.

“**Permitted Debt**” means Debt existing or arising under this Note and any refinancing thereof.

“**Person**” means any individual, corporation, limited liability company, trust, joint venture, association, company, limited or general partnership, unincorporated organization, Governmental Authority or other entity.

“**Security Agreement**” means the Security Agreement, dated as of the date hereof, by and between the Borrower and Noteholder, as the same may be amended, restated, supplemented or otherwise modified from time to time in accordance with its terms.

2. **Final Payment Date; Optional Extension.**

2.1 **Final Payment Date.**

(a) In the event that the term of Note has not been extended pursuant to **Section 2.2**, the aggregate unpaid principal amount of the Loan, all accrued and unpaid interest and all other amounts payable under this Note shall be due and payable on the Maturity Date.

(b) In the event that the term of Note has been extended pursuant to **Section 2.2**, (i) all accrued and unpaid interest and all other amounts payable under this Note, not including the unpaid principal amount of the Loan, shall be due and payable on the Maturity Date, and (ii) the aggregate unpaid principal amount of the Loan, all accrued and unpaid interest and all other amounts payable under this Note shall be due and payable on the Extension Maturity Date.

2.2 **Optional Extension.** Provided the Borrower is in good standing under the terms of this Note and the Security Agreement and has not defaulted on any of its obligations pursuant to this Note or the Security Agreement, and upon payment of all interest, costs and charges due and payable up to the Maturity Date, the Borrower shall have the option to extend the term of this Note for a further five year period by providing written notice to the Lender of the Borrower’s decision to exercise its right to extend the term of the Loan pursuant to this **Section 2.2** not less than 14 days prior to the Maturity Date.

3. **Security Agreement.**

3.1 The Borrower’s performance of its obligations hereunder is secured by a first priority security interest in the collateral specified in the Security Agreement.

4. **Interest.**

4.1 **Interest Rate.** Except as otherwise provided herein, the outstanding principal amount of the Loan shall bear interest at the Applicable Rate from the date hereof until the Loan is paid in full, whether at maturity, upon acceleration, by prepayment or otherwise.

4.2 **Interest Payment Dates.** Interest shall be payable in arrears to the Noteholder on each Interest Payment Date.

4.3 **Default Interest.** If any amount payable hereunder is not paid when due (without regard to any applicable grace periods), whether at stated maturity, by acceleration or otherwise, such overdue amount shall bear interest at the Default Rate from the date of such non-payment until such amount is paid in full.

4.4 **Computation of Interest.** All computations of interest shall be made on the basis of a year of 365/366 days, as the case may be, and the actual number of days elapsed.

4.5 **Interest Rate Limitation.** If at any time and for any reason whatsoever, the interest rate payable on any amount owing hereunder shall exceed the maximum rate of interest permitted to be charged by the Noteholder to the Borrower under applicable Law, that portion of each sum paid attributable to that portion of such interest rate that exceeds the maximum rate of interest permitted by applicable Law shall be deemed a voluntary prepayment of principal.

5. **Payment Mechanics.**

5.1 **Manner of Payments.** All payments of interest and principal shall be made in lawful money of Canada no later than 12:00 PM EST on the date on which such payment is due by cashier's check, certified check or by wire transfer of immediately available funds to the Noteholder's account at a bank specified by the Noteholder in writing to the Borrower from time to time.

5.2 **Application of Payments.** All payments made hereunder shall be applied first to the payment of any fees or charges outstanding hereunder, second to accrued interest, and third to the payment of the principal amount outstanding under the Note.

5.3 **Business Day Convention.** Whenever any payment to be made hereunder shall be due on a day that is not a Business Day, such payment shall be made on the next succeeding Business Day and such extension will be taken into account in calculating the amount of interest payable under this Note.

5.4 **Rescission of Payments.** If at any time any payment made by the Borrower under this Note is rescinded or must otherwise be restored or returned upon the insolvency, bankruptcy or reorganization of the Borrower or otherwise, the Borrower's obligation to make such payment shall be reinstated as though such payment had not been made.

6. **Representations and Warranties.** The Borrower hereby represents and warrants to the Noteholder on the date hereof as follows:

6.1 **Existence; Compliance With Laws.** The Borrower is (a) a corporation duly incorporated, validly existing and in good standing under the laws of the state of its jurisdiction of organization and has the requisite power and authority, and the legal right, to own, lease and operate its properties and assets and to conduct its business as it is now being conducted and (b) in compliance with all Laws and Orders.

6.2 **Power and Authority.** The Borrower has the power and authority, and the legal right, to execute and deliver this Note and the Security Agreement and to perform its obligations hereunder and thereunder.

6.3 **Authorization; Execution and Delivery.** The execution and delivery of this Note and the Security Agreement by the Borrower and the performance of its obligations hereunder and thereunder have been duly authorized by all necessary corporate action in accordance with all applicable Laws. The Borrower has duly executed and delivered this Note and the Security Agreement.

6.4 **No Approvals.** No consent or authorization of, filing with, notice to or other act by, or in respect of, any Governmental Authority or any other Person is required in order for the Borrower to execute, deliver, or perform any of its obligations under this Note or the Security Agreement.

6.5 **No Violations.** The execution and delivery of this Note and the Security Agreement and the consummation by the Borrower of the transactions contemplated hereby and thereby do not and will not (a) violate any provision of the Borrower's organizational documents; (b) violate any Law or Order applicable to the Borrower or by which any of its properties or assets may be bound; or (c) constitute a default under any material agreement or contract by which the Borrower may be bound.

6.6 **Enforceability.** Each of the Note and the Security Agreement is a valid, legal and binding obligation of the Borrower, enforceable against the Borrower in accordance with its terms except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general equitable principles (whether enforcement is sought by proceedings in equity or at law).

6.7 **No Litigation.** No action, suit, litigation, investigation or proceeding of, or before, any arbitrator or Governmental Authority is pending or threatened by or against the Borrower or any of its property or assets (a) with respect to the Note, the Security Agreement or any of the transactions contemplated hereby or thereby or (b) that could be expected to materially adversely affect the Borrower's financial condition or the ability of the Borrower to perform its obligations under the Note or the Security Agreement.

7. **Affirmative Covenants.** Until all amounts outstanding in this Note have been paid in full, the Borrower shall:

7.1 **Maintenance of Existence.** (a) Preserve, renew and maintain in full force and effect its corporate or organizational existence and (b) take all reasonable action to maintain all rights, privileges and franchises necessary or desirable in the normal conduct of its business, except, in each case, where the failure to do so could not reasonably be expected to have a Material Adverse Effect.

7.2 **Compliance.** Comply with (a) all of the terms and provisions of its organizational documents; (b) its obligations under its material contracts and agreements; and (c) all Laws and Orders applicable to it and its business, except where the failure to do so could not reasonably be expected to have a Material Adverse Effect.

7.3 **Payment Obligations.** Pay, discharge or otherwise satisfy at or before maturity or before they become delinquent, as the case may be, all its material obligations of whatever nature, except where the amount or validity thereof is currently being contested in good faith by appropriate proceedings, and reserves in conformity with GAAP with respect thereto have been provided on its books.

7.4 **Notice of Events of Default.** As soon as possible and in any event within two (2) Business Days after it becomes aware that a Default or an Event of Default has occurred, notify the Noteholder in writing of the nature and extent of such Default or Event of Default and the action, if any, it has taken or proposes to take with respect to such Default or Event of Default.

7.5 **Further Assurances.** Promptly execute and deliver such further instruments and do or cause to be done such further acts as may be necessary or advisable to carry out the intent and purposes of this Note and the Security Agreement.

8. **Negative Covenants.** Until all amounts outstanding under this Note have been paid in full, the Borrower shall not:

8.1 **Indebtedness.** Incur, create or assume any Debt, other than Permitted Debt.

8.2 **Liens.** Incur, create, assume or suffer to exist any Lien on any of its property or assets, whether now owned or hereinafter acquired except for (a) Liens for taxes not yet due or which are being contested in good faith by appropriate proceedings; (b) non-consensual Liens arising by operation of law, arising in the ordinary course of business, and for amounts which are not overdue for a period of more than 30 days or that are being contested in good faith by appropriate proceedings; and (c) Liens created pursuant to the Security Agreement.

8.3 **Line of Business.** Enter into any business, directly or indirectly, except for those businesses in which the Borrower is engaged on the date of this Note or that are reasonably related thereto.

9. **Events of Default.** The occurrence and continuance of any of the following shall constitute an Event of Default hereunder:

9.1 **Failure to Pay.** The Borrower fails to pay (a) any principal amount of the Loan when due or (b) interest or any other amount when due and such failure continues for 5 Business Days.

9.2 **Breach of Representations and Warranties.** Any representation or warranty made or deemed made by the Borrower to the Noteholder herein or in the Security Agreement is incorrect in any material respect on the date as of which such representation or warranty was made or deemed made.

9.3 **Breach of Covenants.** The Borrower fails to observe or perform (a) any covenant, condition or agreement contained in **Section 7.4** or (b) any other covenant, obligation, condition or agreement contained in this Note or the Security Agreement other than those specified in clause (a) and **Section 9.1** and such failure continues for 30 days.

9.4 **Cross-Defaults.** The Borrower fails to pay when due any of its Debt (other than Debt arising under this Note) or any interest or premium thereon when due (whether by scheduled maturity, acceleration, demand or otherwise) and such failure continues after the applicable grace period, if any, specified in the agreement or instrument relating to such Debt.

9.5 **Bankruptcy.**

(a) the Borrower commences any case, proceeding or other action (i) under any existing or future Law relating to bankruptcy, insolvency, reorganization, or other relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it

as bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts or (ii) seeking appointment of a receiver, trustee, custodian, conservator or other similar official for it or for all or any substantial part of its assets, or the Borrower makes a general assignment for the benefit of its creditors;

(b) there is commenced against the Borrower any case, proceeding or other action of a nature referred to in **Section 9.5(a)** above which (i) results in the entry of an order for relief or any such adjudication or appointment or (ii) remains undismissed, undischarged or unbonded for a period of 30 days;

(c) there is commenced against the Borrower any case, proceeding or other action seeking issuance of a warrant of attachment, execution or similar process against all or any substantial part of its assets which results in the entry of an order for any such relief which has not been vacated, discharged, or stayed or bonded pending appeal within 30 days from the entry thereof;

(d) the Borrower takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in **Section 9.5(a)**, **Section 9.5(b)** or **Section 9.5(c)** above; or

(e) the Borrower is generally not, or shall be unable to, or admits in writing its inability to, pay its debts as they become due.

9.6 **Judgments.** One or more judgments or decrees shall be entered against the Borrower and all of such judgments or decrees shall not have been vacated, discharged, stayed or bonded pending appeal within 14 days from the entry thereof.

10. **Remedies.** Upon the occurrence of any Event of Default and at any time thereafter during the continuance of such Event of Default, the Noteholder may at its option, by written notice to the Borrower (a) declare the entire principal amount of this Note, together with all accrued interest thereon and all other amounts payable hereunder, immediately due and payable; and/or (b) exercise any or all of its rights, powers or remedies under the Security Agreement or applicable Law; *provided, however* that, if an Event of Default described in **Section 9.5** shall occur, the principal of and accrued interest on the Loan shall become immediately due and payable without any notice, declaration or other act on the part of the Noteholder.

11. **Miscellaneous.**

11.1 **Notices.**

(a) All notices, requests or other communications required or permitted to be delivered hereunder shall be delivered in writing, in each case to the address specified below or to such other address as such Party may from time to time specify in writing in compliance with this provision:

(i) If to the Borrower:

Toronto Herbal Remedies Inc.
c/o Sproutly Inc.
1050-1095 West Pender Street
Vancouver, British Columbia
V3W 2V7

Attn: Keith Dolo

Telephone: (778) 945-6868

E-mail: info@sproutly.ca

(ii) if to the Noteholder:

0982244 B.C. Ltd.
c/o Isle of Mann Group of Companies
#304 - 15292 Croydon Drive,
Surrey, British Columbia
V3Z 0Z5

Attn: James Randhawa

Telephone: (604) 535-1628, Facsimile: (604) 535-1627

E-mail: james@isleofmann.ca

With a copy to:

Scott & Down LLP
813 Broadview Avenue, Suite 201
Toronto, Ontario
M4K 2P8

Attn: Dustin Down

Telephone: 647-931-7331, Facsimile: (647) 931-7388

E-mail: dustin@scottanddown.com

(b) Notices if (i) mailed by certified or registered mail or sent by hand or overnight courier service shall be deemed to have been given when received; (ii) sent by facsimile during the recipient's normal business hours shall be deemed to have been given when sent (and if sent after normal business hours shall be deemed to have been given at the opening of the recipient's business on the next business day); and (iii) sent by e-mail shall be deemed received upon the sender's receipt of an acknowledgment from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgment).

11.2 **Expenses.** The Borrower shall reimburse the Noteholder on demand for all reasonable out-of-pocket costs, expenses and fees (including reasonable expenses and fees of its counsel) incurred by the Noteholder in connection with the transactions contemplated hereby including the negotiation, documentation and execution of this Note and the Security Agreement and the enforcement of the Noteholder's rights hereunder and thereunder.

11.3 **Governing Law.** This Note, the Security Agreement and any claim, controversy, dispute or cause of action (whether in contract or tort or otherwise) based upon, arising out of or relating to this Note, the Security Agreement and the transactions contemplated hereby and thereby shall be governed by the laws of the Province of Ontario.

11.4 **Submission to Jurisdiction.**

(a) The Borrower hereby irrevocably and unconditionally (i) agrees that any legal action, suit or proceeding arising out of or relating to this Note or the Security Agreement may be brought in the courts of the Province of Ontario and (ii) submits to the non-exclusive jurisdiction of any such court in any such action, suit or proceeding. Final judgment against the Borrower in any action, suit or proceeding shall be conclusive and may be enforced in any other jurisdiction by suit on the judgment.

(b) Nothing in this **Section 11.4** shall affect the right of the Noteholder to (i) commence legal proceedings or otherwise sue the Borrower in any other court having jurisdiction over the Borrower or (ii) serve process upon the Borrower in any manner authorized by the laws of any such jurisdiction.

11.5 **Venue.** The Borrower irrevocably and unconditionally waives, to the fullest extent permitted by applicable law, any objection that it may now or hereafter have to the laying of venue of any action or proceeding arising out of or relating to this Note or the Security Agreement in any court referred to in **Section 11.4** and the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

11.6 **Waiver of Jury Trial.** THE BORROWER HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY RELATING TO THIS NOTE, THE SECURITY AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY.

11.7 **Counterparts; Integration; Effectiveness.** This Note, the Security Agreement and any amendments, waivers, consents or supplements hereto and thereto may be executed in counterparts, each of which shall constitute an original, but all taken together shall constitute a single contract. This Note and the Security Agreement constitutes the entire contract between the Parties with respect to the subject matter hereof and supersede all previous agreements and understandings, oral or written, with respect thereto. Delivery of an executed counterpart of a signature page to this Note or the Security Agreement by facsimile or in electronic (i.e., "pdf" or "tif") format shall be effective as delivery of a manually executed counterpart of this Note or the Security Agreement, as applicable.

11.8 **Successors and Assigns.** This Note may be assigned or transferred by the Noteholder to any Person. The Borrower may not assign or transfer this Note or any of its rights hereunder

without the prior written consent of the Noteholder. This Note shall inure to the benefit of, and be binding upon, the Parties and their permitted assigns.

11.9 **Waiver of Notice.** The Borrower hereby waives demand for payment, presentment for payment, protest, notice of payment, notice of dishonor, notice of nonpayment, notice of acceleration of maturity and diligence in taking any action to collect sums owing hereunder.

11.10 **Interpretation.** For purposes of this Note (a) the words “include,” “includes” and “including” shall be deemed to be followed by the words “without limitation”; (b) the word “or” is not exclusive; and (c) the words “herein,” “hereof,” “hereby,” “hereto” and “hereunder” refer to this Note as a whole. The definitions given for any defined terms in this Note shall apply equally to both the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. Unless the context otherwise requires, references herein: (x) to Schedules, Exhibits and Sections mean the Schedules, Exhibits and Sections of this Note; (y) to an agreement, instrument or other document means such agreement, instrument or other document as amended, supplemented and modified from time to time to the extent permitted by the provisions thereof; and (z) to a statute means such statute as amended from time to time and includes any successor legislation thereto and any regulations promulgated thereunder. This Note shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting an instrument or causing any instrument to be drafted.

11.11 **Amendments and Waivers.** No term of this Note may be waived, modified or amended except by an instrument in writing signed by both of the parties hereto. Any waiver of the terms hereof shall be effective only in the specific instance and for the specific purpose given.

11.12 **Headings.** The headings of the various Sections and subsections herein are for reference only and shall not define, modify, expand or limit any of the terms or provisions hereof.

11.13 **No Waiver; Cumulative Remedies.** No failure to exercise and no delay in exercising on the part of the Noteholder, of any right, remedy, power or privilege hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

11.14 **Electronic Execution.** The words “execution,” “signed,” “signature,” and words of similar import in the Note shall be deemed to include electronic or digital signatures or the keeping of records in electronic form, each of which shall be of the same effect, validity and enforceability as manually executed signatures or a paper-based recordkeeping system, as the case may be, to the extent and as provided for under applicable law.

11.15 **Severability.** If any term or provision of this Note or the Security Agreement is invalid, illegal or unenforceable in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other term or provision of this Note or the Security Agreement or invalidate or render unenforceable such term or provision in any other jurisdiction. Upon such determination that any term or other provision is invalid, illegal or unenforceable, the parties hereto shall negotiate in good faith to modify this Note so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the greatest extent possible.

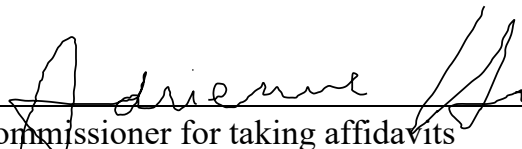
IN WITNESS WHEREOF, the Borrower has executed this Note as of the 28th day of February, 2018.

TORONTO HERBAL REMEDIES INC.

By 

Name: Pamudi Hemachandra
Title: President

This is Exhibit “W” referred to in the Affidavit of Craig Loverock sworn by Craig Loverock located in the City of Newmarket, in the Regional Municipality of York, in the Province of Ontario, before me at the City of Toronto, in the Province of Ontario, this 22nd day of June, 2022 in accordance with *O.Reg. 431/20, Administering Oath or Declaration Remotely*.



A Commissioner for taking affidavits

ADRIENNE HO

Properties

PIN 06443 - 0179 LT
Description LT 89 PL 2176 SCARBOROUGH; LT 90 PL 2176 SCARBOROUGH; LT 91 PL 2176 SCARBOROUGH; LT 101 PL 2291 SCARBOROUGH; LT 102 PL 2291 SCARBOROUGH; LT 103 PL 2291 SCARBOROUGH; LT 104 PL 2291 SCARBOROUGH; LT 105 PL 2291 SCARBOROUGH; LT 106 PL 2291 SCARBOROUGH; LT 107 PL 2291 SCARBOROUGH; LT 108 PL 2291 SCARBOROUGH; PT DAVIDSON AV PL 2176 SCARBOROUGH; PT DAVIDSON AV PL 2291 SCARBOROUGH CLOSED BY SC103893 AS IN TB625847; S/T & T/W TB625847; TORONTO , CITY OF TORONTO
Address 64 RALEIGH AV
 TORONTO

Consideration

Consideration \$2.00

Applicant(s)

The notice is based on or affects a valid and existing estate, right, interest or equity in land

Name TORONTO HERBAL REMEDIES INC.
Address for Service c/o Sproutly Inc.
 1050-1095 West Pender Street
 Vancouver, British Columbia V6E 2M6
 Attn: Keith Dolo

I, Pamudri Ayshka Hemachandra (President and Director), have the authority to bind the corporation.

This document is not authorized under Power of Attorney by this party.

Party To(s)*Capacity**Share*

Name 0982244 B.C. LTD.
Address for Service 304-15292 Croydon Drive, Surrey, British Columbia V3Z 0Z5

I, Luvdeep Randhawa (Director), have the authority to bind the corporation

This document is not authorized under Power of Attorney by this party.

Statements

This notice is pursuant to Section 71 of the Land Titles Act.

This notice may be deleted by the Land Registrar when the registered instrument, AT3995694 registered on 2015/08/31 to which this notice relates is deleted

Schedule: See Schedules

Signed By

Jesse Noah Simon Blinick 307 Sheppard Ave. E acting for Signed 2018 03 01
 Toronto Applicant(s)
 M2N 3B3

Tel 416-509-2874

Fax 647-795-8151

I have the authority to sign and register the document on behalf of the Applicant(s).

Submitted By

BLINICK LAW 307 Sheppard Ave. E 2018 03 01
 Toronto
 M2N 3B3

Tel 416-509-2874

Fax 647-795-8151

Fees/Taxes/Payment

Statutory Registration Fee \$63.65

Total Paid \$63.65

0982244 B.C. LTD. has an unregistered estate, right, interest or equity in the Charge registered as Instrument No. AT3995694 in favour of 0982244 B.C. LTD. in respect of the above lands and hereby applies for the entry of a Notice of Agreement Amending Charge of Land. 0982244 B.C. LTD. hereby applies to have the said charge amended as follows:

**SCHEDULE A
ADDITIONAL PROVISIONS**

to be affixed to the Notice of Agreement Amending Charge of Land in respect of 64 Raleigh Avenue, Toronto, Ontario

PIN: 06443 – 0179 LT

Legal Description: lt 89 pl 2176 scarborough; lt 90 pl 2176 scarborough; lt 91 pl 2176 scarborough; lt 101 pl 2291 scarborough; lt 102 pl 2291 scarborough; lt 103 pl 2291 scarborough; lt 104 pl 2291 scarborough; lt 105 pl 2291 scarborough; lt 106 pl 2291 scarborough; lt 107 pl 2291 scarborough; lt 108 pl 2291 scarborough; pt davidson av pl 2176 scarborough; pt davidson av pl 2291 scarborough closed by sc103893 as in tb625847; s/t & t/w tb625847; toronto , city of Toronto

(the “**Charged Property**”)

Amended and Restated Mortgage

WHEREAS, 0982244 B.C. Ltd. (the “**Mortgagee/Chargee**”) and Toronto Herbal Remedies Inc. (the “**Mortgagor/Chargor**”) are parties to a mortgage/charge (the “**Mortgage/Charge**”) that was registered on title to the Charged Property on August 31, 2015;

AND WHEREAS, the parties wish to amend and restate the Mortgage/Charge to record their agreement as to the nature and scope of the Mortgage/Charge;

NOW THEREFORE, the Parties agree to amend and restate the Mortgage/Charge as follows:

Survival of Mortgage Loan Commitment

This Mortgage/Charge shall be read together with and shall be subject to the terms of any agreement or document that evidences or refers to any amount whatsoever owing by the Mortgagor/Chargor to the Mortgagee/Chargee either presently or at any time in the future including, without limitation: (i) the Loan Agreement dated June 18, 2015 between the Mortgagee/Chargee and the Mortgagor/Chargor, the promissory note delivered by the Mortgagor/Chargor to the Mortgagee/Chargee dated August 28, 2015, and the security agreement and ancillary documents delivered pursuant thereto (collectively, the “**2015 Mortgage Loan Commitment**”); and (ii) the option amendment, exercise and loan conversion agreement dated _____, 2018 between the Mortgagee/Chargee and the Mortgagor/Chargor, the promissory note delivered by the Mortgagor/Chargor to the Mortgagee/Chargee dated _____, 2018 (the “**2018 Promissory Note**”), and the security agreement and ancillary documents delivered pursuant thereto (the “**2018 Mortgage Loan Commitment**”; the 2015 Mortgage Loan Commitment and the 2018 Mortgage Loan Commitment, the “**Mortgage Loan Commitment**”). Defined terms that are not otherwise defined herein shall have the meaning ascribed thereto in the 2018 Promissory Note.

The warranties, representations, agreements, and covenants contained in the Mortgage Loan Commitment executed by the Mortgagor/Chargor for this Mortgage/Charge shall not merge but shall survive the advancement of the funds under this Mortgage/Charge or any other security document

provided to the Mortgagee/Chargee as security for the indebtedness evidenced by this Mortgage/Charge to which the Mortgagor/Chargor is a party, and if the Mortgagor/Chargor fails to comply with any such warranty, covenant or agreement or representation contained in the Mortgage Loan Commitment either prior to or subsequent of the advancement of the funds under this Mortgage/Charge, the Mortgagor/Chargor shall at the sole option of the Mortgagee/Chargee be deemed to be in default under the provisions of the Mortgage Loan Commitment and/or this Mortgage/Charge and the Mortgagee/Chargee shall be empowered and authorized to exercise all remedies available to it hereunder. In the event of any ambiguity, conflict or inconsistency between the warranties, representations, covenants or agreements contained herein and those set out in the Mortgage Loan Commitment, then the Mortgagee/Chargee may at its sole option elect which term shall govern and take precedence.

The Mortgagee/Chargee has the right and privilege of registering the Mortgage Loan Commitment on the Title of the Charged Property.

Prepayment Privilege

The Mortgagor/Chargor, when not in default hereunder, shall have the privilege of prepaying the whole of any of the principal sums herein secured, together with all accrued interest and costs and expenses owing to the Mortgagee/Chargee, on any monthly payment date(s), provided that the Mortgagor/Chargor must provide the Mortgagee/Chargee with at least 14 days written notice prior to any such prepayment.

Payments made after 11:59 a.m.

Any payment (other than payment of the regular payments of interest) that is made after 11:59 a.m. on any date shall be deemed, for the purpose of calculation of interest, to have been made and received on the next bank business day following receipt. For the purposes of this paragraph, Saturday, Sunday Provincial and Federal Holidays shall be deemed to be non-business bank days. If the Mortgage/Charge is paid off after 11:59 a.m. on any given day interest must be paid up to the next bank business day.

Administration Fees

The Mortgagee/Chargee shall charge an administration fee of \$800 for each occurrence of any of the following events:

- (1) late payment;
- (2) cheque dishonored for any reason;
- (3) failure to pay realty taxes when same fall due;
- (4) failure to provide proof of payment of realty taxes within 10 days of request by the Mortgagee/Chargee;
- (5) failure to obtain and/or maintain insurance coverage, with Mortgagee/Chargee endorsement in favour of the herein Chargee/Mortgagee/Chargee or its assigns;
- (6) failure to provide proof of insurance coverage on an annual basis within 10 days of request by the Mortgagee/Chargee;

- (7) failure to provide post-dated cheques within 10 days of request by the Mortgagee/Chargee;
- (8) failure to provide operating statement and rental roll (if applicable) within 10 days of request by the Mortgagee/Chargee;
- (9) failure to notify Mortgagee/Chargee of registration of a lien by the municipal, provincial or federal government
- (10) failure to notify the Mortgagee/Chargee of registration of a lien from a lien claimant pertaining to services performed in connection with construction on the Charged Property within 10 days of any such registration;
- (11) collection Letter issued by the Mortgagee/Chargee, its agents or its solicitor; and
- (12) default under prior Mortgage/Charge, or Encumbrance.

Such administration fee shall be automatically and immediately added to the principal amount outstanding upon the happening of each such occurrence, unless contested by the Mortgagor/Chargor.

Mortgage Statement Fee

There will be a fee of \$375 for each Mortgage Statement issued by the Mortgagee/Chargee requested by the Mortgagor/Chargor, its solicitor or in connection with any Defaults of the terms of the Mortgage/Charge.

This fee shall be automatically and immediately added to the principal amount outstanding upon the happening of each such occurrence.

Mortgage Discharge Fee

There will be a fee of \$475 for each Mortgage Discharge together with the applicable Registration Fees and Mortgagee/Chargee's solicitors fees and disbursements which will be automatically and immediately added to the principal amount outstanding upon the happening of each such occurrence.

Right to Renew

The Mortgagor/Chargor shall have such rights to renew the indebtedness secured hereunder at maturity for further periods subject to the terms and conditions set out herein and in the Mortgage Loan Commitment. The Mortgagee/Chargee does not have to provide this privilege to the Mortgagor/Chargor if the Mortgagor/Chargor is in default at maturity or has been in default of the Mortgage/Charge during the term. To be eligible to renew this Mortgage/Charge for a further period the Mortgagor/Chargor must, prior to maturity date of the Mortgage/Charge, provide the Mortgagee/Chargee with the following:

- (1) realty tax certificate indicating no arrears;
- (2) property insurance policy naming the Mortgagee/Chargee as a loss payee with an insurable interest;
- (3) grant the Mortgagee/Chargee an interior inspection of the Property;

- (4) provide verification and validation that the Mortgagor/Chargor is not in default or has not been in default now or during the term of any indebtedness secured hereunder;
- (5) provide such other documentation as may be required pursuant to the Mortgage Loan Commitment;

In the event the Mortgagor/Chargor does not renew the mortgage term by complying with the above requirements, all amounts, whether principal, interest or otherwise that may be owing hereunder including administration fees and bonuses, shall be immediately due and payable upon the expiry of the original term of the Mortgage/Charge.

Disposition of the Mortgaged Land

Provided that if the Mortgagor/Chargor, sells, transfers, conveys or otherwise disposes of the lands and premises all amounts, whether principal, interest or otherwise that may be owing hereunder including administration fees and bonuses, shall, at the sole option of the Mortgagee/Chargee, be immediately due and payable and shall bear interest at the rate of interest in accordance with the terms of this Mortgage/Charge from the payment date next preceding the date of such sale, transfer, conveyance or disposition to the date of payment.

Acknowledgment of Assignment/Transfer

In the event that the Mortgage/Chargee assigns, transfers or otherwise conveys its interest hereunder, and upon the delivery of notice of same to the Mortgagor/Chargor, the Mortgagor/Chargor, if so requested, shall without cost, at any time and from time to time, execute an acknowledgement with respect to the terms and conditions of the Mortgage/Charge and the amount outstanding thereunder. Failure to execute the acknowledgement shall be deemed to be default by the Mortgagor/Chargor under the Mortgage/Charge.

Assumption of Mortgage/Charge Clause

Notwithstanding anything to the contrary hereinbefore or hereinafter contained, the Mortgagor/Chargor expressly covenants, undertakes and agrees that the prior written approval of the Mortgagee/Chargee (which approval may at its sole and unfettered discretion be withheld by the Mortgagee/Chargee) shall be obtained to any proposed sale or transfer of title to the said lands and premises or any part thereof; in the event of failure by the Mortgagor/Chargor to obtain such prior approval, the within Mortgage/Charge shall at the sole option of the Mortgagee/Chargee become due and payable. Following approval by the Mortgagee/Chargee to any sale or transfer of title as aforesaid, the Mortgagor/Chargor shall obtain from the Purchaser an agreement in writing assuming the within Mortgage/Charge and all monies then owing thereunder and in default of the execution and delivery to the Mortgagee/Chargee of such assumption agreement, the monies then owing hereunder shall be accelerated and become legally due and payable; it being understood and agreed, however, that the Mortgagor/Chargor shall also remain liable to the Mortgagee/Chargee in respect to any deficiency upon a sale of the said lands and premises by the Mortgagee/Chargee under the Power of Sale provisions contained in the within Mortgage/Charge, or upon sale of the said lands and premises by a prior Mortgage/Charge or other prior encumbrance.

Realty Taxes

Realty taxes shall mean and include all taxes, rates, levies and assessments of whatever nature or kind, including local improvement rates and any and all interest and penalties thereon. The Mortgagor/Chargor shall provide to the Mortgagee/Chargee copies of tax assessments or realty tax

statements within 5 Business Days of receipt and shall pay installments of realty taxes as they become due and shall provide evidence of payment of each installment within 5 Business Days of such payment becoming due. Failure to do so shall constitute a default under this Mortgage/Charge. At the option of the Mortgagee/Chargee, the Mortgagor/Chargor shall also provide a series of Twelve (12) postdated cheques payable to the Mortgagee/Chargee each in an amount of One-Twelfth of the annual taxes. In the case when payments on account of Realty Taxes are collected from the Mortgagor/Chargor by the Mortgagee/Chargee the Mortgagee/Chargee will allow for 10 business days for the cheques to clear its accounts and then proceed to remit the amount collected from the Mortgagor/Chargor to the City or Township on account of the Realty Taxes collected.

Acceleration on Default Under Realty Taxes

If Default is made by the Mortgage/Chargor in the payment of realty taxes that is not cured by the Mortgagor/Chargor within 5 Business Days of notice by the Mortgagee/Chargee, the principal and outstanding interest hereby secured shall, at the option of the Mortgagee/Chargee, become due and payable immediately and the Mortgagee/Chargee shall be entitled to charge an additional fee equivalent to Two (2) Months interest.

Assignment of Rents. Leases. Etc.

To further secure the indebtedness secured hereunder, the Chargor hereby assigns and transfers unto the Mortgagee/Chargee all rents, issues and profits now due and which may hereafter become due under or by virtue of any lease, whether written or verbal, or any letting of, or of any agreement for the use or occupancy of the Charged Property or any part thereof (the "tenancies"), which may have been heretofore or may hereafter be made or agreed to, or which may be granted, it being the intention of the parties to establish an absolute transfer and assignment of all such rents, issues and profits under such tenancies and all the avails thereunder unto the Mortgagee/Chargee and the Mortgagor/Chargor shall direct any tenant to whom the Charged Property is leased to make all payments of rent to the Mortgagor/Chargor.

The Mortgagor/Chargor further covenants and agrees to execute and deliver at the request of the Mortgagee/Chargee all further assurances and assignments with respect to such tenancies as the Mortgagee/Chargee shall from time to time request, and to do all other acts with respect to such tenancies as requested by the Mortgagee/Chargee.

In the event that the Mortgagee/Chargee collects any payments of rent as a result of the Mortgagor/Chargor's default, the Mortgagee/Chargee shall be entitled to receive from such rent a management and servicing fee of fifteen per cent (15%) of gross receipts received by the Mortgagee/Chargee which the parties acknowledge is a just and equitable fee, and which shall be in addition to any charges or expenses incurred by the Mortgagee/Chargee including fees and disbursements paid by the Mortgagee/Chargee to a management company, real estate company or like person or entity retained by the Mortgagee/Chargee to assist it to recover rents.

The Mortgagor/Chargor covenants and agrees that no rent has been or will be paid by any person in possession of any portion of the Charged Property in advance, and that no portion of the rents to accrue for any portion of the said Charged Property have been or will be waived, released, reduced, discounted or otherwise discharged or compromised by the Mortgagor/Chargor.

The Mortgagor/Chargor will not do or omit to do any act which results in a breach of any tenancy in or upon the Charged Property without the written consent of the Mortgagee/Chargee.

The Mortgagor/Chargor agrees that all leases, offers to lease, or lettings of the Charged Property or any part thereof shall be bona fide and shall be at rates and on terms consistent with comparable space in the area of the Charged Property, and provided further that the Mortgagor/Chargor shall obtain the written consent of the Mortgagee/Chargee prior to the execution of any lease, offer to lease, or any letting or tenancy agreement, such consent not to be unreasonably withheld.

Any entry upon the Charged Property under the terms of this Mortgage/Charge shall not constitute the Mortgagee/Chargee to be a Mortgagee/Chargee in Possession in contemplation of law and the Mortgagee/Chargee shall not become liable to account to the Mortgagor/Chargor or to credit the Mortgagor/Chargor with any monies on account of the Mortgage/Charge except those which shall come into its hands or into the hands of any agents appointed by it; and neither shall the Mortgagee/Chargee be liable for failure to collect rents or revenues, it being agreed that the Mortgagee/Chargee shall be under no obligation to take any action or proceeding or exercise any remedy for the collection or recovery of rents and revenues, or any part thereof, and then only, subject to all appropriate deductions and payments made out of the rents and revenues received from the Charged Property as herein provided; nor shall the Mortgagee/Chargee be liable to remedy any environmental contamination of the Charged Property or to indemnify any party on account of the need to remedy an environmental contamination.

This assignment is taken only as additional security and neither the taking of this assignment nor any act in pursuance hereof shall make the Mortgagee/Chargee liable in any way, as landlord or otherwise, for the performance or any covenants, obligations or liabilities under any lease, agreement to lease, letting or tenancy agreement.

Operating Statements & Rental Roll

The Mortgagor/Chargor agrees to provide to the Mortgagee/Chargee annually, and each extension thereof audited statements of income and operating expenses for the lands and premises mortgaged together with the updated Rental Roll, which statements shall be certified by an officer of the Mortgagor/Chargor to be true and accurate. Failure to provide such statements of income and operating expenses in accordance with the provisions herein shall at the Mortgagee/Chargee's option constitute default under the Mortgage/Charge.

Receivership

In the event of a Default of the Mortgagor/Chargor on the Charged Property, then the Mortgagee/Chargee in addition to any other rights which it may have, shall be entitled to appoint a receiver manager or receiver, either privately or court appointed to manage the building and to do all things necessary as an owner would be entitled to do to sell the Charged Property.

Without limitation, the purpose of such appointment shall be the orderly management, administration and/or sale of the Lands or any part thereof and the Mortgagor/Chargor hereby consents to a court order for the appointment of such receiver or trustee. If the Mortgagee/Chargee, in its discretion, chooses to obtain such an order, it may be obtained on the terms and for such purposes as the Mortgagee/Chargee, in its sole discretion, may require, including, without limitation, the power to manage, mortgage, pledge, lease and/or loans entered into by the receiver or trustee or the Mortgagor/Chargor.

Upon the appointment of any such receiver or trustee from time to time, the Mortgagor/Chargor covenants and agrees that the following provisions shall apply;

- (a) a statutory declaration of an officer of the Mortgagee/Chargee as to default under the provisions of these presents shall be conclusive evidence thereof; provided, however, that the Mortgagor/Chargor shall not be prejudiced as a result of such statutory declaration from arguing that an event of default has not, in fact, occurred;
- (b) every such receiver shall be the irrevocable agent or attorney of the Mortgagor/Chargor (whose appointment, as such, shall be revocable only by the Mortgagee/Chargee) for the collection of all rents falling due in respect of the Lands or any part thereof, whether in respect of any tenancies created in priority to the Mortgage/Charge or subsequent thereto;
- (c) every such receiver may, at the discretion of the Mortgagee/Chargee, be vested with all or any of the powers and discretions of the Mortgagee/Chargee;
- (d) the Mortgagee/Chargee may from time to time fix the remuneration of every such trustee or receiver who shall be entitled to deduct same out of the Lands or the proceeds thereof;
- (e) every such Receiver shall, so far as concerns responsibility and liability for his acts and omissions, be deemed to be the agent or attorney of the Mortgagor/Chargor and in no event the agent of the Mortgagee/Chargee;
- (f) the appointment of every such receiver or trustee by the Mortgagee/Chargee shall not incur or create any liability on the part of the Mortgagee/Chargee to the receiver or trustee or to the Mortgagor/Chargor or to any other person, firm or corporation in any respect and such appointment or anything which may be done by any such receiver or trustee or the removal of any such receiver or trustee or the termination of any such receivership or trusteeship shall not have the effect of constituting the Mortgagee/Chargee a Mortgagee/Chargee in Possession in respect of the Lands or any part thereof;
- (g) the receiver or trustee shall have the power to rent any portion of the Lands for such term and subject to such provisions as he may deem advisable or expedient, subject to the restrictions on leasing contained in any existing leases or agreements to lease affecting the Lands and, in so doing, such receiver or trustee shall be acting as the attorney or agent of the Mortgagor/Chargor and shall have the authority to execute any lease of any such premises in the name and on behalf of the Mortgagor/Chargor and the Mortgagor/Chargor undertakes to ratify and confirm whatever acts such receiver may do in the Lands;
- (h) every such receiver may make such arrangement at such time or times as it may deem necessary without the concurrence of any other persons for the repairing, finishing, adding to or putting in order the Lands, including, with restricting the generality of the foregoing, for the completion of the construction of any building or buildings or other erections or improvements on the Lands left by any Mortgagor/Chargor in an unfinished state or award the same to others to complete, notwithstanding that the resulting cost exceeds the principal sum hereinbefore set forth, and, in either of such cases, shall have the right to take possession of an use or permit others to use all or any part of the Mortgagor/Chargor's materials, supplies, plans, tools, equipment (including appliances on the Lands) and Charged Property of every kind and description;
- (i) every such receiver or trustee shall have full power to manage, operate, amend, repair or alter the Lands and the buildings and improvements thereon or any part thereof in the name of the Mortgagor/Chargor for the purpose of obtaining rental and other income from the lands or any part thereof;

- (j) no such receiver shall be liable to the Mortgagor/Chargor or account for monies or damages, other than monies actually received by him in respect of the Lands, and out of such monies so received from time to time, every such receiver shall pay in the following order:
- (1) his remuneration aforesaid;
 - (2) all obligations, costs and expenses made or incurred by him, including, but not limited to, any expenditures in connection with the management, operation, amendment, repair, construction or alternation of the Lands or any part thereof;
 - (3) interest, principal and other monies which may from time to time be or become charged upon the Lands in priority to the Mortgage/Charge and all taxes, insurance premiums and every other proper expenditure made or incurred by him in respect of the Lands or any part thereof;
 - (4) to the Mortgagee/Chargee all interest due or falling due under Mortgage/Charge and the balance to be applied upon principal and other monies due and payable to the Mortgagee/Chargee and, at the option of the Mortgagee/Chargee to prepay principal hereunder; and
 - (5) subject to the above, at the discretion of the receiver, interest, principal and other monies which may from time to time constitute a charge or encumbrance on the Lands subsequent in priority or subordinate to the interest of the Mortgagee/Chargee under this Mortgage/Charge;

and that such receiver shall, in his discretion, retain reasonable reserves to meet accruing amounts and anticipated payments in connection with any of the foregoing and, further, that any surplus remaining in the hands of every such receiver after payments made and such reasonable reserves retained as aforesaid shall be payable to the Mortgagor/Chargor.

- (k) the Mortgagee/Chargee may at any time and from time to time terminate any such receivership by notice in writing to the Mortgagor/Chargor and to any such receiver and if the Mortgagor/Chargor has ceased for a period of two (2) months to be in default under this Mortgage/Charge, the Mortgagee/Chargee may so terminate such receivership upon the request in writing of the Mortgagor/Chargor; and
- (l) save as to monies payable to the Mortgagor/Chargor as set forth above, the Mortgagor/Chargor hereby releases and discharges the Mortgagee/Chargee and every such receiver from every claim of every nature, whether in damages for negligence or trespass or otherwise, which may arise or be caused to the Mortgagor/Chargor or any person claiming through or under it by reason or as a result of anything done by the Mortgagee/Chargee or any such receiver under the provisions of this Section, unless such claim be the direct and proximate result of bad faith or gross negligence.

The Mortgagor/Chargor hereby irrevocably appoints the Mortgagee/Chargee as his attorney to execute such consent or consents and all such documents as may be required, in the sole discretion of the Mortgagee/Chargee and/or the receiver or trustee and/or with respect to the Lands in same manner as if such documentation was duly executed by the Mortgagor/Chargor himself. Provided that, in the event of a monetary default only under the within Mortgage/Charge, a Receiver will not be appointed until such time as the Mortgagor/Chargor has been in default for a thirty (30) day period.

Expropriation

In the event that the Charged Property or a substantial part thereof is expropriated by any government, government agency or government regulated entity, the Mortgagee/Chargee shall, at its sole option, have the right to accelerate payment of the amounts secured by this Mortgage/Charge and all such amounts secured by this Mortgage/Charge shall immediately become due and payable together with all interest and other amounts secured by this Mortgage/Charge with interest thereon at the rate of interest provided in the Mortgage/Charge, until payment is made in full.

Occurrences of Default

Each and every of the following events shall constitute default under this Mortgage/Charge:

- (1) Default in the payment of any principal amount, interest or any other amount secured by this Mortgage/Charge, when payment of such amount becomes due under the terms of this Mortgage/Charge;
- (2) If the Mortgagor/Chargor sells, transfers or otherwise disposes of the Charged Property or any interest in the Charged Property, to a purchaser not approved by the Mortgagee/Chargee in writing;
- (3) If the Mortgagor/Chargor is a Corporation and there is a change of control to a person or persons not approved by the Mortgagee/Chargee in writing;
- (4) If a petition in bankruptcy is filed against the Mortgagor/Chargor, if the Mortgagor/Chargor makes a proposal to creditors under the Bankruptcy and Insolvency Act, or makes a general assignment for the benefit of its creditors, if a receiver, interim receiver, monitor or similar person is placed or is threatened to be placed in control of or for overview of the Mortgagor/Chargor's affairs or Charged Property, or in the opinion of the Mortgagee/Chargee, the Mortgagor/Chargor becomes insolvent;
- (5) Default under any terms or covenants contained herein or under any terms or covenants contained in any encumbrance registered in priority or subsequent to this Mortgage/Charge, or in payment of the realty taxes or condominium common expenses for the said Charged Property, shall constitute default under this Mortgage/Charge unless such default is curable by the Mortgagor/Chargor and the Mortgagor/Chargor cures such default within 10 Business Days of notice received from the Mortgagee/Chargee.

Inspection Fee when in Default

When in default, the Mortgagee/Chargee shall at its option have the right to inspect the Charged Property and shall add the cost thereof, together with an administrative charge of \$2,150 plus HST to the principal amounts outstanding.

Appraisal and/or Letter of Opinion when in default

When in default, the Mortgagee/Chargee shall at its option have the right to undertake to determine the value of the Charged Property by way of two or more appraisers opinion of value and/or relators letter of opinion of value and shall add the cost of these reports together with an administrative charge of \$1,000 plus HST to the principal amounts outstanding.

Default Proceeding Fees

When in default, and the Mortgagee/Chargee institutes default proceedings a fee of \$650 will be charged for each action (e.g., Power of Sale, Claim, Writ for Possession).

Such administration fee shall be automatically and immediately added to the principal amounts outstanding upon the happening of each such occurrence.

Two Month Interest Bonus

Should the Mortgagee/Chargee commence action due to default under the Mortgage/Charge, that the Mortgagee/Chargee at its option shall be entitled to charge an additional fee equivalent to Two (2) Months interest on all principal amounts outstanding.

Servicing Fee

In the event that the Mortgagee/Chargee is called upon to pay any payment in order to protect its security position including but not limited to the payment of realty taxes, insurance premiums, condominium common expenses, principal interest or costs under a prior Mortgage/Charge, it is agreed that such payment shall bear interest at the greater eighteen (18%) percent per annum, calculated and compounded monthly or the current mortgage rate and that there shall be a service charge of not less than \$600 for making each such payment or payments.

Costs

In the event of Default under the herein Mortgage/Charge, notwithstanding anything contained to the contrary hereinbefore or hereinafter, all costs, charges and expenses including all legal costs on a solicitor and client basis, which may be incurred in endeavoring to collect any monies overdue under this Mortgage/Charge, and/or rectifying all other monetary or non-monetary default under the terms of this Mortgage/Charge and including but not limited to obtaining legal counsel and advice and to the taking, recovering and keeping possession of the said lands and of negotiating any indebtedness secured hereunder, investigating title, and registering the Mortgage/Charge and other necessary deeds, and generally in any other acts, actions and/or proceedings taken, in connection with or to realize this security, shall be, with interest at a rate as set out herein, a charge upon the said lands in favour of the Mortgagee/Chargee.

Accrual of Interest

In the event the terms of this Mortgage/Charge specifically provide for the accrual of interest for a specified period of time, the Mortgagor/Chargor confirms, represents and warrants that the provision for the accrual of interest has been requested by the Mortgagor/Chargor and the Mortgagor/Chargor represents, warrants and undertakes to use the monies that would otherwise be paid to the herein Mortgagee/Chargee but for the accrual, towards payment of outstanding realty taxes or to subsequent Mortgage/Charges and other subsequent encumbrances.

Default Abandonment

Subject to Force Majeure, in the event of abandonment for a period in excess of fifteen (15) consecutive days, the Mortgagee/Chargee shall be entitled to, after giving the Mortgagor/Chargor fifteen (15) days' notice of any abandonment or failure to continue business operations or any failure to construct with due diligence and provided the Mortgagor/Chargor fails to rectify same, forthwith withdraw and cancel its

obligations hereunder and/or decline to advance further funds, if any, as the case may be and it declare any monies theretofore advanced with interest to be forthwith due and payable at the sole option of the Mortgagee/Chargee.

Default of Prior Encumbrances

If any at any time or from time to time any default or breach of covenant occurs under any encumbrances registered against the Charged Property and which encumbrance has prior over the Mortgage/Charge, it shall constitute default under the Mortgage/Charge and the Chargee may pay all monies and take appropriate action to cure any default or breach under any encumbrance.

All costs, fees, charges, expenses and amounts paid by the Chargee to cure any default or breach any such prior encumbrance, shall be a charge on the Charged Property and secured under the Mortgage and shall be recoverable by the Chargee in the same manner as any default or breach of covenant in the Mortgage.

Possession

Notwithstanding anything herein to the contrary, if default shall happen to be made of or in the payment of the principal amounts or the interest payable thereon or any part of either thereof, as provided in this Mortgage/Charge, or of or in the doing, observing, performing, fulfilling or keeping of one or more of the provisions, agreements or stipulations contained therein contrary to the true intent and meaning of this Mortgage/Charge, then and in every case it shall and may be lawful to and for the said Mortgagee/Chargee to peaceably and quietly enter into, have, hold, use, occupy, possess, and enjoy the Lands hereby charged free and clear and freely and clearly acquitted, exonerated and discharged of and from all former conveyance, mortgages, charges, rights, annuities, debts, executions and recognizance, and of and from all manners of other charges or encumbrances whatsoever without the let, suit, hindrance, interruption or denial of the Mortgagor/Chargor or any other person or persons whatsoever.

In the event of default under the Mortgage/Charge by the Mortgagor/Chargor and the Mortgagee/Chargee obtains possession of the Charged Property and the Mortgagee/Chargee reasonably determines, in its sole discretion, that the Charged Property requires work and/or improvements in order to market the Charged Property, then the Mortgagee/Chargee shall have the right, at its sole option, to complete such work on such terms as it deems advisable. The cost of completion of the servicing and work by the Mortgagee/Chargee and its agents and all expenses incidental thereto, shall be added to the indebtedness secured hereunder, together with management fee of fifteen percent (15.00%) of the costs of the work and improvements completed by the Mortgagee/Chargee. All costs and expenses, as well as said management fee, shall bear interest at the rate as herein provided for and shall form part of the indebtedness secured hereunder and the Mortgagee/Chargee shall have the same rights and remedies with respect to collection of same as it would have with respect to collection of Mortgage/Charge principal and Interest hereunder or at law.

Sale on Terms

In the event Power of Sale proceedings are taken, the Mortgagee/Chargee as vendor may sell the Charged Property on terms and if the result is that a Mortgage/Charge by the Mortgagee/Chargee are taken back as part consideration of the sale, then the Mortgagee/Chargee shall be entitled to sell those mortgages at a discount, without recourse by the Mortgagor/Chargor and the discount shall form part of the loss incurred by the Mortgagee/Chargee and be recoverable against the Mortgagor/Chargor. In the case of a sale on credit the Mortgagee/Chargee shall be bound to apply on account only such monies as have been actually received from the purchasers from time to time. After the satisfaction of all

Mortgagee/Chargee's claims, the Mortgagee/Chargee will not be bound to pay any amount to the Mortgagor/Chargor or any other person claiming entitlement thereto until all such agreements and assurances as the Mortgagee/Chargee considers fit have been executed and delivered. The Mortgagee/Chargee may buy in or rescind or vary and contract for the sale of the whole or any part of the Charged Property and resell without being answerable for loss occasioned thereby. Any person, including the Mortgagee/Chargee herein, may bid on, tender for or purchase the Charged Property at the sale.

Obligation to Repair and Right to Inspect

The Mortgagor/Chargor covenants and agrees to keep the Charged Property in good condition and repair according to the nature and description thereof, and the Mortgagee/Chargee and the Chargee's agents may, whenever the Mortgagee/Chargee reasonably deems it necessary, enter on and in the Charged Property for the purpose of inspecting the same and to make any necessary repairs, including majors repairs; provided that the Mortgagee/Chargee shall first advise the Mortgagor/Chargor in writing of such repairs to be undertaken five (5) business days prior to any repair being commenced. The costs of such repairs and inspections shall be added to the debt secured by this Mortgage/Charge and shall be a Mortgage/Charge and lien on the Charged Property in priority to all other claims against the Charged Property subsequent to this Mortgage/Charge, and shall be payable forthwith, and shall bear interest at the Interest Rate set forth in this Mortgage/Charge until paid in full.

Security Interest in Chattels

All chattels, equipment, installations, erections, structures and improvements, fixed or otherwise, now or hereafter put upon the said Charged Property and owned by the Mortgagor/Chargor, including, but without limiting the generality of the foregoing, all drapes and curtains, lobby furniture, refrigerators, stoves, washers, dryers, heating equipment, air-conditioning and ventilation equipment, blinds, storm windows and doors, window screens, mirrors, shelving, railings, counters, cupboards, built-ins and the like, and all apparatus and equipment appurtenant thereto are and shall in addition to other fixtures be an accession to the freehold and a part of the realty, and shall be a portion of the security for the indebtedness in the within Mortgage/Charge.

The Mortgagor/Chargor covenants and agrees to execute and deliver to the Mortgagee/Chargee, on demand, a security interest in all such chattels, furnishings, equipment, appliances and all other similar personal Charged Property owned now or in the future owned by the Mortgagor/Chargor and situate in or about the Charged Property. The form and content of such security interest shall be acceptable to the Mortgagee/Chargee in its discretion. The Mortgagor/Chargor agrees to pay all reasonable legal and other expenses incurred by the Mortgagee/Chargee in connection with the preparation and registration of a financing statements under the Personal Property Security Act of Ontario and replacement or successor legislation and all other documents relating to the security interest and any renewals thereof forthwith upon demand and such fees and expenses, together with interest thereon at the interest rate charged hereunder, paid forthwith by the Mortgagor/Chargor and treated as Additional Fees as provided in Section 1 herein.

Enforcement of Additional Security

In the event that, in addition to the Lands charged hereby, the Mortgagee/Chargee holds further security on account of the monies secured hereby, it is agreed that no single or partial exercise of any of the Mortgagee/Chargee's powers hereunder or under any such security, shall preclude other and further exercise of any other right, power or remedy pursuant to any of such security.

The Mortgagee/Chargee shall at all times have the right to proceed against all, any, or any portion of such security in such order and in such manner as it shall in its sole discretion deem fit, without waiving any rights which the Mortgagee/Chargee may have with respect to any and all of such security, and the exercise of any such powers of remedies from time to time shall in no way affect the liability of the Mortgagor/Chargor under the remaining security, provided however, that upon payment of the full indebtedness secured hereunder the rights of the Mortgagee/Chargee with respect to any and all such security shall be at an end.

Prepaid Interest Payment and Taxes

In the event the Mortgagor/Chargor requests prepayment of the interest payments and held back on closing by the Mortgagee/Chargee the Mortgagor/Chargor understands that there will be no discount to the interest held by the Mortgagee/Chargee and that the full interest for the term will be set aside until maturity by the Mortgagee/Chargee. Mortgagor/Chargor represents, warrants and undertakes to use the monies that would otherwise be paid to the herein Mortgagee/Chargee but for the accrual, towards payment of outstanding realty taxes or to subsequent Mortgagee/Chargees and other subsequent encumbrances.

Covenant to Pay Broker Fee; Referral Fee; Mortgage's Legal Fees and Costs

The Mortgagor/Chargor acknowledges that the indebtedness secured hereunder was arranged by one or more mortgage brokers or real estate brokers or by others and that broker/referral fees and legal costs were incurred by the Mortgagee/Chargee, on behalf of the Mortgagor/Chargor, in connection herein. Part of the consideration received by the Mortgagee/Chargee in agreeing to advance the funds secured hereby is the payment of the mortgage brokers fees stipulated in Form 2 as required under the Mortgage Brokerages, Lenders and Administrators Act, 2006 or the payment of the real estate brokers fees or referral fees, as the case may be, and legal costs incurred by the Chargee on behalf of the Chargor herein. Upon registration of this Charge, and where the Mortgagor/Chargor is unable to or unwilling to receive the monies secured hereby, the Mortgagor/Chargor shall not be entitled to a discharge of this Mortgage/Charge until the mortgage brokers fees or real estate brokers fees or referral fees, as the case may be, the Mortgagee/Chargee fees, and the legal costs incurred by the Mortgagee/Chargee, on behalf of the Mortgagor/Chargor herein, are paid in full.

Priority of Payment of Accommodation and/or Amendment Fee; Broker Fee; Referral Fee; Mortgage's Legal Fees and Costs

In the event the terms of this mortgage or any amendment and/or accommodation agreement made with respect thereto specifically provide for the capitalization or deferment of any accommodation and/or amendment fee, broker fee, referral fee, Mortgagee/Chargee fee and/or legal costs, the Mortgagor/Chargor hereby acknowledges and agrees and warrants and represents that all payments made are intended to and shall be first applied as payment against accommodation and/or amendment fees, referral fees, broker fees, Mortgagee/Chargee fees and legal costs so capitalized or deferred, until such fees and costs are paid in full.

Severability of any invalid provisions

In the event that any covenant, term or provision contained in this Mortgage/Charge is held to be invalid, illegal or unenforceable in whole or in part, then the validity, legality and enforceability of the remaining covenants, provisions and terms shall not be affected or impaired thereby, and all such remaining covenants, provisions and terms shall continue in full force and effect. All covenants, provisions and terms hereof are declared to be separate and distinct covenants, provisions or terms as the case may be.

Farm Debt Mediation Act

Provided further that the Mortgagor/Chargor represents and warrants that it is not a "Farmer" as defined in the Farm Debt Mediation Act and the Mortgagor/Chargor further covenants and agrees that during the currency of the within Mortgagee/Chargee will not engage in any activity which would have the effect of deeming it a Farmer within the meaning of the Farm Debt Mediation Act. In the event that the Mortgagor/Chargor fails to comply with the within provision, the within Mortgage/Charge shall, at the Mortgagee/Chargee's option, immediately become due and payable in full, together with a service charge equivalent to two (2) months interest thereon.

Insurance

The Mortgagor/Chargor shall insure all buildings on the Lands and keep them constantly insured against loss or damage by any other cause or peril, which, in the Mortgagee/Chargee's solicitor's opinion, should be protected by insurance to the full extent of their insurable value in a company or companies approved by the Mortgagee/Chargee and transferred to the Mortgagee/Chargee as first loss payee.

Such insurance shall contain the Standard Mortgage Clause approved by the Insurance Bureau of Canada and shall include (i) fire insurance for full replacement cost of the improvements (chattel security to have theft coverage), on an "all risk" basis; (ii) comprehensive general liability, minimum coverage of five million dollars (\$5,000,000.00) per occurrence; (iii) rental insurance for twelve (12) months on a one hundred percent (100%) basis; and (iv) boiler insurance in an amount of not less than one hundred percent (100%) of the fire insurance coverage limit if a boiler is present; (v) insurance for the foundation and all parts below ground level; (vi) director's liability insurance.

Notwithstanding the immediately foregoing paragraph, during periods of construction of the insurance available to the Mortgagor/Chargor may be restricted by the policy provider and, during such period, the Mortgagor/Chargor shall be required to obtain only as much of the insurance coverage set out in the immediately preceding paragraph as is reasonably available in the circumstances; provided, however, that the Mortgagor/Chargor shall at all times keep the Mortgagee/Chargee informed as to the current insurance coverage on the Charged Property.

Cost and Expenses

It is agreed that all costs and expenses of the Mortgagee/Chargee incurred in endeavouring to collect any money overdue under this Mortgage/Charge, including all legal costs on a solicitor and client basis, whether legal proceedings are instituted or not, shall be added to the indebtedness secured hereunder and be payable forthwith by the Mortgagor/Chargor.

Final Payment to Discharge

The Mortgagor/Chargor covenants and agrees that the payment of any indebtedness secured hereunder at maturity, or earlier if notice to prepay is delivered, of the Mortgage/Charge shall be certified cheque, bank draft or money order. After payment in full of the principal sum of all indebtedness secured hereunder and all other amounts hereby provided, a Discharge of the Mortgage/Charge shall be prepared by the solicitor for the Mortgagee/Chargee, at the cost and expense of the Mortgagor/Chargor within a reasonable time after such payment and such solicitors fees shall not include attendance outside the office in order to deliver the said Discharge of the attendance on a closing or registration of and the cost of registration of the said Discharge.

In the event that any indebtedness secured hereunder is not repaid at the time or times provided within the Mortgage/Charge or in the notice to prepay earlier, the Mortgagee/Chargee will not be required to accept payment of the principal monies without first receiving two (2) months additional notice in writing or receiving two (2) months interest bonus in advance of the principal monies. No further monies, if any, will be advanced under any indebtedness secured hereunder, once the Mortgagee/Chargee received notice to discharge.

Alterations

The Mortgagor/Chargor will not make or permit to be made any structural alterations or additions to Lands or change or permit to be changed the use of the premises or the zoning of the land, without the written consent of the Mortgagee/Chargee, and will promptly observe, perform, execute and comply with all legislation, laws, rules, requirement, orders, directions, ordinances and regulation of every governmental authority or agency concerning the Lands and will at his own cost and expense make any and all improvements thereon or alternations thereof, structural or otherwise, ordinary or extraordinary, which may be required at any time by such present or future law, rules, requirement, order, direction, ordinance or regulations.

Mortgagee/Chargee Not in Possession

It is agreed between the Mortgagor/Chargor and the Mortgagee/Chargee that the Mortgagee/Chargee, in exercising any of the rights given to the Mortgagee/Chargee under the Mortgage/Charge, shall be deemed not to be a Mortgage/Chargee in possession.

Additional Remedies

The rights, powers, and remedies conferred herein are supplementary to and not in substitution for any of the powers which the Mortgagee/Chargee may have or be entitled to at law or otherwise. Any one or more remedies may from time to time be exercised independently of or in combination with any of the others.

Severability of Any Invalid Provisions

If in the event that any covenant, term or provision contained in this Mortgage/Charge is held to be invalid, illegal or unenforceable in whole or in part, then the validity, legality and enforceability of the remaining covenants, provisions and terms shall not be affected or impaired hereby, and all such remaining covenants, provisions and terms shall continue in full force and effect.

All covenants, provisions and terms hereof are declared to be separate and distinct covenants, provisions or terms as the case may be.

Indemnification of Mortgagee/Chargee

In the event the Mortgagee/Chargee shall, without fault on its part, be made a party to any litigation commenced by or against the Mortgagor/Chargor, the Mortgagor/Chargor shall protect and hold the Mortgagee/Chargee harmless therefrom and shall pay all costs, expenses and solicitors' and counsels' fees on a solicitor and his own client basis. Such costs shall be a charge on the lands and may be added to the indebtedness secured hereunder.

Bankruptcy and Insolvency Act

The Mortgagor/Chargor hereby waives and releases any right that it may have to receive from the Mortgagee/Chargee notice of intention to enforce security pursuant to subsection 244(1) of the Bankruptcy and Insolvency Act (Canada). This waiver and release shall not be deemed or interpreted to be a prior consent to earlier enforcement of a security within the meaning of subsection 244(1) of the said Act.

The Mortgagor/Chargor hereby acknowledges and agrees that the security held by the Mortgagee/Chargee is not all or substantially all of the inventory, accounts receivable or other Charged Property of the Mortgagor/Chargor acquired for or used in relation to any business carried on by the Mortgagor/Chargor. The Mortgagor/Chargor hereby further acknowledges and agrees that notwithstanding any act of the Mortgagee/Chargee by way of appointment of any person or persons for the purposes of taking possession of the Lands as agent on behalf of the Mortgagor/Chargor or otherwise or by taking possession of the Lands itself pursuant to any rights that the Mortgagee/Chargee may have with respect to thereto shall not constitute the Mortgagee/Chargee or any such person, a receiver within the meaning of subsection 243(2) of the Bankruptcy and Insolvency Act (Canada), and that any and all requirement of Part XI of the said Act as it may pertain to obligations of receivers shall not be applicable to the Mortgagee/Chargee with respect to the transaction pursuant to which this Mortgage/Charge has been given or with respect to enforcement of this Mortgage/Charge or any other security held by the Mortgagee/Chargee. The Mortgagor/Chargor hereby acknowledges and agrees that no action shall lie against the Mortgagee/Chargee as a receiver and manager or otherwise for any loss or damage arising from noncompliance with any obligations of a receiver pursuant to the provisions of the Bankruptcy and Insolvency Act (Canada) whether or not the Mortgagee/Chargee had reasonable grounds to believe that the Mortgagor/Chargor was not insolvent

The Mortgagor/Chargor further acknowledges and agrees that any and all costs as may be incurred from time to time by the Mortgagee/Chargee in order to effect compliance or avoid any adverse ramifications of the Bankruptcy and Insolvency Act (Canada) shall be entirely for the account of the Chargor. The Chargee shall be entitled to incur any such costs, including any costs for its personnel in administering any requirement so the said Act and to add the same to the indebtedness owing pursuant hereto and the same shall be secured hereunder and under any and all security held by the Chargee for the indebtedness owing to the Chargee in the same manner and in the same priority as the principal secured hereunder.

Urea Formaldehyde Foam Insulation (UFFI) and Environment

The Mortgagor/Chargor covenants that, to the best of the Mortgagor/Chargor's knowledge and belief, the Charged Property has never had "UREA FORMALDEHYDE FOAM" insulation installed, asbestos, PCBs waste, radioactive material, noxious substances, or any contaminant as defined in the Canadian Environmental Protection Act and that the Charged Property is and will be environmentally sound and there are no and will be no restrictions which would economically affect any buildings on the Charged Property. If it is found that the Charged Property contains any of the aforementioned substances then the Mortgagor/Chargor shall be deemed to be in default of the Mortgage/Charge.

Zoning

The Mortgagor/Chargor covenants with the Mortgagee/Chargee that it will not apply the zoning designation for the Charged Property, without the prior written consent of the Mortgagee/Chargee, which Consent may be arbitrarily and unreasonably withheld. For greater certainty, the Mortgagor/Chargor shall not change the industrial zoning of the Charged Property.

Representations Regarding Environmental Matters

The Charged Property and all businesses and operations conducted thereon comply with all environmental laws. The Charged Property has not been used for or designated as a waste disposal site and contains no hazardous substances and there is no existing or threatened environmental proceeding against or affecting the Charged Property. Copies of all existing environmental assessments, audits, tests and reports relating to the Charged Property have been delivered to the Mortgagee/Chargee. To the best of the Mortgagor/Chargor's knowledge and belief, there are no pending or proposed changes to environmental laws or to any environmental proceedings which would render illegal or materially restrict or change the present use and operation of the Charged Property. Neither of the Mortgagor/Chargor nor, to the best of the Mortgagor/Chargor's knowledge and belief after due inquiry and investigation, any other person or organization: (i) has used or permitted the use of the Charged Property to generate, manufacture, refine, treat, transport, store, handle, dispose, transfer, produce or process hazardous substances; (ii) has been subject to any environmental proceeding related to the Charged Property; (iii) has caused or permitted the release or discharge of any hazardous substance on or in the vicinity of the Charged Property; (iv) has received or otherwise has knowledge of any environmental proceeding or any facts which could give rise to any environmental proceeding related to the Charged Property; (v) has undertaken any remediation or clean-up of any hazardous substance on or in the vicinity of the Charged Property; or (vi) has defaulted in reporting any occurrence or circumstance to any governmental authority in relation to the Charged Property which is or was required to be reported pursuant to any environmental laws.

Covenants Regarding Environmental Matters

The Mortgagor/Chargor shall: (i) ensure that the Charged Property and the Mortgagor/Chargor comply with all Environmental Laws at all times; (ii) not permit any hazardous substances to be located, manufactured, stored, spilled, discharged or disposed of at, on or under the Charged Property (except in the ordinary course of business of the Mortgagor/Chargor or any tenant and in compliance with all environmental laws) nor permit any other activity on or in respect of the Charged Property that might result in any environmental proceeding affecting the Charged Property, Mortgagor/Chargor or Mortgagee/Chargee; (iii) notify the Mortgagee/Chargee promptly of any threatened or actual environmental proceedings; (iv) remediate and cure in a timely manner any non-compliance by the Charged Property or the Mortgagor/Chargor with environmental laws, including removal of any hazardous substances from the Charged Property; (v) maintain all environmental and operating documents and records including all permits, licenses, certificates, approvals, orders and agreements relating to the Charged Property as required by environmental laws; (vi) provide the Mortgagee/Chargee promptly upon request with such information, documents, records, permits, licenses, certificates, approvals, orders, agreements, environmental audits, reports, assessments and inspections and take such other steps (all at the Mortgagor/Chargor's expense) as may be required by the Mortgagee/Chargee to confirm and/or ensure compliance by the Charged Property and the Mortgagor/Chargor with environmental laws; and (vii) execute all consents, authorizations and directions necessary to permit any inspection of the Charged Property by any governmental authority and to permit the release to the Mortgagee/Chargee or its representatives, of any information relating to the Charged Property and the Mortgagor/Chargor.

Environmental Indemnity

Without limiting any other provision of this Mortgage/Charge or any document collateral hereto, the Mortgagor/Chargor shall indemnify and pay, protect, defend and save the Mortgagee/Chargee harmless from and against all actions, proceedings, losses, damages, liabilities, claims, demands, judgments, costs, expenses (including legal fees and disbursements on a solicitor and his own client basis) (collectively "**Environmental Claims**"), imposed on, made against or incurred by the Mortgagee/Chargee arising from or relating to, directly or indirectly, and whether or not disclosed by an environmental audit and

whether or not caused by the Mortgagor/Chargor within its control: (i) any actual or alleged breach of Environmental Laws relating to or affecting the Charged Property; (ii) the actual or alleged presence, release, discharge or disposition of any hazardous substance in, on, over, under, from or affecting all or part of the Charged Property or surrounding lands, including any personal injury or Charged Property damage arising therefrom; (iii) any actual or threatened environmental proceeding affecting the Charged Property including any settlement thereof; (iv) any assessment, investigation, containment, monitoring, remediation and/or removal of all hazardous substances from all or part of the Charged Property or surrounding areas or otherwise complying with environmental laws; or (v) any breach by the Mortgagor/Chargor of any covenant hereunder or under any document collateral hereto or under applicable law relating to environmental matters. This indemnity shall survive repayment of the indebtedness secured hereby, foreclosure upon this Mortgage/Charge and any other extinguishing of the obligations of the Mortgagor/Chargor under this Mortgage/Charge and any other exercise by the Mortgagee/Chargee of any remedies available to it against the Mortgagor/Chargor.

The Mortgagee/Chargee or agent of the Mortgagee/Chargee may, at any time, before and after default, and for any purpose deemed necessary by the Mortgagee/Chargee, enter upon the Charged Property to inspect the Charged Property and buildings thereon. Without in any way limiting the generality of the foregoing, the Mortgagee/Chargee (or its agent) may enter upon the Charged Property to conduct any environmental testing, site assessment, investigation or study deemed necessary by the Mortgagee/Chargee and the reasonable cost of such testing, assessment, investigation or study, as the case may be, with interest at the interest rate set out in this Mortgage/Charge, shall be a charge upon the Charged Property. The exercise of any of the powers enumerated in this clause shall not deem the Mortgagee/Chargee or its agent to be in possession, management, or control of the Charged Property and buildings.

Construction Lien Act

Except as otherwise agreed by the Mortgagor/Chargor and Mortgagee/Chargee, no portion of the proceeds of this Mortgage/Charge is to be used to finance any construction, alterations, renovations or improvements to the subject Charged Property within the meaning of the Construction Lien Act (Ontario) or to repay a Mortgage/Charge which was taken out for this purpose, failing which all amounts, whether principal, interest or otherwise that may be owing hereunder, including Administration Fees and bonuses, shall be immediately due and payable at the sole option of the Mortgagee/Chargee. If any amount of money is claimed in priority over this Mortgage/Charge pursuant to the Construction Lien Act (Ontario) and if the Mortgagee/Chargee is obligated to pay any amounts owing under the said Act, same shall be added to the principal amount outstanding under the Mortgage/Charge.

Hazardous Substances

The Mortgagor/Chargor represents, warrants, covenants and agrees that:

- (a) it has not and, to the best of its knowledge, information and belief after making due inquiry, no other person has caused or permitted any hazardous substances to be placed, stored, located or on, under or at the Lands;
- (b) it and its tenants, invitees and other occupiers of the Lands have and will at all times, and, to the best of their respective knowledge, information and belief after making due inquiry, all prior owners and occupiers of the Lands have at all times carried out all business and other activities upon the Lands in compliance with all applicable laws intended to protect the environment including, without limitation, laws respecting the discharge, emission, spill or disposal of any hazardous substances;

- (c) no order, direction, enforcement action or other governmental or regulatory action or notice, nor any action, suit or proceeding relating to any hazardous substances or the environment has been issued or is otherwise threatened or pending with respect to the Lands;
- (d) each representations and warranties set out herein shall remain true and accurate in all respects up to and including the date of the first advance of funds hereunder and thereafter until all amounts secured hereunder are paid in full; and
- (e) the Mortgagee/Chargee may delay or refuse to make any advances to the Mortgagor/Chargor if the Mortgagee/Chargee believes that any of the representations and warranties set out herein were not true and accurate when made or at any time thereafter.

The Mortgagor/Chargor shall permit the Mortgagee/Chargee to conduct, at the Mortgagor/Chargor's expense, any and all tests, inspections, appraisals, and environmental audits of the Lands so as to determine and ensure compliance with the provisions of this paragraph including, without limitation, the right to conduct soil tests and to review and copy any records relating to the Lands or the business and other activities conducted thereon at any time and from time to time.

The Mortgagor/Chargor agrees to indemnify and save harmless the Mortgagee/Chargee and its officers, directors, employees, agents and shareholders from and against any and all losses, damages, costs and expenses of any and every nature and kind whatsoever which at any time or from time to time may be paid or incurred by or asserted against any of them as a direct or indirect result of:

- (a) a breach of any of the representations, warranties or covenants hereinbefore set out;
- (b) the presences of any hazardous substances in or under the Lands; or
- (c) the discharge, emission, spill or disposal of any hazardous substances from the Lands into or upon the lands, atmosphere, any watercourse, body of water or wetland;

and the provisions of all representatives, warranties, covenants and indemnifications set out herein shall survive the release and discharge of this Mortgage and any other security held by the Chargee and repayment and satisfaction of the indebtedness secured by this Mortgage.

No Subsequent Encumbrances

The Mortgagor/Chargor covenants with the Mortgagee/Chargee that it will not create, assume or permit to exist any further mortgage, charge, hypothec, pledge, lien or other encumbrance or security interest with respect to the herein described Lands or any part thereof, any personal Charged Property associated therewith or any Charged Property substituted therefore without the prior written consent of the Mortgagee/Chargee, which consent may be withheld at the Mortgagee/Chargee's discretion notwithstanding any statutory or other provision of law inconsistent therewith.

In the event that a subsequent Mortgage/Charge is placed on the Charged Property without the Mortgagee/Chargee's written consent, the Mortgagee/Chargee shall have the right, at its option, to immediately declare all unpaid principal and interest and accrued interest and costs and expenses owing to the Mortgagee/Chargee immediately due and payable together with the Mortgagee/Chargee's current prepayment penalties and fees.

Headings

The headings herein are not to be considered part of this Mortgage/Charge and are included solely for the convenience of reference and are not intended to be full or accurate descriptions of the contents of the paragraphs to which they relate.

Additional Fee and Amendment to Fees


The Mortgagee/Chargee reserves the right to charge reasonable fees for other administrative services and amend its fees from time to time.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement 21 day of February, 2018.

**ON BEHALF OF THE
CHARGOR/MORTGAGOR:**

TORONTO HERBAL REMEDIES INC.



Name: Pamudri Hemachandra

Title: President

Address for Notices:

c/o Sproutly Inc.

1050-1095 West Pender Street

Vancouver, BC V6E 2M6

**ON BEHALF OF THE
CHARGE/MORTGAGEE:**

0982244 B.C. LTD.

Name: Luvdeep Randhawa

Title: Director

Address for Notices:

c/o Isle of Mann Group of Companies

304-15292 Croydon Drive

Surrey, BC V3Z 0Z5

IN WITNESS WHEREOF, the parties hereto have executed this Agreement this 21st day of February, 2018

**ON BEHALF OF THE
CHARGOR/MORTGAGOR:**

TORONTO HERBAL REMEDIES INC.

Name:

Title:

Address for Notices:

c/o Sproutly Inc.

1050-1095 West Pender Street

Vancouver, BC V6E 2M6

**ON BEHALF OF THE
CHARGEY/MORTGAGEE:**

0982244/BC . LTD.

Name: Luvdeep Randhawa

Title: Director

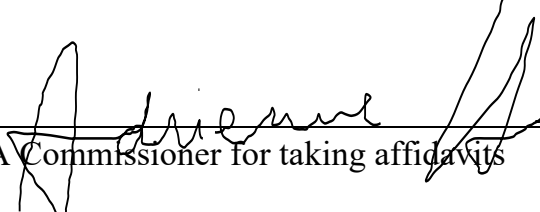
Address for Notices:

c/o Isle of Mann Group of Companies

304-15292 Croydon Drive

Surrey, BC V3Z 0Z5

This is Exhibit “X” referred to in the Affidavit of Craig Loverock sworn by Craig Loverock located in the City of Newmarket, in the Regional Municipality of York, in the Province of Ontario, before me at the City of Toronto, in the Province of Ontario, this 22nd day of June, 2022 in accordance with *O.Reg. 431/20, Administering Oath or Declaration Remotely*.



A Commissioner for taking affidavits

ADRIENNE HO

GENERAL SECURITY AGREEMENT

This **SECURITY AGREEMENT**, dated as of February 28, 2018 (as amended, supplemented or otherwise modified from time to time in accordance with the provisions hereof, this "**Agreement**"), made by and among Toronto Herbal Remedies Inc., a corporation formed pursuant to the laws of the Province of Ontario (the "**Grantor**"), in favour of 0982244 B.C. Ltd., a corporation formed pursuant to the laws of the Province of British Columbia, or its assigns (the "**Secured Party**").

WHEREAS, pursuant to the terms of a loan agreement dated June 18, 2015 (the "**2015 Loan Agreement**") entered into between the Grantor, the Secured Party and Bray Limited Partnership, the Secured Party has made and may make loans to the Grantor in an aggregate principal amount of \$3,250,000.00 (the "**Loan**"), which Loan is due, subject to any extension permitted or granted pursuant to the 2015 Loan Agreement, on June 24, 2018 (the "**Maturity Date**").

WHEREAS, pursuant to the terms of the 2015 Loan Agreement and a share purchase option and loan conversion agreement dated August 28, 2015 (the "**2015 Option and Loan Conversion Agreement**"), the Secured Party is entitled, at any time on or prior to the Maturity Date, to exercise the exclusive option to purchase common shares in the capital of the Grantor ("**Common Shares**") comprising 23% of all issued and outstanding Common Shares, representing, as of this date and on a fully diluted basis, [**Two Million Three Hundred Ninety Nine Thousand Nine Hundred and Eighteen (2,399,918)**] Common Shares for an aggregate exercise price of \$575.00 (the "**Option**").

WHEREAS, pursuant to the terms of the 2015 Loan Agreement and the Option, upon exercise of the Option, a portion of the amount outstanding pursuant to the Loan up to a maximum principal amount of \$1,500,000.00 is to be converted into a shareholder loan with a principal amount of \$1,500,000.00 (the "**Converted Loan**").

WHEREAS, on the date hereof, the Secured Party exercised the Option pursuant to the terms of an option amendment, exercise and loan conversion agreement (the "**Option Amendment, Exercise and Loan Conversion Agreement**") and a portion of the principal amount of the Loan equal to \$1,500,000.00 was converted to the Converted Loan, evidenced by that certain promissory note of even date herewith (as amended, supplemented or otherwise modified from time to time, the "**Promissory Note**") made by the Grantor and payable to the Secured Party.

WHEREAS, this Agreement is given by the Grantor in favour of the Secured Party to secure the payment and performance of all of the Secured Obligations (as hereinafter defined); and

WHEREAS, it is a condition to the obligations of the Secured Party to make the Converted Loan under the Promissory Note that the Grantor execute and deliver this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants, terms and conditions set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Definitions.

(a) Unless otherwise specified herein, all references to Sections and Schedules herein are to Sections and Schedules of this Agreement.

(b) Capitalized terms used but not otherwise defined herein shall have the meanings assigned to such terms in the Promissory Note.

(c) Unless otherwise defined herein or as set out in the immediately preceding paragraph, terms used herein that are defined in the *Personal Property Security Act* (Ontario) (the "**Act**") shall have the meanings assigned to them in the Act.

(d) For purposes of this Agreement, the following terms shall have the following meanings:

"**Collateral**" has the meaning set forth in **Section 2**.

"**Event of Default**" has the meaning set forth in the Promissory Note.

"**Equity Interest**" means, any and all shares, interests, participations or other equivalents (however designated) of capital stock of a corporation, any and all equivalent ownership (or profit) interests in a person (other than a corporation), securities convertible into or exchangeable for shares of capital stock of (or other ownership or profit interest in) such person, and any and all warrants, rights or options to purchase any of the foregoing, whether voting or nonvoting, and whether or not such shares, warrants, options, rights or other interests are authorized or otherwise existing on any date of determination.

"**First Priority**" means, with respect to any lien and security interest purported to be created in any Collateral pursuant to this Agreement, such lien and security interest is the most senior lien to which such Collateral is subject (subject only to liens permitted under the Promissory Note).

"**Loan Agreement**" means the Option Amendment, Exercise and Loan Conversion Agreement.

"**Perfection Certificate**" has the meaning set forth in **Section 5**.

"**Pledged Securities**" means, collectively, with respect to the Grantor, (i) all issued and outstanding Equity Interests of each subsidiary that are owned by the Grantor and all options, warrants, rights, agreements and additional Equity Interests of whatever class of any such subsidiary acquired by such Grantor in any manner, together with all claims, rights, privileges, authority and powers of such Grantor relating to such Equity Interests in each such subsidiary or under any organizational document of each such subsidiary, and the certificates, instruments and agreements representing such Equity Interests and any and all interest of such Grantor in the entries on the books of any financial intermediary pertaining to such Equity Interests, including the Equity Interests listed in Schedule 1 hereof, (ii) all additional Equity Interests of any subsidiary from time to time acquired by or issued to such Grantor and all options, warrants, rights, agreements and additional Equity Interests of whatever class of any such subsidiary from time to time acquired by such Grantor in any manner, together with all claims, rights, privileges, authority and powers of such Grantor relating to such Equity Interests or under any Organizational Document of any such subsidiary, and the certificates, instruments and agreements

representing such Equity Interests and any and all interest of such Grantor in the entries on the books of any financial intermediary pertaining to such Equity Interests, from time to time acquired by such Grantor in any manner, and (iii) all Equity Interests issued in respect of the Equity Interests referred to in clause (i) or (ii) upon any consolidation or merger of any issuer of such Equity Interests/all Equity Interests of any successor subsidiary owned by such Grantor (unless such Grantor is the surviving entity) formed by or resulting from any consolidation or merger in which any person listed in Schedule 1 hereof is not the surviving entity.

“**Proceeds**” means the following property:

- (a) whatever is acquired upon the sale, lease, license, exchange, or other disposition of Collateral;
- (b) whatever is collected on, or distributed on account of, Collateral;
- (c) rights arising out of Collateral;
- (d) to the extent of the value of Collateral, claims arising out of the loss, nonconformity, or interference with the use of, defects or infringement of rights in, or damage to, the collateral; or
- (e) to the extent of the value of Collateral and to the extent payable to the Grantor or the Secured Party, insurance payable by reason of the loss or nonconformity of, defects or infringement of rights in, or damage to, the collateral;

and, in any event, shall include, without limitation, all dividends or other income from the Collateral, collections thereon or distributions with respect thereto.

“**Secured Obligations**” has the meaning set forth in **Section 3**.

2. Grant of Security Interest. The Grantor hereby pledges and grants to the Secured Party, and hereby creates a continuing First Priority lien and security interest in favour of the Secured Party in and to all of its right, title and interest in and to the following, wherever located, whether now existing or hereafter from time to time arising or acquired (collectively, the “**Collateral**”):

(a) all fixtures and personal property of every kind and nature including, without limitation, the Pledged Securities, all accounts, goods (including inventory and equipment), documents (including, if applicable, electronic documents), instruments, promissory notes, chattel paper (whether tangible or electronic), letters of credit, letter-of-credit rights (whether or not the letter of credit is evidenced by a writing), securities and all other investment property, general intangibles (including all payment intangibles), money, deposit accounts, and any other contract rights or rights to the payment of money; and

(b) all Proceeds and products of each of the foregoing, all books and records relating to the foregoing, all supporting obligations related thereto, and all accessions to, substitutions and replacements for, and rents, profits and products of, each of the foregoing, and any and all Proceeds of any insurance, indemnity, warranty or guaranty payable to such Grantor from time to time with respect to any of the foregoing.

3. Secured Obligations. The Collateral secures the due and prompt payment and performance of:

(a) the obligations of the Grantor from time to time arising under the Promissory Note, the Loan Agreement and this Agreement or otherwise with respect to the due and prompt payment of (i) the principal of and premium, if any, and interest on the Converted Loan (including interest accruing during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding), when and as due, whether at maturity, by acceleration, upon one or more dates set for prepayment or otherwise and (ii) all other monetary obligations, including fees, costs, lawyers' fees and disbursements, reimbursement obligations, contract causes of action, expenses and indemnities, whether primary, secondary, direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising, fixed or otherwise (including monetary obligations incurred during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding), of the Grantor under or in respect of the Promissory Note and this Agreement; and

(b) all other covenants, duties, debts, obligations and liabilities of any kind of the Grantor under or in respect of the Promissory Note, this Agreement or any other document made, delivered or given in connection with any of the foregoing, in each case whether evidenced by a note or other writing, whether allowed in any bankruptcy, insolvency, receivership or other similar proceeding, whether arising from an extension of credit, issuance of a letter of credit, acceptance, loan, guaranty, indemnification or otherwise, and whether primary, secondary, direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising, fixed or otherwise (all such obligations, covenants, duties, debts, liabilities, sums and expenses set forth in this **Section 3** being herein collectively called the "**Secured Obligations**").

4. Perfection of Security Interest and Further Assurances.

(a) The Grantor shall, from time to time, as may be required by the Secured Party with respect to all Collateral, immediately take all actions as may be reasonably requested by the Secured Party to perfect the security interest of the Secured Party in the Collateral, including, without limitation, with respect to all Collateral over which control may be obtained within the meaning of Section 1(2) of the Act, the Grantor shall immediately take all actions as may be requested from time to time by the Secured Party so that control of such Collateral is obtained and at all times held by the Secured Party. All of the foregoing shall be at the sole cost and expense of the Grantor.

(b) The Grantor hereby irrevocably authorize the Secured Party at any time and from time to time to file in any relevant jurisdiction any financing statements and amendments thereto that contain the information required by the Act or the personal property security legislation of each applicable jurisdiction for the filing of any financing statement or amendment relating to the Collateral, including any financing or continuation statements or other documents for the purpose of perfecting, confirming, continuing, enforcing or protecting the security interest granted by the Grantor hereunder, without the signature of the Grantor where permitted by law, including the filing of a financing statement describing the Collateral as all assets now owned or hereafter acquired by the Grantor, or words of similar effect. The Grantor agrees to provide all information required by the Secured Party pursuant to this Section promptly to the Secured Party upon request.

(c) If the Grantor shall at any time hold or acquire any certificated securities, promissory notes, tangible chattel paper, negotiable documents or warehouse receipts relating to the Collateral, the Grantor shall immediately endorse, assign and deliver the same to the Secured Party, accompanied by such instruments of transfer or assignment duly executed in blank as the Secured Party may from time to time specify.

(d) If the Grantor shall at any time hold or acquire a commercial tort claim, the Grantor shall immediately notify the Secured Party in a writing signed by the Grantor of the particulars thereof and grant to the Secured Party in such writing a security interest therein and in the proceeds thereof, all upon the terms of this Agreement, with such writing to be in form and substance satisfactory to the Secured Party.

(e) If any Collateral is at any time in the possession of a bailee, the Grantor shall promptly notify the Secured Party thereof and, at the Secured Party's request and option, shall promptly obtain an acknowledgment from the bailee, in form and substance satisfactory to the Secured Party, that the bailee holds such Collateral for the benefit of the Secured Party and the bailee agrees to comply, without further consent of the Grantor, at any time with instructions of the Secured Party as to such Collateral.

(f) The Grantor agree that at any time and from time to time, at the expense of the Grantor, the Grantor will promptly execute and deliver all further instruments and documents, obtain such agreements from third parties, and take all further action, that may be necessary or desirable, or that the Secured Party may request, in order to perfect and protect any security interest granted hereby or to enable the Secured Party to exercise and enforce its rights and remedies hereunder or under any other agreement with respect to any Collateral.

5. Representations and Warranties. The Grantor represents and warrants as follows:

(a) It has previously delivered to the Secured Party a certificate signed by the Grantor and entitled "Perfection Certificate" (the "**Perfection Certificate**"), and that: (i) the Grantor's exact legal name is that indicated on the Perfection Certificate and on the signature page hereof, (ii) the Grantor is an organization of the type, and is organized in the jurisdiction, set forth in the Perfection Certificate, (iii) the Perfection Certificate accurately sets forth the Grantor's organizational identification number (or accurately states that such Grantor has none), the Grantor's place of business (or, if more than one, its chief executive office), and its mailing address, (iv) all other information set forth on the Perfection Certificate relating to the Grantor is accurate and complete and (v) there has been no change in any such information since the date on which the Perfection Certificate was signed by the Grantor.

(b) All information set forth on the Perfection Certificate relating to the Collateral is accurate and complete and there has been no change in any such information since the date on which the Perfection Certificate was signed by the Grantor.

(c) The Collateral consisting of securities have been duly authorized and validly issued, and are fully paid and non-assessable and subject to no options to purchase or similar rights. The Grantor holds no commercial tort claims.

(d) At the time the Collateral becomes subject to the lien and security interest created by this Agreement, the Grantor will be the sole, direct, legal and beneficial owner thereof, free and clear of any lien, security interest, encumbrance, claim, option or right of others except for the security interest created by this Agreement.

(e) The pledge of the Collateral pursuant to this Agreement creates a valid and perfected First Priority security interest in the Collateral, securing the payment and performance when due of the Secured Obligations.

(f) It has full power, authority and legal right to borrow the Converted Loan and pledge the Collateral pursuant to this Agreement.

(g) Each of this Agreement, the Promissory Note, and the Loan Agreement has been duly authorized, executed and delivered by the Grantor and constitutes a legal, valid and binding obligation of the Grantor enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and subject to equitable principles (regardless of whether enforcement is sought in equity or at law).

(h) No authorization, approval, or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the borrowing of the Converted Loan and the pledge by the Grantor of the Collateral pursuant to this Agreement or for the execution and delivery of the Promissory Note and this Agreement by the Grantor or the performance by the Grantor of their obligations thereunder.

(i) The execution and delivery of the Promissory Note and this Agreement by the Grantor and the performance by the Grantor of their obligations thereunder, will not violate any provision of any applicable law or regulation or any order, judgment, writ, award or decree of any court, arbitrator or governmental authority, domestic or foreign, applicable to the Grantor or any of their property, or the organizational or governing documents of such Grantor or any agreement or instrument to which such Grantor is party or by which it or its property is bound.

(j) The Grantor has taken all action required on its part for control (as defined in Section 1(2) of the Act) to have been obtained by the Secured Party over all Collateral with respect to which such control may be obtained pursuant to the Act. No person other than the Secured Party has control or possession of all or any part of the Collateral.

6. Receivables. The Secured Party may, or at the request and option of the Secured Party the Grantor shall, notify account debtors and other persons obligated on any of the Collateral of the security interest of the Secured Party in any account, chattel paper, general intangible, instrument or other Collateral and that payment thereof is to be made directly to the Secured Party.

7. Covenants. The Grantor covenants as follows:

(a) The Grantor will not, without providing at least 30 days' prior written notice to the Secured Party, change its legal name, identity, type of organization, jurisdiction of organization, corporate structure, location of its chief executive office or its principal place of business or its organizational identification number, unless otherwise agreed to by the Secured Party. The Grantor will, prior to any change described in the preceding sentence, take all actions requested by the Secured Party to maintain the perfection and priority of the Secured Party's security interest in the Collateral.

(b) The Collateral, to the extent not delivered to the Secured Party pursuant to **Section 4**, will be kept at those locations listed on the Perfection Certificate and the Grantor will not remove the Collateral from such locations without providing at least 30 days' prior written

notice to the Secured Party, unless otherwise agreed to by the Secured Party. The Grantor will, prior to any change described in the preceding sentence, take all actions required by the Secured Party to maintain the perfection and priority of the Secured Party's security interest in the Collateral.

(c) The Grantor shall, at its own cost and expense, defend title to the Collateral and the First Priority lien and security interest of the Secured Party therein against the claim of any person claiming against or through the Grantor and shall maintain and preserve such perfected First Priority security interest for so long as this Agreement shall remain in effect.

(d) The Grantor will not sell, offer to sell, dispose of, convey, assign or otherwise transfer, grant any option with respect to, restrict, or grant, create, permit or suffer to exist any mortgage, pledge, lien, security interest, option, right of first offer, encumbrance or other restriction or limitation of any nature whatsoever on, any of the Collateral or any interest therein except as expressly provided for in the Promissory Note or with the prior written consent of the Secured Party.

(e) The Grantor will keep the Collateral in good order and repair and will not use the same in violation of law or any policy of insurance thereon. The Grantor will permit the Secured Party, or its designee, to inspect the Collateral at any reasonable time, wherever located.

(f) The Grantor will pay promptly when due all taxes, assessments, governmental charges, and levies upon the Collateral or incurred in connection with the use or operation of the Collateral or incurred in connection with this Agreement.

8. Secured Party Appointed Attorney-in-Fact. The Grantor hereby appoints the Secured Party the Grantor's attorney-in-fact, with full authority in the place and stead of the Grantor and in the name of the Grantor or otherwise, from time to time in the Secured Party's discretion to take any action and to execute any instrument which the Secured Party may deem necessary or advisable to accomplish the purposes of this Agreement (but the Secured Party shall not be obligated to and shall have no liability to the Grantor or any third party for failure to do so or take action). This appointment, being coupled with an interest, shall be irrevocable. The Grantor hereby ratifies all that said attorneys shall lawfully do or cause to be done by virtue hereof.

9. Secured Party May Perform. If the Grantor fails to perform any obligation contained in this Agreement, the Secured Party may itself perform, or cause performance of, such obligation, and the expenses of the Secured Party incurred in connection therewith shall be payable by the Grantor; provided that the Secured Party shall not be required to perform or discharge any obligation of the Grantor.

10. Reasonable Care. The Secured Party shall have no duty with respect to the care and preservation of the Collateral beyond the exercise of reasonable care. The Secured Party shall be deemed to have exercised reasonable care in the custody and preservation of the Collateral in its possession if the Collateral is accorded treatment substantially equal to that which the Secured Party accords its own property, it being understood that the Secured Party shall not have any responsibility for (a) ascertaining or taking action with respect to any claims, the nature or sufficiency of any payment or performance by any party under or pursuant to any agreement relating to the Collateral or other matters relative to any Collateral, whether or not the Secured Party has or is deemed to have knowledge of such matters, or (b) taking any necessary steps to preserve rights against any parties with respect to any Collateral. Nothing set forth in this Agreement, nor the exercise by the Secured Party of any of the rights and remedies hereunder,

shall relieve the Grantor from the performance of any obligation on the Grantor's part to be performed or observed in respect of any of the Collateral.

11. Remedies Upon Default. If any Event of Default shall have occurred and be continuing:

(a) The Secured Party, without any other notice to or demand upon the Grantor, may assert all rights and remedies of a secured party under the Act or other applicable law, including, without limitation, the right to take possession of, hold, collect, sell, lease, deliver, grant options to purchase or otherwise retain, liquidate or dispose of all or any portion of the Collateral. If notice prior to disposition of the Collateral or any portion thereof is necessary under applicable law, written notice mailed to the Grantor at its notice address as provided in **Section 15** hereof ten days prior to the date of such disposition shall constitute reasonable notice, but notice given in any other reasonable manner shall be sufficient. So long as the sale of the Collateral is made in a commercially reasonable manner, the Secured Party may sell such Collateral on such terms and to such purchaser(s) as the Secured Party in its absolute discretion may choose, without assuming any credit risk and without any obligation to advertise or give notice of any kind other than that necessary under applicable law. Without precluding any other methods of sale, the sale of the Collateral or any portion thereof shall have been made in a commercially reasonable manner if conducted in conformity with reasonable commercial practices of creditors disposing of similar property. At any sale of the Collateral, if permitted by applicable law, the Secured Party may be the purchaser, licensee, assignee or recipient of the Collateral or any part thereof and shall be entitled, for the purpose of bidding and making settlement or payment of the purchase price for all or any portion of the Collateral sold, assigned or licensed at such sale, to use and apply any of the Secured Obligations as a credit on account of the purchase price of the Collateral or any part thereof payable at such sale. To the extent permitted by applicable law, the Grantor waives all claims, damages and demands it may acquire against the Secured Party arising out of the exercise by it of any rights hereunder. The Grantor hereby waives and releases to the fullest extent permitted by law any right or equity of redemption with respect to the Collateral, whether before or after sale hereunder, and all rights, if any, of marshalling the Collateral and any other security for the Secured Obligations or otherwise. At any such sale, unless prohibited by applicable law, the Secured Party or any custodian may bid for and purchase all or any part of the Collateral so sold free from any such right or equity of redemption. Neither the Secured Party nor any custodian shall be liable for failure to collect or realize upon any or all of the Collateral or for any delay in so doing, nor shall it be under any obligation to take any action whatsoever with regard thereto. The Secured Party shall not be obligated to clean-up or otherwise prepare the Collateral for sale.

(b) All rights of the Grantor to (i) exercise the voting and other consensual rights it would otherwise be entitled to exercise and (ii) receive the dividends and other distributions which it would otherwise be entitled to receive and retain, shall immediately cease, and all such rights shall thereupon become vested in the Secured Party, which shall have the sole right to exercise such voting and other consensual rights and receive and hold such dividends and other distributions as Collateral.

(c) Any cash held by the Secured Party as Collateral and all cash Proceeds received by the Secured Party in respect of any sale of, collection from, or other realization upon all or any part of the Collateral shall be applied in whole or in part by the Secured Party to the payment of expenses incurred by the Secured Party in connection with the foregoing or incidental to the care or safekeeping of any of the Collateral or in any way relating to the Collateral or the rights of the Secured Party hereunder, including reasonable lawyers' fees, and the balance of such proceeds shall be applied or set off against all or any part of the Secured Obligations in such order as the

Secured Party shall elect. Any surplus of such cash or cash Proceeds held by the Secured Party and remaining after payment in full of all the Secured Obligations shall be paid over to the Grantor or to whomsoever may be lawfully entitled to receive such surplus. The Grantor shall remain liable for any deficiency if such cash and the cash Proceeds of any sale or other realization of the Collateral are insufficient to pay the Secured Obligations and the fees and other charges of any lawyers employed by the Secured Party to collect such deficiency.

(d) If the Secured Party shall determine to exercise its rights to sell all or any of the Collateral pursuant to this Section, the Grantor agrees that, upon request of the Secured Party, such Grantor will, at its own expense, do or cause to be done all such acts and things as may be necessary to make such sale of the Collateral or any part thereof valid and binding and in compliance with applicable law.

12. No Waiver and Cumulative Remedies. The Secured Party shall not by any act (except by a written instrument pursuant to **Section 14**), delay, indulgence, omission or otherwise be deemed to have waived any right or remedy hereunder or to have acquiesced in any Default or Event of Default. All rights and remedies herein provided are cumulative and are not exclusive of any rights or remedies provided by law.

13. Security Interest Absolute. The Grantor hereby waives demand, notice, protest, notice of acceptance of this Agreement, notice of loans made, credit extended, Collateral received or delivered or other action taken in reliance hereon and all other demands and notices of any description. All rights of the Secured Party and liens and security interests hereunder, and all Secured Obligations of the Grantor hereunder, shall be absolute and unconditional irrespective of:

(a) any illegality or lack of validity or enforceability of any Secured Obligation or any related agreement or instrument;

(b) any change in the time, place or manner of payment of, or in any other term of, the Secured Obligations, or any rescission, waiver, amendment or other modification of the Promissory Note, the Loan Agreement, this Agreement or any other agreement, including any increase in the Secured Obligations resulting from any extension of additional credit or otherwise;

(c) any taking, exchange, substitution, release, impairment or non-perfection of any Collateral or any other collateral, or any taking, release, impairment, amendment, waiver or other modification of any guaranty, for all or any of the Secured Obligations;

(d) any manner of sale, disposition or application of proceeds of any Collateral or any other collateral or other assets to all or part of the Secured Obligations;

(e) any default, failure or delay, wilful or otherwise, in the performance of the Secured Obligations;

(f) any defense, set-off or counterclaim (other than a defense of payment or performance) that may at any time be available to, or be asserted by, the Grantor against the Secured Party; or

(g) any other circumstance (including, without limitation, any statute of limitations) or manner of administering the Converted Loan or any existence of or reliance on any

representation by the Secured Party that might vary the risk of the Grantor or otherwise operate as a defense available to, or a legal or equitable discharge of, the Grantor or any other grantor, guarantor or surety.

14. Amendments. None of the terms or provisions of this Agreement may be amended, modified, supplemented, terminated or waived, and no consent to any departure by the Grantor therefrom shall be effective unless the same shall be in writing and signed by the Secured Party and the Grantor, and then such amendment, modification, supplement, waiver or consent shall be effective only in the specific instance and for the specific purpose for which made or given.

15. Addresses For Notices. All notices and other communications provided for in this Agreement shall be in writing and shall be given in the manner and become effective as set forth in the Promissory Note, and addressed to the respective parties at their addresses as specified on the signature pages hereof or as to either party at such other address as shall be designated by such party in a written notice to each other party.

16. Continuing Security Interest; Further Actions. This Agreement shall create a continuing First Priority lien and security interest in the Collateral and shall (a) subject to **Section 17**, remain in full force and effect until payment and performance in full of the Secured Obligations, (b) be binding upon the Grantor, its successors and assigns, and (c) inure to the benefit of the Secured Party and its successors, transferees and assigns; *provided that* the Grantor may not assign or otherwise transfer any of its rights or obligations under this Agreement without the prior written consent of the Secured Party. Without limiting the generality of the foregoing clause (c), any assignee of the Secured Party's interest in any agreement or document which includes all or any of the Secured Obligations shall, upon assignment in accordance with Section 11.8 of the Promissory Note, become vested with all the benefits granted to the Secured Party herein with respect to such Secured Obligations.

17. Termination; Release. On the date on which all Secured Obligations have been paid and performed in full, the Secured Party will, at the request and sole expense of the Grantor, (a) duly assign, transfer and deliver to or at the direction of the Grantor (without recourse and without any representation or warranty) such of the Collateral as may then remain in the possession of the Secured Party, together with any monies at the time held by the Secured Party hereunder, and (b) execute and deliver to the Grantor a proper instrument or instruments acknowledging the satisfaction and termination of this Agreement.

18. Governing Law. This Agreement and the Promissory Note and any claim, controversy, dispute or cause of action (whether in contract or tort or otherwise) based upon, arising out of or relating to this Agreement, the Promissory Note, or the Loan Agreement and the transactions contemplated hereby and thereby shall be governed by, and construed in accordance with, the laws of the Province of Ontario and the federal laws of Canada applicable therein. The other provisions of Sections 11 of the Promissory Note are incorporated herein, *mutatis mutandis*, as if a part hereof.

19. Counterparts. This Agreement and any amendments, waivers, consents or supplements hereto may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all taken together shall constitute a single contract. Delivery of an executed counterpart of a signature page to this Agreement by facsimile or in electronic (i.e., "pdf" or "tif") format shall be effective as delivery of a manually executed counterpart of this Agreement. This Agreement, the Promissory Note and the Loan Agreement, together with all documentation delivered in connection with said agreements, constitute the

entire contract among the parties with respect to the subject matter hereof and supersede all previous agreements and understandings, oral or written, with respect thereto.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

ON BEHALF OF THE GRANTOR:

TORONTO HERBAL REMEDIES INC.



Name: Pamudr. Hemachandra

Title: President.

Address for Notices:

c/o Sproutly Inc.

1050-1095 West Pender Street

Vancouver, BC V6E 2M6

**ON BEHALF OF THE SECURED
PARTY**

0982244 B.C. LTD.

Name: Luvdeep Randhawa

Title: Director

Address for Notices:

c/o Isle of Mann Group of Companies

304-15292 Croydon Drive

Surrey, BC V3Z 0Z5

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

ON BEHALF OF THE GRANTOR:

TORONTO HERBAL REMEDIES INC.

Name:

Title:

Address for Notices:

c/o Sproutly Inc.

1050-1095 West Pender Street

Vancouver, BC V6E 2M6

**ON BEHALF OF THE SECURED
PARTY**

0982244 B.C. LTD.

Name: Luvdeep Randhawa

Title: Director

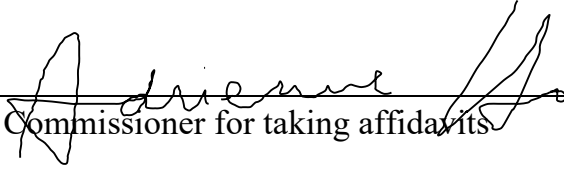
Address for Notices:

c/o Isle of Mann Group of Companies

304-15292 Croydon Drive

Surrey, BC V3Z 0Z5

This is Exhibit “Y” referred to in the Affidavit of Craig Loverock sworn by Craig Loverock located in the City of Newmarket, in the Regional Municipality of York, in the Province of Ontario, before me at the City of Toronto, in the Province of Ontario, this 22nd day of June, 2022 in accordance with *O.Reg. 431/20, Administering Oath or Declaration Remotely*.



A Commissioner for taking affidavits

ADRIENNE HO

AMENDMENT NO. 1 TO 2015 PROMISSORY NOTE

WHEREAS pursuant to the terms of a loan agreement dated June 18, 2015 (the “**Original Loan Agreement**”) entered into between Toronto Herbal Remedies Inc. (“**Herbal Remedies**”), Bray Limited Partnership and the 0982244 B.C. Ltd. (the “**Lender**”), the Lender has made and may make loans to Herbal Remedies in an aggregate principal amount of \$3,250,000.00 (the “**Original Loan**”) which Original Loan is due, subject to any extension permitted or granted pursuant to the Original Loan Agreement, on June 24, 2018;

AND WHEREAS the Original Loan is evidenced by a promissory note dated August 28, 2015, made by Herbal Remedies and payable to the order of the Lender in the principal amount of \$3,250,000.00 (as amended, supplemented or otherwise modified from time to time, the “**2015 Promissory Note**”);

AND WHEREAS the Original Loan is secured by, among other things, a collateral first mortgage charge against the property known municipally as 64-70 Raleigh Avenue, Toronto, Ontario (the “**Mortgage**”) and a general security agreement over the assets of Herbal Remedies (the “**2015 Security Agreement**”); the 2015 Promissory Note, the Mortgage, the 2015 Security Agreement and all other collateral delivered pursuant to the Original Loan Agreement, the “**2015 Collateral**”; the Original Loan Agreement and the 2015 Collateral, the “**Loan Documents**”);

AND WHEREAS, pursuant to the terms of the Original Loan Agreement, Herbal Remedies granted the Lender a share purchase and loan conversion option pursuant to the share purchase option and loan conversion agreement dated August 28, 2015 (the “**2015 Option Agreement**”);

AND WHEREAS Herbal Remedies and the Lender amended the 2015 Option Agreement and the Lender exercised its option to purchase common shares in the capital of Herbal Remedies (“**Common Shares**”) pursuant to an option amendment, exercise and loan conversion agreement dated February 28, 2018 (the “**2018 Conversion**”) wherein the Lender purchased 23% of all issued and outstanding Common Shares, representing, as of the date of exercise and on a fully diluted basis, Two Million Three Hundred Ninety Nine Thousand Nine Hundred and Eighteen (2,399,918) Common Shares for an aggregate exercise price of \$575.00;

AND WHEREAS, pursuant to the 2018 Conversion, a portion of the amount outstanding pursuant to the Original Loan with a principal amount of \$1,500,000.00 was converted into a new shareholder loan such that the principal amount outstanding under the Original Loan was reduced by \$1,500,000.00 and a new loan was issued to the Lender with a principal amount of \$1,500,000.00 with additional terms and conditions as set out in the promissory note dated February 28, 2018, made by Herbal Remedies and payable to the order of the Lender in the principal amount of \$1,500,000.00 (the “**Converted Loan**”);

AND WHEREAS in connection with the 2018 Conversion, the Mortgage was amended and restated pursuant to the registration of a notice of agreement amending charge registered as Instrument AT4812828 on March 1, 2018 (the “**Amended Mortgage**”; the 2015 Collateral, the Amended Mortgage and all other collateral delivered pursuant to the 2018 Conversion, the “**Collateral**”);

AND WHEREAS, following the 2018 Conversion and as of the date hereof, the amount outstanding pursuant to the Original Loan is a principal amount of \$1,750,000.00;

AND WHEREAS, the Lender and Herbal Remedies wish to amend certain terms of the Original Loan and the 2015 Promissory Note;

NOW THEREFORE in consideration of the sum of One Dollar (\$1.00) and other good and valuable consideration, the receipt and sufficiency whereof is hereby acknowledged by each of the parties, the parties hereto agree as follows:

1. The parties hereby acknowledge that the amount outstanding pursuant to Original Loan is a principal amount of \$1,750,000;
2. The 2015 Promissory Note is hereby amended as follows:
 - a. The definitions of “Applicable Rate”, “Interest Payment Date” and “Maturity Date” contained in Section 1 of the 2015 Promissory Note are hereby deleted and the following substituted therefor:

“Applicable Rate” means the rate equal to 10.0% per annum.

“Interest Payment Date” means September 24, 2018 and thereafter each date that is three months following the prior Interest Payment Date.

“Maturity Date” means the earlier of (a) June 24, 2021 and (b) the date on which all amounts under this Note shall become due and payable pursuant to **Section 11**.

- b. The definition of “Extension Maturity Date” in Section 1 of the 2015 Promissory Note is hereby deleted.
 - c. Section 3 of the 2015 Promissory Note is hereby deleted and the following substituted therefor:

3. **Final Payment Date**

3.1 The aggregate unpaid principal amount of the Loan, all accrued and unpaid interest and all other amounts payable under this Note shall be due and payable on the Maturity Date.

3. All other terms of the 2015 Promissory Note shall remain unchanged.
4. The parties hereby acknowledge and agree that all amounts outstanding pursuant to the Original Loan, including without limitation any penalties and interest thereon (the “**Outstanding Loan Amount**”), shall continue to be governed by the terms of: (i) the Loan Documents without amendment, except where the context otherwise requires; and (ii) the Amended Mortgage. For greater certainty, and without limiting the generality of the foregoing, the Outstanding Loan Amount shall continue to be secured by the Collateral, until repaid in full.

DATED this _____ day of _____, 2018

TORONTO HERBAL REMEDIES INC.



Name: *Keith Dolo*
Title: *CEO*

Address for Notices:
c/o Sproutly Inc.
1050-1095 West Pender Street
Vancouver, BC V6E 2M6

0982244 B.C. LTD.

Name: Luvdeep Randhawa
Title: Director
Address for Notices:
c/o Isle of Mann Group of Companies
304-15292 Croydon Drive
Surrey, BC V3Z 0Z5

DATED this 7th day of August, 2018

TORONTO HERBAL REMEDIES INC.

Name:

Title:

Address for Notices:

c/o Sproutly Inc.

1050-1095 West Pender Street

Vancouver, BC V6E 2M6

0982244 B.C. LTD.

Name: Luvdeep Randhawa

Title: Director

Address for Notices:

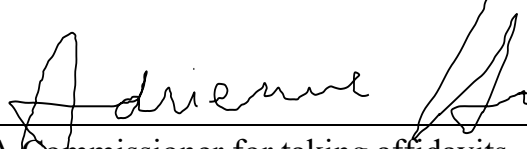
c/o Isle of Mann Group of Companies

304-15292 Croydon Drive

Surrey, BC V3Z 0Z5

[signature page to Amendment No. 1 to 2015 Promissory Note]

This is Exhibit “Z” referred to in the Affidavit of Craig Loverock sworn by Craig Loverock located in the City of Newmarket, in the Regional Municipality of York, in the Province of Ontario, before me at the City of Toronto, in the Province of Ontario, this 44th day of June, 2022 in accordance with *O.Reg. 431/20, Administering Oath or Declaration Remotely*.



A Commissioner for taking affidavits

ADRIENNE HO

AMENDMENT NO. 1 TO 2018 PROMISSORY NOTE

WHEREAS pursuant to the terms of a loan agreement dated June 18, 2015 (the “**Original Loan Agreement**”) entered into between Toronto Herbal Remedies Inc. (“**Herbal Remedies**”), Bray Limited Partnership and the 0982244 B.C. Ltd. (the “**Lender**”), the Lender has made and may make loans to Herbal Remedies in an aggregate principal amount of \$3,250,000.00 (the “**Original Loan**”) which Original Loan is due, subject to any extension permitted or granted pursuant to the Original Loan Agreement, on June 24, 2018;

AND WHEREAS the Original Loan is evidenced by a promissory note dated August 28, 2015, made by Herbal Remedies and payable to the order of the Lender in the principal amount of \$3,250,000.00 (as amended, supplemented or otherwise modified from time to time, the “**2015 Promissory Note**”);

AND WHEREAS the Original Loan is secured by, among other things, a collateral first mortgage charge against the property known municipally as 64-70 Raleigh Avenue, Toronto, Ontario (the “**Mortgage**”) and a general security agreement over the assets of Herbal Remedies (the “**2015 Security Agreement**”); the 2015 Promissory Note, the Mortgage, the 2015 Security Agreement and all other collateral delivered pursuant to the Original Loan Agreement, the “**2015 Collateral**”; the Original Loan Agreement and the 2015 Collateral, the “**Loan Documents**”);

AND WHEREAS, pursuant to the terms of the Original Loan Agreement, Herbal Remedies granted the Lender a share purchase and loan conversion option pursuant to a share purchase option and loan conversion agreement dated August 28, 2015 (the “**2015 Option Agreement**”);

AND WHEREAS, Herbal Remedies and the Lender amended the 2015 Option Agreement and the Lender exercised its option to purchase common shares in the capital of Herbal Remedies (“**Common Shares**”) pursuant to an option amendment, exercise and loan conversion agreement dated February 28, 2018 (the “**2018 Conversion**”), wherein the Lender purchased 23% of all issued and outstanding Common Shares, representing, as of the date of exercise and on a fully diluted basis, Two Million Three Hundred Ninety Nine Thousand Nine Hundred and Eighteen (2,399,918) Common Shares for an aggregate exercise price of \$575.00;

AND WHEREAS, pursuant to the 2018 Conversion, a portion of the amount outstanding pursuant to the Original Loan with a principal amount of \$1,500,000.00 was converted into a new shareholder loan such that the principal amount outstanding under the Original Loan was reduced by \$1,500,000.00 and a new loan was issued to the Lender with a principal amount of \$1,500,000.00 (the “**Converted Loan**”) with additional terms and conditions as set out in the promissory note dated February 28, 2018, made by Herbal Remedies and payable to the order of the Lender in the principal amount of \$1,500,000.00 (the “**2018 Promissory Note**”);

AND WHEREAS, in connection with the 2018 Conversion, the Mortgage was amended and restated pursuant to the registration of a notice of agreement amending charge registered as Instrument AT4812828 on March 1, 2018 (the “**Amended Mortgage**”);

AND WHEREAS, in connection with the 2018 Conversion, a general security agreement was entered into by the Borrower and the Lender as of February 28, 2018 (the “**2018 Security Agreement**”; the 2015

Collateral, the Amended Mortgage, the 2018 Security Agreement and all other collateral delivered pursuant to the 2018 Conversion, the “**Collateral**”);

AND WHEREAS, as of the date hereof, the amount outstanding pursuant to the Converted Loan is a principal amount of \$1,500,000.00;

AND WHEREAS, the Lender and Herbal Remedies wish to amend certain terms of the Converted Loan and the 2018 Promissory Note;

NOW THEREFORE in consideration of the sum of One Dollar (\$1.00) and other good and valuable consideration, the receipt and sufficiency whereof is hereby acknowledged by each of the parties, the parties hereto agree as follows:

1. The parties hereby acknowledge that the amount outstanding pursuant to Converted Loan is a principal amount of \$1,500,000;
2. The 2018 Promissory Note is hereby amended as follows:
 - a. The definitions of “Applicable Rate”, “Interest Payment Date” and “Maturity Date” contained in Section 1 of the 2018 Promissory Note are hereby deleted and the following substituted therefor:

“Applicable Rate” means the rate equal to 10.0% per annum.

“Interest Payment Date” means September 24, 2018 and thereafter each date that is three months following the prior Interest Payment Date.

“Maturity Date” means the earlier of (a) June 24, 2021 and (b) the date on which all amounts under this Note shall become due and payable pursuant to **Section 10**.

- b. The definition of “Extension Maturity Date” in Section 1 of the 2018 Promissory Note is hereby deleted.
 - c. Section 2 of the 2018 Promissory Note is hereby deleted and the following substituted therefor:

2. **Final Payment Date**

2.1 The aggregate unpaid principal amount of the Loan, all accrued and unpaid interest and all other amounts payable under this Note shall be due and payable on the Maturity Date.

3. All other terms of the 2018 Promissory Note shall remain unchanged, except where the context otherwise requires.

4. The parties hereby acknowledge and agree that all amounts outstanding pursuant to the Converted Loan, including without limitation any penalties and interest thereon (the “**Outstanding Loan Amount**”), shall continue to be governed by the terms of: (i) the Loan Documents without amendment, except where the context otherwise requires; (ii) the option amendment, exercise and loan conversion agreement dated February 28, 2018; (iii) the 2018 Promissory Note; (iv) the Amended Mortgage; and (v) the 2018 Security Agreement. For greater certainty, and without limiting the generality of the foregoing, the Outstanding Loan Amount shall continue to be secured by the Collateral, until repaid in full.

[SIGNATURE PAGE FOLLOWS]

DATED this _____ day of _____, 2018

TORONTO HERBAL REMEDIES INC.



Name: *Keith Doherty*

Title: *CEO*

Address for Notices:

c/o Sproutly Inc.

1050-1095 West Pender Street

Vancouver, BC V6E 2M6

0982244 B.C. LTD.

Name: Luvdeep Randhawa

Title: Director

Address for Notices:

c/o Isle of Mann Group of Companies

304-15292 Croydon Drive

Surrey, BC V3Z 0Z5

DATED this 7th day of August, 2018

TORONTO HERBAL REMEDIES INC.

Name:

Title:

Address for Notices:

c/o Sproutly Inc.

1050-1095 West Pender Street

Vancouver, BC V6E 2M6

0982244 B.C. LTD.

Name: Luydeep Randhawa

Title: Director

Address for Notices:

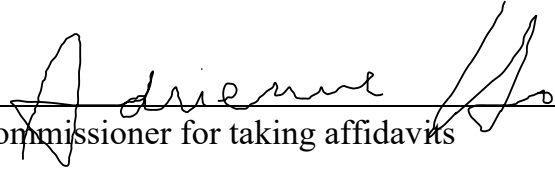
c/o Isle of Mann Group of Companies

304-15292 Croydon Drive

Surrey, BC V3Z 0Z5

[signature page to Amendment No. 1 to 2018 Promissory Note]

This is Exhibit “AA” referred to in the Affidavit of Craig Loverock sworn by Craig Loverock located in the City of Newmarket, in the Regional Municipality of York, in the Province of Ontario, before me at the City of Toronto, in the Province of Ontario, this 22nd day of June, 2022 in accordance with *O.Reg. 431/20, Administering Oath or Declaration Remotely*.


A Commissioner for taking affidavits

ADRIENNE HO

Properties

PIN 06443 - 0179 LT
Description LT 89 PL 2176 SCARBOROUGH; LT 90 PL 2176 SCARBOROUGH; LT 91 PL 2176 SCARBOROUGH; LT 101 PL 2291 SCARBOROUGH; LT 102 PL 2291 SCARBOROUGH; LT 103 PL 2291 SCARBOROUGH; LT 104 PL 2291 SCARBOROUGH; LT 105 PL 2291 SCARBOROUGH; LT 106 PL 2291 SCARBOROUGH; LT 107 PL 2291 SCARBOROUGH; LT 108 PL 2291 SCARBOROUGH; PT DAVIDSON AV PL 2176 SCARBOROUGH; PT DAVIDSON AV PL 2291 SCARBOROUGH CLOSED BY SC103893 AS IN TB625847; S/T & T/W TB625847; TORONTO , CITY OF TORONTO
Address 64 RALEIGH AV
TORONTO

Consideration

Consideration \$2.00

Applicant(s)

The notice is based on or affects a valid and existing estate, right, interest or equity in land

Name TORONTO HERBAL REMEDIES INC.
Address for Service c/o Sproutly Inc.
1050-1095 West Pender Street
Vancouver, British Columbia V6E 2M6
Attn: Keith Dolo

I, Craig Loverock, have the authority to bind the corporation.

This document is not authorized under Power of Attorney by this party.

Party To(s)*Capacity**Share*

Name 0982244 B.C. LTD.
Address for Service 304-15292 Croydon Drive, Surrey, British Columbia V3Z 0Z5

I, Luvdeep Randhawa (Director), have the authority to bind the corporation

This document is not authorized under Power of Attorney by this party.

Statements

This notice is pursuant to Section 71 of the Land Titles Act.

This notice may be deleted by the Land Registrar when the registered instrument, AT3995694 registered on 2015/08/31 to which this notice relates is deleted

Schedule: See Schedules

I Jesse Noah Simon Blinick solicitor make the following law statement 0982244 B.C. LTD. has an unregistered estate, right, interest or equity in the Charge registered as Instrument No. AT3995694 in favour of 0982244 B.C. LTD. in respect of the above lands, as amended by the Notice of Agreement Amending Charge of Land registered as Instrument No. AT4812828, and hereby applies for the entry of a Notice of Agreement Amending Charge of Land. 0982244 B.C. LTD. hereby applies to have the said charge amended in accordance with the attached schedule..

Signed By

Jesse Noah Simon Blinick 307 Sheppard Ave. E acting for Signed 2020 01 28
Toronto Applicant(s)
M2N 3B3

Tel 416-509-2874

Fax 647-795-8151

I have the authority to sign and register the document on behalf of the Applicant(s).

Submitted By

BLINICK LAW 307 Sheppard Ave. E 2020 01 28
Toronto
M2N 3B3

Tel 416-509-2874

Fax 647-795-8151

The applicant(s) hereby applies to the Land Registrar.

Fees/Taxes/Payment

Statutory Registration Fee	\$65.05
Total Paid	\$65.05

**SCHEDULE A
ADDITIONAL PROVISIONS**

to be affixed to the Notice of Agreement Amending Charge of Land in respect of 64 Raleigh Avenue, Toronto, Ontario

PIN: 06443 – 0179 LT

Legal Description: lt 89 pl 2176 scarborough; lt 90 pl 2176 scarborough; lt 91 pl 2176 scarborough; lt 101 pl 2291 scarborough; lt 102 pl 2291 scarborough; lt 103 pl 2291 scarborough; lt 104 pl 2291 scarborough; lt 105 pl 2291 scarborough; lt 106 pl 2291 scarborough; lt 107 pl 2291 scarborough; lt 108 pl 2291 scarborough; pt davidson av pl 2176 scarborough; pt davidson av pl 2291 scarborough closed by sc103893 as in tb625847; s/t & t/w tb625847; toronto , city of Toronto

(the “**Charged Property**”)

Amended and Restated Mortgage

WHEREAS, 0982244 B.C. Ltd. (the “**Mortgagee/Chargee**”) and Toronto Herbal Remedies Inc. (the “**Mortgagor/Chargor**”) are parties to a mortgage/charge (the “**2015 Mortgage/Charge**”) that was registered on title to the Charged Property on August 31, 2015;

AND WHEREAS, the Mortgagee/Chargee and the Mortgagor/Chargor are parties to a notice of agreement amending charge of land (together with the 2015 Mortgage/Charge, the “**Mortgage/Charge**”) that was registered on title to the Charged Property on March 1, 2018;

AND WHEREAS, the parties wish to amend and restate the Mortgage/Charge to record their agreement as to the nature and scope of the Mortgage/Charge;

NOW THEREFORE, the Parties agree to amend and restate the Mortgage/Charge as follows:

Survival of Mortgage Loan Commitment

This Mortgage/Charge shall be read together with and shall be subject to the terms of any agreement or document that evidences or refers to any amount whatsoever owing by the Mortgagor/Chargor to the Mortgagee/Chargee either presently or at any time in the future including, without limitation: (i) the Loan Agreement dated June 18, 2015 between the Mortgagee/Chargee and the Mortgagor/Chargor, the promissory note delivered by the Mortgagor/Chargor to the Mortgagee/Chargee dated August 28, 2015, and the security agreement and ancillary documents delivered pursuant thereto (collectively, the “**2015 Mortgage Loan Commitment**”); (ii) the option amendment, exercise and loan conversion agreement dated on or about February 28, 2018 between the Mortgagee/Chargee and the Mortgagor/Chargor, the promissory note delivered by the Mortgagor/Chargor to the Mortgagee/Chargee dated on or about February 28, 2018 (the “**2018 Promissory Note**”), and the security agreement and ancillary documents delivered pursuant thereto (the “**2018 Mortgage Loan Commitment**”); and (iii) the disclosure agreement dated on or about the date hereof between the Mortgagee/Chargee, the Mortgagor/Chargor and Sproutly Canada, Inc. (the “**2020 Disclosure Agreement**”; the 2015 Mortgage Loan Commitment,

the 2018 Mortgage Loan Commitment and the 2020 Disclosure Agreement, the “**Mortgage Loan Commitment**”). Defined terms that are not otherwise defined herein shall have the meaning ascribed thereto in the 2018 Promissory Note.

The warranties, representations, agreements, and covenants contained in the Mortgage Loan Commitment executed by the Mortgagor/Chargor for this Mortgage/Charge shall not merge but shall survive the advancement of the funds under this Mortgage/Charge or any other security document provided to the Mortgagee/Chargee as security for the indebtedness evidenced by this Mortgage/Charge to which the Mortgagor/Chargor is a party, and if the Mortgagor/Chargor fails to comply with any such warranty, covenant or agreement or representation contained in the Mortgage Loan Commitment either prior to or subsequent of the advancement of the funds under this Mortgage/Charge, the Mortgagor/Chargor shall at the sole option of the Mortgagee/Chargee be deemed to be in default under the provisions of the Mortgage Loan Commitment and/or this Mortgage/Charge and the Mortgagee/Chargee shall be empowered and authorized to exercise all remedies available to it hereunder. In the event of any ambiguity, conflict or inconsistency between the warranties, representations, covenants or agreements contained herein and those set out in the Mortgage Loan Commitment, then the Mortgagee/Chargee may at its sole option elect which term shall govern and take precedence.

The Mortgagee/Chargee has the right and privilege of registering the Mortgage Loan Commitment on the Title of the Charged Property.

Principal Amount

The principal amount of this Mortgage/Charge shall be increased to \$4,500,000. For greater certainty, and without limiting the generality of the foregoing, any amount whatsoever owing by the Mortgagor/Chargor to the Mortgagee/Chargee either presently or at any time in the future, including without limitation all amounts owing either presently or at any time in the future pursuant to the Mortgage Loan Commitment, shall continue to be secured by this Mortgage/Charge until such amounts are repaid in full.

Prepayment Privilege

The Mortgagor/Chargor, when not in default hereunder, shall have the privilege of prepaying the whole of any of the principal sums herein secured, together with all accrued interest and costs and expenses owing to the Mortgagee/Chargee, on any monthly payment date(s), provided that the Mortgagor/Chargor must provide the Mortgagee/Chargee with at least 14 days written notice prior to any such prepayment.

Payments made after 11:59 a.m.

Any payment (other than payment of the regular payments of interest) that is made after 11:59 a.m. on any date shall be deemed, for the purpose of calculation of interest, to have been made and received on the next bank business day following receipt. For the purposes of this paragraph, Saturday, Sunday Provincial and Federal Holidays shall be deemed to be non-business bank days. If the Mortgage/Charge is paid off after 11:59 a.m. on any given day interest must be paid up to the next bank business day.

Administration Fees

The Mortgagee/Chargee shall charge an administration fee of \$800 for each occurrence of any of the following events:

- (1) late payment;
- (2) cheque dishonored for any reason;
- (3) failure to pay realty taxes when same fall due;
- (4) failure to provide proof of payment of realty taxes within 10 days of request by the Mortgagee/Chargee;
- (5) failure to obtain and/or maintain insurance coverage, with Mortgagee/Chargee endorsement in favour of the herein Chargee/Mortgagee/Chargee or its assigns;
- (6) failure to provide proof of insurance coverage on an annual basis within 10 days of request by the Mortgagee/Chargee;
- (7) failure to provide post-dated cheques within 10 days of request by the Mortgagee/Chargee;
- (8) failure to provide operating statement and rental roll (if applicable) within 10 days of request by the Mortgagee/Chargee;
- (9) failure to notify Mortgagee/Chargee of registration of a lien by the municipal, provincial or federal government
- (10) failure to notify the Mortgagee/Chargee of registration of a lien from a lien claimant pertaining to services performed in connection with construction on the Charged Property within 10 days of any such registration;
- (11) collection Letter issued by the Mortgagee/Chargee, its agents or its solicitor; and
- (12) default under prior Mortgage/Charge, or Encumbrance.

Such administration fee shall be automatically and immediately added to the principal amount outstanding upon the happening of each such occurrence, unless contested by the Mortgagor/Chargor.

Mortgage Statement Fee

There will be a fee of \$375 for each Mortgage Statement issued by the Mortgagee/Chargee requested by the Mortgagor/Chargor, its solicitor or in connection with any Defaults of the terms of the Mortgage/Charge.

This fee shall be automatically and immediately added to the principal amount outstanding upon the happening of each such occurrence.

Mortgage Discharge Fee

There will be a fee of \$475 for each Mortgage Discharge together with the applicable Registration Fees and Mortgagee/Chargee's solicitors fees and disbursements which will be automatically and immediately added to the principal amount outstanding upon the happening of each such occurrence.

Right to Renew

The Mortgagor/Chargor shall have such rights to renew the indebtedness secured hereunder at maturity for further periods subject to the terms and conditions set out herein and in the Mortgage Loan Commitment. The Mortgagee/Chargee does not have to provide this privilege to the Mortgagor/Chargor if the Mortgagor/Chargor is in default at maturity or has been in default of the Mortgage/Charge during the term. To be eligible to renew this Mortgage/Charge for a further period the Mortgagor/Chargor must, prior to maturity date of the Mortgage/Charge, provide the Mortgagee/Chargee with the following:

- (1) realty tax certificate indicating no arrears;
- (2) property insurance policy naming the Mortgagee/Chargee as a loss payee with an insurable interest;
- (3) grant the Mortgagee/Chargee an interior inspection of the Property;
- (4) provide verification and validation that the Mortgagor/Chargor is not in default or has not been in default now or during the term of any indebtedness secured hereunder;
- (5) provide such other documentation as may be required pursuant to the Mortgage Loan Commitment;

In the event the Mortgagor/Chargor does not renew the mortgage term by complying with the above requirements, all amounts, whether principal, interest or otherwise that may be owing hereunder including administration fees and bonuses, shall be immediately due and payable upon the expiry of the original term of the Mortgage/Charge.

Disposition of the Mortgaged Land

Provided that if the Mortgagor/Chargor, sells, transfers, conveys or otherwise disposes of the lands and premises all amounts, whether principal, interest or otherwise that may be owing hereunder including administration fees and bonuses, shall, at the sole option of the Mortgagee/Chargee, be immediately due and payable and shall bear interest at the rate of interest in accordance with the terms of this Mortgage/Charge from the payment date next preceding the date of such sale, transfer, conveyance or disposition to the date of payment.

Acknowledgment of Assignment/Transfer

In the event that the Mortgage/Chargee assigns, transfers or otherwise conveys its interest hereunder, and upon the delivery of notice of same to the Mortgagor/Chargor, the Mortgagor/Chargor, if so requested, shall without cost, at any time and from time to time, execute an acknowledgement with respect to the terms and conditions of the Mortgage/Charge and the amount outstanding thereunder. Failure to execute the acknowledgement shall be deemed to be default by the Mortgagor/Chargor under the Mortgage/Charge.

Assumption of Mortgage/Charge Clause

Notwithstanding anything to the contrary hereinbefore or hereinafter contained, the Mortgagor/Chargor expressly covenants, undertakes and agrees that the prior written approval of the Mortgagee/Chargee (which approval may at its sole and unfettered discretion be withheld by the Mortgagee/Chargee) shall be obtained to any proposed sale or transfer of title to the said lands and premises or any part thereof; in the event of failure by the Mortgagor/Chargor to obtain such prior approval, the within Mortgage/Charge shall at the sole option of the Mortgagee/Chargee become due and payable. Following approval by the

Mortgagee/Chargee to any sale or transfer of title as aforesaid, the Mortgagor/Chargor shall obtain from the Purchaser an agreement in writing assuming the within Mortgage/Charge and all monies then owing thereunder and in default of the execution and delivery to the Mortgagee/Chargee of such assumption agreement, the monies then owing hereunder shall be accelerated and become legally due and payable; it being understood and agreed, however, that the Mortgagor/Chargor shall also remain liable to the Mortgagee/Chargee in respect to any deficiency upon a sale of the said lands and premises by the Mortgagee/Chargee under the Power of Sale provisions contained in the within Mortgage/Charge, or upon sale of the said lands and premises by a prior Mortgage/Charge or other prior encumbrance.

Realty Taxes

Realty taxes shall mean and include all taxes, rates, levies and assessments of whatever nature or kind, including local improvement rates and any and all interest and penalties thereon. The Mortgagor/Chargor shall provide to the Mortgagee/Chargee copies of tax assessments or realty tax statements within 5 Business Days of receipt and shall pay installments of realty taxes as they become due and shall provide evidence of payment of each installment within 5 Business Days of such payment becoming due. Failure to do so shall constitute a default under this Mortgage/Charge. At the option of the Mortgagee/Chargee, the Mortgagor/Chargor shall also provide a series of Twelve (12) postdated cheques payable to the Mortgagee/Chargee each in an amount of One-Twelfth of the annual taxes. In the case when payments on account of Realty Taxes are collected from the Mortgagor/Chargor by the Mortgagee/Chargee the Mortgagee/Chargee will allow for 10 business days for the cheques to clear its accounts and then proceed to remit the amount collected from the Mortgagor/Chargor to the City or Township on account of the Realty Taxes collected.

Acceleration on Default Under Realty Taxes

If Default is made by the Mortgage/Chargor in the payment of realty taxes that is not cured by the Mortgagor/Chargor within 5 Business Days of notice by the Mortgagee/Chargee, the principal and outstanding interest hereby secured shall, at the option of the Mortgagee/Chargee, become due and payable immediately and the Mortgagee/Chargee shall be entitled to charge an additional fee equivalent to Two (2) Months interest.

Assignment of Rents. Leases. Etc.

To further secure the indebtedness secured hereunder, the Chargor hereby assigns and transfers unto the Mortgagee/Chargee all rents, issues and profits now due and which may hereafter become due under or by virtue of any lease, whether written or verbal, or any letting of, or of any agreement for the use or occupancy of the Charged Property or any part thereof (the "tenancies"), which may have been heretofore or may hereafter be made or agreed to, or which may be granted, it being the intention of the parties to establish an absolute transfer and assignment of all such rents, issues and profits under such tenancies and all the avails thereunder unto the Mortgagee/Chargee and the Mortgagor/Chargor shall direct any tenant to whom the Charged Property is leased to make all payments of rent to the Mortgagee/Chargee.

The Mortgagor/Chargor further covenants and agrees to execute and deliver at the request of the Mortgagee/Chargee all further assurances and assignments with respect to such tenancies as the Mortgagee/Chargee shall from time to time request, and to do all other acts with respect to such tenancies as requested by the Mortgagee/Chargee.

In the event that the Mortgagee/Chargee collects any payments of rent as a result of the Mortgagor/Chargor's default, the Mortgagee/Chargee shall be entitled to receive from such rent a

management and servicing fee of fifteen per cent (15%) of gross receipts received by the Mortgagee/Chargee which the parties acknowledge is a just and equitable fee, and which shall be in addition to any charges or expenses incurred by the Mortgagee/Chargee including fees and disbursements paid by the Mortgagee/Chargee to a management company, real estate company or like person or entity retained by the Mortgagee/Chargee to assist it to recover rents.

The Mortgagor/Chargor covenants and agrees that no rent has been or will be paid by any person in possession of any portion of the Charged Property in advance, and that no portion of the rents to accrue for any portion of the said Charged Property have been or will be waived, released, reduced, discounted or otherwise discharged or compromised by the Mortgagor/Chargor.

The Mortgagor/Chargor will not do or omit to do any act which results in a breach of any tenancy in or upon the Charged Property without the written consent of the Mortgagee/Chargee.

The Mortgagor/Chargor agrees that all leases, offers to lease, or lettings of the Charged Property or any part thereof shall be bona fide and shall be at rates and on terms consistent with comparable space in the area of the Charged Property, and provided further that the Mortgagor/Chargor shall obtain the written consent of the Mortgagee/Chargee prior to the execution of any lease, offer to lease, or any letting or tenancy agreement, such consent not to be unreasonably withheld.

Any entry upon the Charged Property under the terms of this Mortgage/Charge shall not constitute the Mortgagee/Chargee to be a Mortgagee/Chargee in Possession in contemplation of law and the Mortgagee/Chargee shall not become liable to account to the Mortgagor/Chargor or to credit the Mortgagor/Chargor with any monies on account of the Mortgage/Charge except those which shall come into its hands or into the hands of any agents appointed by it; and neither shall the Mortgagee/Chargee be liable for failure to collect rents or revenues, it being agreed that the Mortgagee/Chargee shall be under no obligation to take any action or proceeding or exercise any remedy for the collection or recovery of rents and revenues, or any part thereof, and then only, subject to all appropriate deductions and payments made out of the rents and revenues received from the Charged Property as herein provided; nor shall the Mortgagee/Chargee be liable to remedy any environmental contamination of the Charged Property or to indemnify any party on account of the need to remedy an environmental contamination.

This assignment is taken only as additional security and neither the taking of this assignment nor any act in pursuance hereof shall make the Mortgagee/Chargee liable in any way, as landlord or otherwise, for the performance or any covenants, obligations or liabilities under any lease, agreement to lease, letting or tenancy agreement.

Operating Statements & Rental Roll

The Mortgagor/Chargor agrees to provide to the Mortgagee/Chargee annually, and each extension thereof audited statements of income and operating expenses for the lands and premises mortgaged together with the updated Rental Roll, which statements shall be certified by an officer of the Mortgagor/Chargor to be true and accurate. Failure to provide such statements of income and operating expenses in accordance with the provisions herein shall at the Mortgagee/Chargee's option constitute default under the Mortgage/Charge.

Receivership

In the event of a Default of the Mortgagor/Chargor on the Charged Property, then the Mortgagee/Chargee in addition to any other rights which it may have, shall be entitled to appoint a

receiver manager or receiver, either privately or court appointed to manage the building and to do all things necessary as an owner would be entitled to do to sell the Charged Property.

Without limitation, the purpose of such appointment shall be the orderly management, administration and/or sale of the Lands or any part thereof and the Mortgagor/Chargor hereby consents to a court order for the appointment of such receiver or trustee. If the Mortgagee/Chargee, in its discretion, chooses to obtain such an order, it may be obtained on the terms and for such purposes as the Mortgagee/Chargee, in its sole discretion, may require, including, without limitation, the power to manage, mortgage, pledge, lease and/or loans entered into by the receiver or trustee or the Mortgagor/Chargor.

Upon the appointment of any such receiver or trustee from time to time, the Mortgagor/Chargor covenants and agrees that the following provisions shall apply;

- (a) a statutory declaration of an officer of the Mortgagee/Chargee as to default under the provisions of these presents shall be conclusive evidence thereof; provided, however, that the Mortgagor/Chargor shall not be prejudiced as a result of such statutory declaration from arguing that an event of default has not, in fact, occurred;
- (b) every such receiver shall be the irrevocable agent or attorney of the Mortgagor/Chargor (whose appointment, as such, shall be revocable only by the Mortgagee/Chargee) for the collection of all rents falling due in respect of the Lands or any part thereof, whether in respect of any tenancies created in priority to the Mortgage/Charge or subsequent thereto;
- (c) every such receiver may, at the discretion of the Mortgagee/Chargee, be vested with all or any of the powers and discretions of the Mortgagee/Chargee;
- (d) the Mortgagee/Chargee may from time to time fix the remuneration of every such trustee or receiver who shall be entitled to deduct same out of the Lands or the proceeds thereof;
- (e) every such Receiver shall, so far as concerns responsibility and liability for his acts and omissions, be deemed to be the agent or attorney of the Mortgagor/Chargor and in no event the agent of the Mortgagee/Chargee;
- (f) the appointment of every such receiver or trustee by the Mortgagee/Chargee shall not incur or create any liability on the part of the Mortgagee/Chargee to the receiver or trustee or to the Mortgagor/Chargor or to any other person, firm or corporation in any respect and such appointment or anything which may be done by any such receiver or trustee or the removal of any such receiver or trustee or the termination of any such receivership or trusteeship shall not have the effect of constituting the Mortgagee/Chargee a Mortgagee/Chargee in Possession in respect of the Lands or any part thereof;
- (g) the receiver or trustee shall have the power to rent any portion of the Lands for such term and subject to such provisions as he may deem advisable or expedient, subject to the restrictions on leasing contained in any existing leases or agreements to lease affecting the Lands and, in so doing, such receiver or trustee shall be acting as the attorney or agent of the Mortgagor/Chargor and shall have the authority to execute any lease of any such premises in the name and on behalf of the Mortgagor/Chargor and the Mortgagor/Chargor undertakes to ratify and confirm whatever acts such receiver may do in the Lands;
- (h) every such receiver may make such arrangement at such time or times as it may deem necessary without the concurrence of any other persons for the repairing, finishing, adding

to or putting in order the Lands, including, with restricting the generality of the foregoing, for the completion of the construction of any building or buildings or other erections or improvements on the Lands left by any Mortgagor/Chargor in an unfinished state or award the same to others to complete, notwithstanding that the resulting cost exceeds the principal sum hereinbefore set forth, and, in either of such cases, shall have the right to take possession of an use or permit others to use all or any part of the Mortgagor/Chargor's materials, supplies, plans, tools, equipment (including appliances on the Lands) and Charged Property of every kind and description;

- (i) every such receiver or trustee shall have full power to manage, operate, amend, repair or alter the Lands and the buildings and improvements thereon or any part thereof in the name of the Mortgagor/Chargor for the purpose of obtaining rental and other income from the lands or any part thereof;
- (j) no such receiver shall be liable to the Mortgagor/Chargor or account for monies or damages, other than monies actually received by him in respect of the Lands, and out of such monies so received from time to time, every such receiver shall pay in the following order:
 - (1) his remuneration aforesaid;
 - (2) all obligations, costs and expenses made or incurred by him, including, but not limited to, any expenditures in connection with the management, operation, amendment, repair, construction or alternation of the Lands or any part thereof;
 - (3) interest, principal and other monies which may from time to time be or become charged upon the Lands in priority to the Mortgage/Charge and all taxes, insurance premiums and every other proper expenditure made or incurred by him in respect of the Lands or any part thereof;
 - (4) to the Mortgagee/Chargee all interest due or falling due under Mortgage/Charge and the balance to be applied upon principal and other monies due and payable to the Mortgagee/Chargee and, at the option of the Mortgagee/Chargee to prepay principal hereunder; and
 - (5) subject to the above, at the discretion of the receiver, interest, principal and other monies which may from time to time constitute a charge or encumbrance on the Lands subsequent in priority or subordinate to the interest of the Mortgagee/Chargee under this Mortgage/Charge;

and that such receiver shall, in his discretion, retain reasonable reserves to meet accruing amounts and anticipated payments in connection with any of the foregoing and, further, that any surplus remaining in the hands of every such receiver after payments made and such reasonable reserves retained as aforesaid shall be payable to the Mortgagor/Chargor.

- (k) the Mortgagee/Chargee may at any time and from time to time terminate any such receivership by notice in writing to the Mortgagor/Chargor and to any such receiver and if the Mortgagor/Chargor has ceased for a period of two (2) months to be in default under this Mortgage/Charge, the Mortgagee/Chargee may so terminate such receivership upon the request in writing of the Mortgagor/Chargor; and
- (l) save as to monies payable to the Mortgagor/Chargor as set forth above, the Mortgagor/Chargor hereby releases and discharges the Mortgagee/Chargee and every such receiver from every claim of every nature, whether in damages for negligence or trespass or otherwise, which may arise or be caused to the Mortgagor/Chargor or any person claiming through or under it by reason or as a result of anything done by the Mortgagee/Chargee or any such receiver under the provisions of this Section, unless such claim be the direct and proximate result of bad faith or gross negligence.

The Mortgagor/Chargor hereby irrevocably appoints the Mortgagee/Chargee as his attorney to execute such consent or consents and all such documents as may be required, in the sole discretion of the Mortgagee/Chargee and/or the receiver or trustee and/or with respect to the Lands in same manner as if such documentation was duly executed by the Mortgagor/Chargor himself. Provided that, in the event of a monetary default only under the within Mortgage/Charge, a Receiver will not be appointed until such time as the Mortgagor/Chargor has been in default for a thirty (30) day period.

Expropriation

In the event that the Charged Property or a substantial part thereof is expropriated by any government, government agency or government regulated entity, the Mortgagee/Chargee shall, at its sole option, have the right to accelerate payment of the amounts secured by this Mortgage/Charge and all such amounts secured by this Mortgage/Charge shall immediately become due and payable together with all interest and other amounts secured by this Mortgage/Charge with interest thereon at the rate of interest provided in the Mortgage/Charge, until payment is made in full.

Occurrences of Default

Each and every of the following events shall constitute default under this Mortgage/Charge:

- (1) Default in the payment of any principal amount, interest or any other amount secured by this Mortgage/Charge, when payment of such amount becomes due under the terms of this Mortgage/Charge;
- (2) If the Mortgagor/Chargor sells, transfers or otherwise disposes of the Charged Property or any interest in the Charged Property, to a purchaser not approved by the Mortgagee/Chargee in writing;
- (3) If the Mortgagor/Chargor is a Corporation and there is a change of control to a person or persons not approved by the Mortgagee/Chargee in writing;
- (4) If a petition in bankruptcy is filed against the Mortgagor/Chargor, if the Mortgagor/Chargor makes a proposal to creditors under the Bankruptcy and Insolvency Act, or makes a general assignment for the benefit of its creditors, if a receiver, interim receiver, monitor or similar person is placed or is threatened to be placed in control of or for overview of the Mortgagor/Chargor's affairs or Charged Property, or in the opinion of the Mortgagee/Chargee, the Mortgagor/Chargor becomes insolvent;

- (5) Default under any terms or covenants contained herein or under any terms or covenants contained in any encumbrance registered in priority or subsequent to this Mortgage/Charge, or in payment of the realty taxes or condominium common expenses for the said Charged Property, shall constitute default under this Mortgage/Charge unless such default is curable by the Mortgagor/Chargor and the Mortgagor/Chargor cures such default within 10 Business Days of notice received from the Mortgagee/Chargee.

Inspection Fee when in Default

When in default, the Mortgagee/Chargee shall at its option have the right to inspect the Charged Property and shall add the cost thereof, together with an administrative charge of \$2,150 plus HST to the principal amounts outstanding.

Appraisal and/or Letter of Opinion when in default

When in default, the Mortgagee/Chargee shall at its option have the right to undertake to determine the value of the Charged Property by way of two or more appraisers opinion of value and/or relators letter of opinion of value and shall add the cost of these reports together with an administrative charge of \$1,000 plus HST to the principal amounts outstanding.

Default Proceeding Fees

When in default, and the Mortgagee/Chargee institutes default proceedings a fee of \$650 will be charged for each action (e.g., Power of Sale, Claim, Writ for Possession).

Such administration fee shall be automatically and immediately added to the principal amounts outstanding upon the happening of each such occurrence.

Two Month Interest Bonus

Should the Mortgagee/Chargee commence action due to default under the Mortgage/Charge, that the Mortgagee/Chargee at its option shall be entitled to charge an additional fee equivalent to Two (2) Months interest on all principal amounts outstanding.

Servicing Fee

In the event that the Mortgagee/Chargee is called upon to pay any payment in order to protect its security position including but not limited to the payment of realty taxes, insurance premiums, condominium common expenses, principal interest or costs under a prior Mortgage/Charge, it is agreed that such payment shall bear interest at the greater eighteen (18%) percent per annum, calculated and compounded monthly or the current mortgage rate and that there shall be a service charge of not less than \$600 for making each such payment or payments.

Costs

In the event of Default under the herein Mortgage/Charge, notwithstanding anything contained to the contrary hereinbefore or hereinafter, all costs, charges and expenses including all legal costs on a solicitor and client basis, which may be incurred in endeavoring to collect any monies overdue under this Mortgage/Charge, and/or rectifying all other monetary or non-monetary default under the terms of this Mortgage/Charge and including but not limited to obtaining legal counsel and advice and to the taking,

recovering and keeping possession of the said lands and of negotiating any indebtedness secured hereunder, investigating title, and registering the Mortgage/Charge and other necessary deeds, and generally in any other acts, actions and/or proceedings taken, in connection with or to realize this security, shall be, with interest at a rate as set out herein, a charge upon the said lands in favour of the Mortgagee/Chargee.

Accrual of Interest

In the event the terms of this Mortgage/Charge specifically provide for the accrual of interest for a specified period of time, the Mortgagor/Chargor confirms, represents and warrants that the provision for the accrual of interest has been requested by the Mortgagor/Chargor and the Mortgagor/Chargor represents, warrants and undertakes to use the monies that would otherwise be paid to the herein Mortgagee/Chargee but for the accrual, towards payment of outstanding realty taxes or to subsequent Mortgagee/Chargees and other subsequent encumbrances.

Default Abandonment

Subject to Force Majeure, in the event of abandonment for a period in excess of fifteen (15) consecutive days, the Mortgagee/Chargee shall be entitled to, after giving the Mortgagor/Chargor fifteen (15) days' notice of any abandonment or failure to continue business operations or any failure to construct with due diligence and provided the Mortgagor/Chargor fails to rectify same, forthwith withdraw and cancel its obligations hereunder and/or decline to advance further funds, if any, as the case may be and it declare any monies theretofore advanced with interest to be forthwith due and payable at the sole option of the Mortgagee/Chargee.

Default of Prior Encumbrances

If any at any time or from time to time any default or breach of covenant occurs under any encumbrances registered against the Charged Property and which encumbrance has prior over the Mortgage/Charge, it shall constitute default under the Mortgage/Charge and the Chargee may pay all monies and take appropriate action to cure any default or breach under any encumbrance.

All costs, fees, charges, expenses and amounts paid by the Chargee to cure any default or breach any such prior encumbrance, shall be a charge on the Charged Property and secured under the Mortgage and shall be recoverable by the Chargee in the same manner as any default or breach of covenant in the Mortgage.

Possession

Notwithstanding anything herein to the contrary, if default shall happen to be made of or in the payment of the principal amounts or the interest payable thereon or any part of either thereof, as provided in this Mortgage/Charge, or of or in the doing, observing, performing, fulfilling or keeping of one or more of the provisions, agreements or stipulations contained therein contrary to the true intent and meaning of this Mortgage/Charge, then and in every case it shall and may be lawful to and for the said Mortgagee/Chargee to peaceably and quietly enter into, have, hold, use, occupy, possess, and enjoy the Lands hereby charged free and clear and freely and clearly acquitted, exonerated and discharged of and from all former conveyance, mortgages, charges, rights, annuities, debts, executions and recognizance, and of and from all manners of other charges or encumbrances whatsoever without the let, suit, hindrance, interruption or denial of the Mortgagor/Chargor or any other person or persons whatsoever.

In the event of default under the Mortgage/Charge by the Mortgagor/Chargor and the Mortgagee/Chargee obtains possession of the Charged Property and the Mortgagee/Chargee reasonably determines, in its sole discretion, that the Charged Property requires work and/or improvements in order to market the Charged Property, then the Mortgagee/Chargee shall have the right, at its sole option, to complete such work on such terms as it deems advisable. The cost of completion of the servicing and work by the Mortgagee/Chargee and its agents and all expenses incidental thereto, shall be added to the indebtedness secured hereunder, together with management fee of fifteen percent (15.00%) of the costs of the work and improvements completed by the Mortgagee/Chargee. All costs and expenses, as well as said management fee, shall bear interest at the rate as herein provided for and shall form part of the indebtedness secured hereunder and the Mortgagee/Chargee shall have the same rights and remedies with respect to collection of same as it would have with respect to collection of Mortgage/Charge principal and Interest hereunder or at law.

Sale on Terms

In the event Power of Sale proceedings are taken, the Mortgagee/Chargee as vendor may sell the Charged Property on terms and if the result is that a Mortgage/Charge by the Mortgagee/Chargee are taken back as part consideration of the sale, then the Mortgagee/Chargee shall be entitled to sell those mortgages at a discount, without recourse by the Mortgagor/Chargor and the discount shall form part of the loss incurred by the Mortgagee/Chargee and be recoverable against the Mortgagor/Chargor. In the case of a sale on credit the Mortgagee/Chargee shall be bound to apply on account only such monies as have been actually received from the purchasers from time to time. After the satisfaction of all Mortgagee/Chargee's claims, the Mortgagee/Chargee will not be bound to pay any amount to the Mortgagor/Chargor or any other person claiming entitlement thereto until all such agreements and assurances as the Mortgagee/Chargee considers fit have been executed and delivered. The Mortgagee/Chargee may buy in or rescind or vary and contract for the sale of the whole or any part of the Charged Property and resell without being answerable for loss occasioned thereby. Any person, including the Mortgagee/Chargee herein, may bid on, tender for or purchase the Charged Property at the sale.

Obligation to Repair and Right to Inspect

The Mortgagor/Chargor covenants and agrees to keep the Charged Property in good condition and repair according to the nature and description thereof, and the Mortgagee/Chargee and the Chargee's agents may, whenever the Mortgagee/Chargee reasonably deems it necessary, enter on and in the Charged Property for the purpose of inspecting the same and to make any necessary repairs, including majors repairs; provided that the Mortgagee/Chargee shall first advise the Mortgagor/Chargor in writing of such repairs to be undertaken five (5) business days prior to any repair being commenced. The costs of such repairs and inspections shall be added to the debt secured by this Mortgage/Charge and shall be a Mortgage/Charge and lien on the Charged Property in priority to all other claims against the Charged Property subsequent to this Mortgage/Charge, and shall be payable forthwith, and shall bear interest at the Interest Rate set forth in this Mortgage/Charge until paid in full.

Security Interest in Chattels

All chattels, equipment, installations, erections, structures and improvements, fixed or otherwise, now or hereafter put upon the said Charged Property and owned by the Mortgagor/Chargor, including, but without limiting the generality of the foregoing, all drapes and curtains, lobby furniture, refrigerators, stoves, washers, dryers, heating equipment, air-conditioning and ventilation equipment, blinds, storm windows and doors, window screens, mirrors, shelving, railings, counters, cupboards, built-ins and the like, and all apparatus and equipment appurtenant thereto are and shall in addition to other fixtures be an

accession to the freehold and a part of the realty, and shall be a portion of the security for the indebtedness in the within Mortgage/Charge.

The Mortgagor/Chargor covenants and agrees to execute and deliver to the Mortgagee/Chargee, on demand, a security interest in all such chattels, furnishings, equipment, appliances and all other similar personal Charged Property owned now or in the future owned by the Mortgagor/Chargor and situate in or about the Charged Property. The form and content of such security interest shall be acceptable to the Mortgagee/Chargee in its discretion. The Mortgagor/Chargor agrees to pay all reasonable legal and other expenses incurred by the Mortgagee/Chargee in connection with the preparation and registration of a financing statements under the Personal Property Security Act of Ontario and replacement or successor legislation and all other documents relating to the security interest and any renewals thereof forthwith upon demand and such fees and expenses, together with interest thereon at the interest rate charged hereunder, paid forthwith by the Mortgagor/Chargor and treated as Additional Fees as provided in Section 1 herein.

Enforcement of Additional Security

In the event that, in addition to the Lands charged hereby, the Mortgage/Chargee holds further security on account of the monies secured hereby, it is agreed that no single or partial exercise of any of the Mortgagee/Chargee's powers hereunder or under any such security, shall preclude other and further exercise of any other right, power or remedy pursuant to any of such security.

The Mortgagee/Chargee shall at all times have the right to proceed against all, any, or any portion of such security in such order and in such manner as it shall in its sole discretion deem fit, without waiving any rights which the Mortgagee/Chargee may have with respect to any and all of such security, and the exercise of any such powers of remedies from time to time shall in no way affect the liability of the Mortgagor/Chargor under the remaining security, provided however, that upon payment of the full indebtedness secured hereunder the rights of the Mortgagee/Chargee with respect to any and all such security shall be at an end.

Prepaid Interest Payment and Taxes

In the event the Mortgagor/Chargor requests prepayment of the interest payments and held back on closing by the Mortgagee/Chargee the Mortgagor/Chargor understands that there will be no discount to the interest held by the Mortgagee/Chargee and that the full interest for the term will be set aside until maturity by the Mortgagee/Chargee. Mortgagor/Chargor represents, warrants and undertakes to use the monies that would otherwise be paid to the herein Mortgagee/Chargee but for the accrual, towards payment of outstanding realty taxes or to subsequent Mortgagee/Chargees and other subsequent encumbrances.

Covenant to Pay Broker Fee; Referral Fee; Mortgagee's Legal Fees and Costs

The Mortgagor/Chargor acknowledges that the indebtedness secured hereunder was arranged by one or more mortgage brokers or real estate brokers or by others and that broker/referral fees and legal costs were incurred by the Mortgagee/Chargee, on behalf of the Mortgagor/Chargor, in connection herein. Part of the consideration received by the Mortgagee/Chargee in agreeing to advance the funds secured hereby is the payment of the mortgage brokers fees stipulated in Form 2 as required under the Mortgage Brokerages, Lenders and Administrators Act, 2006 or the payment of the real estate brokers fees or referral fees, as the case may be, and legal costs incurred by the Chargee on behalf of the Chargor herein. Upon registration of this Charge, and where the Mortgagor/Chargor is unable to or unwilling to receive the monies secured hereby, the Mortgagor/Chargor shall not be entitled to a discharge of this

Mortgage/Charge until the mortgage brokers fees or real estate brokers fees or referral fees, as the case may be, the Mortgagee/Chargee fees, and the legal costs incurred by the Mortgagee/Chargee, on behalf of the Mortgagor/Chargor herein, are paid in full.

Priority of Payment of Accommodation and/or Amendment Fee; Broker Fee; Referral Fee; Mortgagee's Legal Fees and Costs

In the event the terms of this mortgage or any amendment and/or accommodation agreement made with respect thereto specifically provide for the capitalization or deferment of any accommodation and/or amendment fee, broker fee, referral fee, Mortgagee/Chargee fee and/or legal costs, the Mortgagor/Chargor hereby acknowledges and agrees and warrants and represents that all payments made are intended to and shall be first applied as payment against accommodation and/or amendment fees, referral fees, broker fees, Mortgagee/Chargee fees and legal costs so capitalized or deferred, until such fees and costs are paid in full.

Severability of any invalid provisions

In the event that any covenant, term or provision contained in this Mortgage/Charge is held to be invalid, illegal or unenforceable in whole or in part, then the validity, legality and enforceability of the remaining covenants, provisions and terms shall not be affected or impaired thereby, and all such remaining covenants, provisions and terms shall continue in full force and effect. All covenants, provisions and terms hereof are declared to be separate and distinct covenants, provisions or terms as the case may be.

Farm Debt Mediation Act

Provided further that the Mortgagor/Chargor represents and warrants that it is not a "Farmer" as defined in the Farm Debt Mediation Act and the Mortgagor/Chargor further covenants and agrees that during the currency of the within Mortgage/Chargee will not engage in any activity which would have the effect of deeming it a Farmer within the meaning of the Farm Debt Mediation Act. In the event that the Mortgagor/Chargor fails to comply with the within provision, the within Mortgage/Charge shall, at the Mortgagee/Chargee's option, immediately become due and payable in full, together with a service charge equivalent to two (2) months interest thereon.

Insurance

The Mortgagor/Chargor shall insure all buildings on the Lands and keep them constantly insured against loss or damage by any other cause or peril, which, in the Mortgagee/Chargee's solicitor's opinion, should be protected by insurance to the full extent of their insurable value in a company or companies approved by the Mortgagee/Chargee and transferred to the Mortgagee/Chargee as first loss payee.

Such insurance shall contain the Standard Mortgage Clause approved by the Insurance Bureau of Canada and shall include (i) fire insurance for full replacement cost of the improvements (chattel security to have theft coverage), on an "all risk" basis; (ii) comprehensive general liability, minimum coverage of five million dollars (\$5,000,000.00) per occurrence; (iii) rental insurance for twelve (12) months on a one hundred percent (100%) basis; and (iv) boiler insurance in an amount of not less than one hundred percent (100%) of the fire insurance coverage limit if a boiler is present; (v) insurance for the foundation and all parts below ground level; (vi) director's liability insurance.

Notwithstanding the immediately foregoing paragraph, during periods of construction of the insurance available to the Mortgagor/Chargor may be restricted by the policy provider and, during such period, the Mortgagor/Chargor shall be required to obtain only as much of the insurance coverage set out in the

immediately preceding paragraph as is reasonably available in the circumstances; provided, however, that the Mortgagor/Chargor shall at all times keep the Mortgagee/Chargee informed as to the current insurance coverage on the Charged Property.

Cost and Expenses

It is agreed that all costs and expenses of the Mortgagee/Chargee incurred in endeavouring to collect any money overdue under this Mortgage/Charge, including all legal costs on a solicitor and client basis, whether legal proceedings are instituted or not, shall be added to the indebtedness secured hereunder and be payable forthwith by the Mortgagor/Chargor.

Final Payment to Discharge

The Mortgagor/Chargor covenants and agrees that the payment of any indebtedness secured hereunder at maturity, or earlier if notice to prepay is delivered, of the Mortgage/Charge shall be certified cheque, bank draft or money order. After payment in full of the principal sum of all indebtedness secured hereunder and all other amounts hereby provided, a Discharge of the Mortgage/Charge shall be prepared by the solicitor for the Mortgagee/Chargee, at the cost and expense of the Mortgagor/Chargor within a reasonable time after such payment and such solicitors fees shall not include attendance outside the office in order to deliver the said Discharge of the attendance on a closing or registration of and the cost of registration of the said Discharge.

In the event that any indebtedness secured hereunder is not repaid at the time or times provided within the Mortgage/Charge or in the notice to prepay earlier, the Mortgagee/Chargee will not be required to accept payment of the principal monies without first receiving two (2) months additional notice in writing or receiving two (2) months interest bonus in advance of the principal monies. No further monies, if any, will be advanced under any indebtedness secured hereunder, once the Mortgagee/Chargee received notice to discharge.

Alterations

The Mortgagor/Chargor will not make or permit to be made any structural alterations or additions to Lands or change or permit to be changed the use of the premises or the zoning of the land, without the written consent of the Mortgagee/Chargee, and will promptly observe, perform, execute and comply with all legislation, laws, rules, requirement, orders, directions, ordinances and regulation of every governmental authority or agency concerning the Lands and will at his own cost and expense make any and all improvements thereon or alternations thereof, structural or otherwise, ordinary or extraordinary, which may be required at any time by such present or future law, rules, requirement, order, direction, ordinance or regulations.

Mortgagee/Chargee Not in Possession

It is agreed between the Mortgagor/Chargor and the Mortgagee/Chargee that the Mortgagee/Chargee, in exercising any of the rights given to the Mortgagee/Chargee under the Mortgage/Charge, shall be deemed not to be a Mortgagee/Chargee in possession.

Additional Remedies

The rights, powers, and remedies conferred herein are supplementary to and not in substitution for any of the powers which the Mortgagee/Chargee may have or be entitled to at law or otherwise. Any one or

more remedies may from time to time be exercised independently of or in combination with any of the others.

Severability of Any Invalid Provisions

If in the event that any covenant, term or provision contained in this Mortgage/Charge is held to be invalid, illegal or unenforceable in whole or in part, then the validity, legality and enforceability of the remaining covenants, provisions and terms shall not be affected or impaired hereby, and all such remaining covenants, provisions and terms shall continue in full force and effect.

All covenants, provisions and terms hereof are declared to be separate and distinct covenants, provisions or terms as the case may be.

Indemnification of Mortgagee/Chargee

In the event the Mortgagee/Chargee shall, without fault on its part, be made a party to any litigation commenced by or against the Mortgagor/Chargor, the Mortgagor/Chargor shall protect and hold the Mortgagee/Chargee harmless therefrom and shall pay all costs, expenses and solicitors' and counsels' fees on a solicitor and his own client basis. Such costs shall be a charge on the lands and may be added to the indebtedness secured hereunder.

Bankruptcy and Insolvency Act

The Mortgagor/Chargor hereby waives and releases any right that it may have to receive from the Mortgagee/Chargee notice of intention to enforce security pursuant to subsection 244(1) of the Bankruptcy and Insolvency Act (Canada). This waiver and release shall not be deemed or interpreted to be a prior consent to earlier enforcement of a security within the meaning of subsection 244(1) of the said Act.

The Mortgagor/Chargor hereby acknowledges and agrees that the security held by the Mortgagee/Chargee is not all or substantially all of the inventory, accounts receivable or other Charged Property of the Mortgagor/Chargor acquired for or used in relation to any business carried on by the Mortgagor/Chargor. The Mortgagor/Chargor hereby further acknowledges and agrees that notwithstanding any act of the Mortgagee/Chargee by way of appointment of any person or persons for the purposes of taking possession of the Lands as agent on behalf of the Mortgagor/Chargor or otherwise or by taking possession of the Lands itself pursuant to any rights that the Mortgagee/Chargee may have with respect to thereto shall not constitute the Mortgagee/Chargee or any such person, a receiver within the meaning of subsection 243(2) of the Bankruptcy and Insolvency Act (Canada), and that any and all requirement of Part XI of the said Act as it may pertain to obligations of receivers shall not be applicable to the Mortgagee/Chargee with respect to the transaction pursuant to which this Mortgage/Charge has been given or with respect to enforcement of this Mortgage/Charge or any other security held by the Mortgagee/Chargee. The Mortgagor/Chargor hereby acknowledges and agrees that no action shall lie against the Mortgagee/Chargee as a receiver and manager or otherwise for any loss or damage arising from noncompliance with any obligations of a receiver pursuant to the provisions of the Bankruptcy and Insolvency Act (Canada) whether or not the Mortgagee/Chargee had reasonable grounds to believe that the Mortgagor/Chargor was not insolvent

The Mortgagor/Chargor further acknowledges and agrees that any and all costs as may be incurred from time to time by the Mortgagee/Chargee in order to effect compliance or avoid any adverse ramifications of the Bankruptcy and Insolvency Act (Canada) shall be entirely for the account of the Chargor. The Chargee shall be entitled to incur any such costs, including any costs for its personnel in administering any requirement so the said Act and to add the same to the indebtedness owing pursuant hereto and the same shall be secured hereunder and under any and all security held by the Chargee for the indebtedness owing to the Chargee in the same manner and in the same priority as the principal secured hereunder.

Urea Formaldehyde Foam Insulation (UFFI) and Environment

The Mortgagor/Chargor covenants that, to the best of the Mortgagor/Chargor's knowledge and belief, the Charged Property has never had "UREA FORMALDEHYDE FOAM" insulation installed, asbestos, PCBs waste, radioactive material, noxious substances, or any contaminant as defined in the Canadian Environmental Protection Act and that the Charged Property is and will be environmentally sound and there are no and will be no restrictions which would economically affect any buildings on the Charged Property. If it is found that the Charged Property contains any of the aforementioned substances then the Mortgagor/Chargor shall be deemed to be in default of the Mortgage/Charge.

Zoning

The Mortgagor/Chargor covenants with the Mortgagee/Chargee that it will not apply the zoning designation for the Charged Property, without the prior written consent of the Mortgagee/Chargee, which Consent may be arbitrarily and unreasonably withheld. For greater certainty, the Mortgagor/Chargor shall not change the industrial zoning of the Charged Property.

Representations Regarding Environmental Matters

The Charged Property and all businesses and operations conducted thereon comply with all environmental laws. The Charged Property has not been used for or designated as a waste disposal site and contains no hazardous substances and there is no existing or threatened environmental proceeding against or affecting the Charged Property. Copies of all existing environmental assessments, audits, tests and reports relating to the Charged Property have been delivered to the Mortgagee/Chargee. To the best of the Mortgagor/Chargor's knowledge and belief, there are no pending or proposed changes to environmental laws or to any environmental proceedings which would render illegal or materially restrict or change the present use and operation of the Charged Property. Neither of the Mortgagor/Chargor nor, to the best of the Mortgagor/Chargor's knowledge and belief after due inquiry and investigation, any other person or organization: (i) has used or permitted the use of the Charged Property to generate, manufacture, refine, treat, transport, store, handle, dispose, transfer, produce or process hazardous substances; (ii) has been subject to any environmental proceeding related to the Charged Property; (iii) has caused or permitted the release or discharge of any hazardous substance on or in the vicinity of the Charged Property; (iv) has received or otherwise has knowledge of any environmental proceeding or any facts which could give rise to any environmental proceeding related to the Charged Property; (v) has undertaken any remediation or clean-up of any hazardous substance on or in the vicinity of the Charged Property; or (vi) has defaulted in reporting any occurrence or circumstance to any governmental authority in relation to the Charged Property which is or was required to be reported pursuant to any environmental laws.

Covenants Regarding Environmental Matters

The Mortgagor/Chargor shall: (i) ensure that the Charged Property and the Mortgagor/Chargor comply with all Environmental Laws at all times; (ii) not permit any hazardous substances to be located,

manufactured, stored, spilled, discharged or disposed of at, on or under the Charged Property (except in the ordinary course of business of the Mortgagor/Chargor or any tenant and in compliance with all environmental laws) nor permit any other activity on or in respect of the Charged Property that might result in any environmental proceeding affecting the Charged Property, Mortgagor/Chargor or Mortgagee/Chargee; (iii) notify the Mortgagee/Chargee promptly of any threatened or actual environmental proceedings; (iv) remediate and cure in a timely manner any non-compliance by the Charged Property or the Mortgagor/Chargor with environmental laws, including removal of any hazardous substances from the Charged Property; (v) maintain all environmental and operating documents and records including all permits, licenses, certificates, approvals, orders and agreements relating to the Charged Property as required by environmental laws; (vi) provide the Mortgagee/Chargee promptly upon request with such information, documents, records, permits, licenses, certificates, approvals, orders, agreements, environmental audits, reports, assessments and inspections and take such other steps (all at the Mortgagor/Chargor's expense) as may be required by the Mortgagee/Chargee to confirm and/or ensure compliance by the Charged Property and the Mortgagor/Chargor with environmental laws; and (vii) execute all consents, authorizations and directions necessary to permit any inspection of the Charged Property by any governmental authority and to permit the release to the Mortgagee/Chargee or its representatives, of any information relating to the Charged Property and the Mortgagor/Chargor.

Environmental Indemnity

Without limiting any other provision of this Mortgage/Charge or any document collateral hereto, the Mortgagor/Chargor shall indemnify and pay, protect, defend and save the Mortgagee/Chargee harmless from and against all actions, proceedings, losses, damages, liabilities, claims, demands, judgments, costs, expenses (including legal fees and disbursements on a solicitor and his own client basis) (collectively "**Environmental Claims**"), imposed on, made against or incurred by the Mortgagee/Chargee arising from or relating to, directly or indirectly, and whether or not disclosed by an environmental audit and whether or not caused by the Mortgagor/Chargor within its control: (i) any actual or alleged breach of Environmental Laws relating to or affecting the Charged Property; (ii) the actual or alleged presence, release, discharge or disposition of any hazardous substance in, on, over, under, from or affecting all or part of the Charged Property or surrounding lands, including any personal injury or Charged Property damage arising therefrom; (iii) any actual or threatened environmental proceeding affecting the Charged Property including any settlement thereof; (iv) any assessment, investigation, containment, monitoring, remediation and/or removal of all hazardous substances from all or part of the Charged Property or surrounding areas or otherwise complying with environmental laws; or (v) any breach by the Mortgagor/Chargor of any covenant hereunder or under any document collateral hereto or under applicable law relating to environmental matters. This indemnity shall survive repayment of the indebtedness secured hereby, foreclosure upon this Mortgage/Charge and any other extinguishing of the obligations of the Mortgagor/Chargor under this Mortgage/Charge and any other exercise by the Mortgagee/Chargee of any remedies available to it against the Mortgagor/Chargor.

The Mortgagee/Chargee or agent of the Mortgagee/Chargee may, at any time, before and after default, and for any purpose deemed necessary by the Mortgagee/Chargee, enter upon the Charged Property to inspect the Charged Property and buildings thereon. Without in any way limiting the generality of the foregoing, the Mortgagee/Chargee (or its agent) may enter upon the Charged Property to conduct any environmental testing, site assessment, investigation or study deemed necessary by the Mortgagee/Chargee and the reasonable cost of such testing, assessment, investigation or study, as the case may be, with interest at the interest rate set out in this Mortgage/Charge, shall be a charge upon the Charged Property. The exercise of any of the powers enumerated in this clause shall not deem the Mortgagee/Chargee or its agent to be in possession, management, or control of the Charged Property and buildings.

Construction Lien Act

Except as otherwise agreed by the Mortgagor/Chargor and Mortgagee/Chargee, no portion of the proceeds of this Mortgage/Charge is to be used to finance any construction, alterations, renovations or improvements to the subject Charged Property within the meaning of the Construction Lien Act (Ontario) or to repay a Mortgage/Charge which was taken out for this purpose, failing which all amounts, whether principal, interest or otherwise that may be owing hereunder, including Administration Fees and bonuses, shall be immediately due and payable at the sole option of the Mortgagee/Chargee. If any amount of money is claimed in priority over this Mortgage/Charge pursuant to the Construction Lien Act (Ontario) and if the Mortgagee/Chargee is obligated to pay any amounts owing under the said Act, same shall be added to the principal amount outstanding under the Mortgage/Charge.

Hazardous Substances

The Mortgagor/Chargor represents, warrants, covenants and agrees that:

- (a) it has not and, to the best of its knowledge, information and belief after making due inquiry, no other person has caused or permitted any hazardous substances to be placed, stored, located or on, under or at the Lands;
- (b) it and its tenants, invitees and other occupiers of the Lands have and will at all times, and, to the best of their respective knowledge, information and belief after making due inquiry, all prior owners and occupiers of the Lands have at all times carried out all business and other activities upon the Lands in compliance with all applicable laws intended to protect the environment including, without limitation, laws respecting the discharge, emission, spill or disposal of any hazardous substances;
- (c) no order, direction, enforcement action or other governmental or regulatory action or notice, nor any action, suit or proceeding relating to any hazardous substances or the environment has been issued or is otherwise threatened or pending with respect to the Lands;
- (d) each representations and warranties set out herein shall remain true and accurate in all respects up to and including the date of the first advance of funds hereunder and thereafter until all amounts secured hereunder are paid in full; and
- (e) the Mortgagee/Chargee may delay or refuse to make any advances to the Mortgagor/Chargor if the Mortgagee/Chargee believes that any of the representations and warranties set out herein were not true and accurate when made or at any time thereafter.

The Mortgagor/Chargor shall permit the Mortgagee/Chargee to conduct, at the Mortgagor/Chargor's expense, any and all tests, inspections, appraisals, and environmental audits of the Lands so as to determine and ensure compliance with the provisions of this paragraph including, without limitation, the right to conduct soil tests and to review and copy any records relating to the Lands or the business and other activities conducted thereon at any time and from time to time.

The Mortgagor/Chargor agrees to indemnify and save harmless the Mortgagee/Chargee and its officers, directors, employees, agents and shareholders from and against any and all losses, damages, costs and expenses of any and every nature and kind whatsoever which at any time or from time to time may be paid or incurred by or asserted against any of them as a direct or indirect result of:

- (a) a breach of any of the representations, warranties or covenants hereinbefore set out;
- (b) the presences of any hazardous substances in or under the Lands; or
- (c) the discharge, emission, spill or disposal of any hazardous substances from the Lands into or upon the lands, atmosphere, any watercourse, body of water or wetland;

and the provisions of all representatives, warranties, covenants and indemnifications set out herein shall survive the release and discharge of this Mortgage and any other security held by the Chargee and repayment and satisfaction of the indebtedness secured by this Mortgage.

No Subsequent Encumbrances

The Mortgagor/Chargor covenants with the Mortgagee/Chargee that it will not create, assume or permit to exist any further mortgage, charge, hypothec, pledge, lien or other encumbrance or security interest with respect to the herein described Lands or any part thereof, any personal Charged Property associated therewith or any Charged Property substituted therefore without the prior written consent of the Mortgagee/Chargee, which consent may be withheld at the Mortgagee/Chargee's discretion notwithstanding any statutory or other provision of law inconsistent therewith.

In the event that a subsequent Mortgage/Charge is placed on the Charged Property without the Mortgagee/Chargee's written consent, the Mortgagee/Chargee shall have the right, at its option, to immediately declare all unpaid principal and interest and accrued interest and costs and expenses owing to the Mortgagee/Chargee immediately due and payable together with the Mortgagee/Chargee's current prepayment penalties and fees.

Headings

The headings herein are not to be considered part of this Mortgage/Charge and are included solely for the convenience of reference and are not intended to be full or accurate descriptions of the contents of the paragraphs to which they relate.

Additional Fee and Amendment to Fees

The Mortgagee/Chargee reserves the right to charge reasonable fees for other administrative services and amend its fees from time to time.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement this ____ day of _____, 2020.

**ON BEHALF OF THE
CHARGOR/MORTGAGOR:**

TORONTO HERBAL REMEDIES INC.

Name:

Title:

Address for Notices:

c/o Sproutly Inc.

1050-1095 West Pender Street

Vancouver, BC V6E 2M6

**ON BEHALF OF THE
CHARGEY/MORTGAGEE:**

0982244 B.C. LTD.

Name: Luvdeep Randhawa

Title: Director

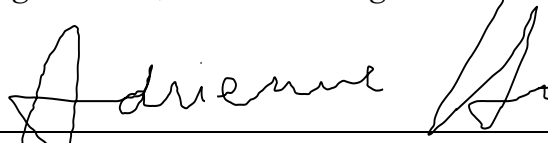
Address for Notices:

c/o Isle of Mann Group of Companies

304-15292 Croydon Drive

Surrey, BC V3Z 0Z5

This is Exhibit “**BB**” referred to in the Affidavit of Craig Loverock sworn by Craig Loverock located in the City of Newmarket, in the Regional Municipality of York, in the Province of Ontario, before me at the City of Toronto, in the Province of Ontario, this 22nd day of June, 2022 in accordance with *O.Reg. 431/20, Administering Oath or Declaration Remotely*



A Commissioner for taking affidavits

ADRIENNE HO

Khadija Waqqas

From: Graham Phoenix <gphoenix@loonix.com>
Sent: Wednesday, June 22, 2022 2:23 PM
To: Adrienne Ho
Subject: Indebtedness of THR (June 21, 2022)




Adrienne:

Please note that my client advises that, as of June 21, 2022, the updated indebtedness of Toronto Herbal Remedies Inc. to 0982244 BC Ltd o/a Isle of Mann Property Group is as follows:

	VALUE
Principal:	3,282,500.00
Accrued Interest:	313,630.60
TOTAL	\$3,596,130.60
PLUS per diem rate of \$1,127.40	
PLUS costs accrued and continuing to accrue	

Please contact me with any questions.

Best regards,

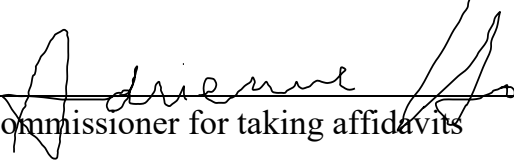
 **R. Graham Phoenix*** (*he/him*)
Partner | Bankruptcy & Insolvency | Loopstra Nixon LLP
 416.748.4776 | C: 416.558.4492 | F: 416.746.8319
 gphoenix@loonix.com | www.loopstranixon.com
120 Adelaide St. West, Suite 1901, Toronto, ON Canada M5H 1T1

*Practising as RGP Professional Corporation



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This is Exhibit “CC” referred to in the Affidavit of Craig Loverock sworn by Craig Loverock located in the City of Newmarket, in the Regional Municipality of York, in the Province of Ontario, before me at the City of Toronto, in the Province of Ontario, this 22nd day of June, 2022 in accordance with *O.Reg. 431/20, Administering Oath or Declaration Remotely*.



A Commissioner for taking affidavits

ADRIENNE HO

LOAN AGREEMENT

THIS AGREEMENT made on the 21st day of January 2020,

AMONG:

INFUSION BIOSCIENCES INC., a company incorporated pursuant to the laws of the Province of Ontario

(the "**Lender**")

-and-

SPROUTLY CANADA, INC., a company incorporated pursuant to the laws of the Province of British Columbia

(the "**Borrower**")

-and-

TORONTO HERBAL REMEDIES INC., a company incorporated pursuant to the laws of the Province of Ontario

(the "**Guarantor**")

WHEREAS the Lender is prepared to advance certain funds to the Borrower on the terms and conditions set out herein.

The parties agree as follows:

1. The Lender agrees to lend to the Borrower and the Borrower agrees to borrow from the Lender the sum of One Million Dollars (\$1,000,000) of lawful money of Canada (the "**Principal Sum**") for a term ending on October 24, 2020 ("**Maturity Date**"), the indebtedness to be evidenced by a convertible debenture issued by the Borrower to the Lender (the "**Convertible Debenture**") and subject to the conditions therein, which are incorporated by reference and form part of this Agreement.
2. The Borrower agrees to pay to the Lender interest on the Principal Sum from the date hereof at a rate per annum equal to 10% per annum accruing monthly and compounding monthly (the "**Interest**"). As long as no Event of Default (as defined herein) has occurred and is continuing, Interest shall accrue the rate set out above and is payable on the Maturity Date.
3. The Borrower shall pay all expenses incurred by the Lender including, without limitation, legal fees (on a solicitor and client basis) and registration costs of the Borrower in connection with the preparation and negotiation of this Agreement, the preparation, negotiation and registration of the Lender's security and the enforcement of the Lender's rights relating to the Indebtedness, the security interest and the collateral security, subject to an aggregate maximum cap for all expenses of \$15,000.00.
4. The Borrower agrees to repay to the Lender at the City of Toronto or at any other place in Canada as the Lender may direct, the Principal Sum and Interest (the "**Indebtedness**") on the Maturity Date.

5. Notwithstanding any other provisions hereof:
- (a) the Borrower shall have the right to prepay any Indebtedness outstanding in accordance with the terms of Article 3 the Convertible Debenture and any prepayments made in accordance with the terms of Article 3 shall reduce the amount of Indebtedness due and payable hereunder; and
 - (b) any conversion undertaken in accordance with the terms of Article 4 of the Convertible Debenture shall reduce the amount of Indebtedness due and payable hereunder to the extent of any such conversion.
6. Notwithstanding the execution of this Agreement by the parties, the Agreement and the obligation of the Lender to advance any amounts hereunder shall be conditional on the following:
- (a) receipt by the Lender of the following documents, each in full force and effect, and in form and substance satisfactory to the Lender:
 - (i) an executed copy of this Agreement;
 - (ii) executed copies of:
 - (A) a general security agreement granted by the Borrower;
 - (B) a guarantee granted the Guarantor;
 - (C) a general security agreement granted by the Guarantor;
 - (D) a mortgage granted by the Guarantor

(the items in (A)-(D) are collectively the "**Security Documents**"; and
 - (iii) an executed copy of the Convertible Debenture.
 - (b) The Borrower implementing the cost cutting measures as set out in **Schedule "A"** to the satisfaction of the Lender in its sole discretion; and
 - (c) The Borrower entering into revised employment contracts with its Chief Executive Officer, Chief Financial Officer, and Chief Science Officer for base compensation of \$120,000 (CAD) annually and change of control provisions aligned across the C-Suite with terms to be acceptable to the Lender.

If any of the foregoing conditions precedent are not satisfied or waived by the Lender in writing on or before the January 21, 2020, this Agreement will terminate, and the Lender will be under no further obligation to the Borrower in connection with the transaction contemplated herein.

7. The Borrower covenants and agrees that so long as any monies will be outstanding under this Agreement, the Borrower shall prepare a weekly budget in writing with respect to the use of the loan proceeds (each a "**Weekly Budget**") and submit a copy of the Lender prior to the week in which the proceeds are to be used for approval by the Lender, such approval to be granted in the Lender's sole discretion.

If approved by the Lender in writing a Weekly Budget is deemed an "**Approved Budget**".

8. The Borrower covenants and agrees that so long as any monies will be outstanding under this Agreement, it will:
 - (a) all times maintain its corporate existence;
 - (b) duly perform its obligations under this Agreement and all other agreements and instruments executed and delivered hereunder;
 - (c) carry on and conduct its business in a proper business-like manner in accordance with good business practice;
 - (d) allow the Lender or its agents and advisors on reasonable notice during regular business hours full access to the books and records of the Borrower, and to make copies and extracts thereof, and cause management thereof, and the solicitors, auditors, accountants and advisors thereof, to fully cooperate with the Lender, its agents and advisors, accordingly;
 - (e) notify the Lender at least 30 days in advance of any change in its name or the location of its chief executive office;
 - (f) promptly give written notice to the Lender of any material litigation, proceeding or investigation affecting the Borrower, or in respect of which there is a reasonable possibility of a determination adverse to the Borrower, and shall from time to time furnish to the Lender all reasonable information requested by the Lender concerning the status of any such litigation, proceeding, dispute or investigation;
 - (g) at all times comply with all applicable laws, statutes, rules, by-laws and regulations, and all applicable official directives, orders, judgments and decrees of governmental bodies;
 - (h) pay and discharge promptly when due, all taxes, assessments and other governmental charges or levies imposed upon it or upon its properties or assets or upon any part thereof, as well as all claims of any kind (including claims for labour, materials and supplies) which, if unpaid, would by law become a lien, trust or other claims upon any such properties or assets;
 - (i) furnish and give to the Lender (if such is the case) notice that an Event of Default has occurred and, if applicable, is continuing or notice in respect of any event which would constitute an Event of Default hereunder with the passage of time and specifying the nature of same; and
 - (j) perform and do all such acts and things as are necessary to perfect and maintain the security provided to the Lender pursuant to this Agreement.
9. The Borrower covenants and agrees with the Lender that the Borrower will not without first obtaining the written consent of the Lender (which may be withheld in its sole discretion):
 - (a) Shall not use the loan proceeds for any purposes other than in strict accordance with an Approved Budget;

- (b) except for the security provided to the Lender pursuant to this Agreement or pursuant to the permitted encumbrances as set out in **Schedule "A"** (the "**Permitted Encumbrances**"), make, give, create or permit or attempt to make, give or create any lien over any assets of the Borrower;
 - (c) make any changes to the Borrower's capitalization;
 - (d) redeem or purchase any of its shares, or otherwise reduce its share capital;
 - (e) declare or provide for any dividends or other payments based upon share capital;
 - (f) make any payment (whether for principal, interest or otherwise) on account of indebtedness owing to shareholders or directors of the Borrower or any related or Affiliated corporations or persons;
 - (g) save and except for the Loan, incur any indebtedness;
 - (h) guarantee the obligations of any other person, directly or indirectly, other than obligations permitted by this Agreement, or make loans to or extend credit to any other person except customers of the Borrower in the ordinary course of business;
 - (i) enter into any contract, agreement or transaction whatsoever, including for the sale, purchase, lease or other dealing in any property or the provision of any services, with any affiliate except upon terms that are not less favourable to the Borrower than it would obtain at the time in a comparable arm's length transaction with a person that is not an affiliate;
 - (j) enter into any transaction or series of transactions (including by way of reorganization, consolidation, amalgamation, merger, liquidation or otherwise) which would have the effect or which would otherwise result in all or substantially all of its property, assets and undertaking becoming the property of any other person, or in the case of an amalgamation, of the continuing corporation resulting therefrom;
 - (k) make any cash outlay or commitment of cash over \$5,000 other than outlay or commitment under the Approved Budget; or
 - (l) lend any funds to a third-party.
10. Upon the occurrence and continuation of any of the following events of default (each an "**Event of Default**" and, collectively, the "**Events of Default**") the Lender may, at its option, require the unpaid balance of the Principal Sum together with all interest accrued to become immediately due and payable:
- (a) If the Borrower fails to make any of the payments in the amounts and at the times specified in this Agreement and such default is not waived, cured or remedied within thirty (30) days of Borrower receiving written notification of such an event by the Lender;
 - (b) If the Borrower is in default of any of its covenants hereunder, under any of the Security Documents or under any other agreement with the Lender and

such failure is not remedied within thirty (30) days after the earlier of the Borrower first having knowledge thereof or the Borrower receiving written notice thereof from the Lender;

- (c) If the Borrower should become bankrupt or insolvent or should the Borrower be subject to the provisions of the Bankruptcy and Insolvency Act (Canada), or any other act for the benefit of creditors or should the Borrower go into liquidation either voluntarily or under an order of a court of competent jurisdiction or make a general assignment for the benefit of its creditors or otherwise acknowledge its insolvency;
 - (d) If any of the Borrower's representations, warranties or other statements in this Agreement or any Security Documents or other collateral document delivered hereunder or in connection with the Loan proves to be untrue;
 - (e) If the Borrower should default in the payment of moneys to any other creditor who has supplied credit to the Borrower; and
 - (f) If the Lender in good faith believes that the prospect of payment or performance by the Borrower of his or her obligations under this Agreement is impaired or that any collateral provided to the Lender as security for payment of any obligations of the Borrower to the Lender is in danger of being impaired, lost, damaged or confiscated.
11. Upon the occurrence and continuation of an Event of Default the Lender shall have the right without any further demand or notice whatsoever to exact payments of all amounts whatsoever then outstanding and owing or to become owing by the Borrower to the Lender under any other agreement made between the Lender and the Borrower. There are no such Events of Default as at the date hereof.
 12. The Borrower does hereby indemnify and hold the Lender harmless from and against any and all damages, losses, settlement payments, obligations, liabilities, claims, actions or causes of action, and reasonable costs and expenses incurred (including legal fees on a solicitor and client full indemnity basis), suffered, sustained or required to be paid by the Lender by reason of or resulting from a breach by the Borrower of any of the covenants contained in this Agreement or any of the other loan documents.
 13. The Borrower agrees to grant to the Lender a security interest representing a fixed charge on all present and after acquired property of the Borrower, to be registered for until the loan is repaid in full. The Guarantor shall deliver a guarantee in favour of the Lender. The Loan shall be secured with a mortgage granted by the Guarantor on the facility at 64 Raleigh Avenue, Toronto, Ontario (the "**Toronto Facility**") owned by the Guarantor. Excepting the existing mortgages disclosed in **Schedule "A"**, no other security shall be allowed to be placed on the Toronto Facility without the written consent of the Lender. The Borrower and the Guarantor also covenant they will execute or cause to be made, done or executed, all further and lawful acts, deeds, things, devices, conveyances and assurances whatsoever for effecting the purposes and intent of this Agreement as counsel for the Lender shall reasonably advise or request.
 14. Upon the occurrence and continuation of an Event of Default, the Lender may from time to time appropriate any moneys received by it from the Borrower or from the proceeds of security (if any) given by the Borrower in or towards payment of the

liabilities as it in its sole discretion may see fit and the Borrower shall not have the right to require any other appropriation, and it is agreed that the taking of a judgment or judgments or any other action or dealing whatsoever by the Lender with respect to the securities shall not operate as a merger of any debt owing by the Borrower to the Lender or any part.

15. Notice to be given shall, save as otherwise specifically provided, be in writing addressed to the party for whom it is intended and shall not be deemed received until actual receipt by the other party except if sent by telex or facsimile, in which case it shall be deemed received on the business day next following the date of transmission. The mailing, telex and facsimile addresses of the parties shall be:
- (a) As to the Lender: Infusion Biosciences Inc.
181 Bay Street, Suite 1030
Toronto, ON M5J 2T3
 - (b) As to the Borrower: Sproutly Canada, Inc.
#1050 - 1095 West Pender Street
Vancouver, BC V6E 2M6

or any other mailing, email or facsimile addresses as the parties from time to time may notify the other.

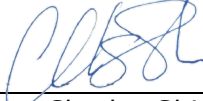
16. This Agreement and shall be governed by and construed in accordance with the applicable laws of the Province of Ontario and of Canada.
17. This agreement shall be binding on and enure to the benefit of the Borrower, the Lender and their respective successors and assigns, except that the Borrower shall not, without the prior written consent of the Lender, assign any rights or obligations with respect to this agreement. The Lender may transfer, assign or grant participation in its rights and obligations with respect to this agreement or any other agreement contemplated to any lending institution which it considers to be financially responsible, provided that any transfer, assignment or grant shall neither result in any additional cost to the Lender nor, without the consent of the Borrower, release the Lender from its obligations under this agreement.
18. Any provision of this agreement which is or becomes prohibited or unenforceable in any jurisdiction shall not invalidate or impair the remaining provisions of this agreement which shall be deemed severable from the prohibited or unenforceable provision and any prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable that provision in any other jurisdiction.
19. No amendment supplement or waiver of any provision of this agreement or any other agreements provided for or contemplated, nor any consent to any departure by the Borrower, shall in any event be effective unless it shall be in writing and signed by the Lenders and then the waiver or consent shall be effective only in the specific instance for the specific purpose for which it has been given.
20. No waiver or act or omission of the Lender shall extend to or be taken in any manner whatsoever to affect any subsequent Event of Default or breach by the Borrower of any provision of this agreement or the results or the rights resulting from it.
21. Time shall be of the essence of this agreement. The recitals form an integral part of this agreement.

22. This agreement shall remain in full force and effect until the payment and performance in full of all of the Borrower's obligations under this agreement.
23. This Agreement, including the Convertible Debenture and any ancillary documents and convertible documents referenced herein, constitutes the entire agreement among the parties and cancels and supersedes any prior agreements, undertakings, declarations or representations, written or verbal in respect of it.
24. This Loan Agreement may be executed in any number of counterparts and it shall not be necessary for all parties to execute the same counterpart. Each such counterpart shall be deemed to be an original instrument, but all such counterparts together shall constitute a single agreement. Delivery of this Loan Agreement may be made by facsimile transmission or email in PDF format.

[REMAINDER OF THE PAGE LEFT INTENTIONALLY BLANK - SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF the parties have affixed their hands and seals on the date first written above.

INFUSION BIOSCIENCES INC.

Per: 

Name: Charles Shin
Title: Chairman

SPROUTLY CANADA, INC.

Per: _____
Name
Title

TORONTO HERBAL REMEDIES INC.

Per: _____
Name
Title

IN WITNESS WHEREOF the parties have affixed their hands and seals on the date first written above.

INFUSION BIOSCIENCES INC.

Per: _____
Name
Title

SPROUTLY CANADA, INC.

Per:  _____
Name *Kerth Dolo*
Title *CEO*

TORONTO HERBAL REMEDIES INC.

Per: _____
Name
Title

IN WITNESS WHEREOF the parties have affixed their hands and seals on the date first written above.

INFUSION BIOSCIENCES INC.

Per: _____
Name
Title

SPROUTLY CANADA, INC.

Per: _____
Name
Title

TORONTO HERBAL REMEDIES INC.

Per: _____
Name *Craig Lochach*
Title *CFO*

SCHEDULE "A"

COST CUTTING MEASURES

Sproutly Canada Cost Cutting Measures			
	Savings per Month	Notes	Status Update
Staff			
Paul	\$ 3,750.00	Retaining 50% for 4 months	Reduced
Ranj	\$ 4,590.96		Completed
Elaine	\$ 5,129.44		Completed
Kevin D	\$ 5,400.00		Completed
Nelson	\$ 5,205.48		Replacing Nelson with accountant in Toronto, final details being worked out for a smooth
Karin	\$ 4,312.07	Retain a portion for RPIC services	Reduced
Novus advisory fee	\$ 5,000.00	Reduced to \$10k/month	Reduced
C-Level salary cuts (CEO, CFO, CSO, VP Sales)	\$ 21,000.00	Reduced to \$10k/month	Reduced
Total Staff	\$ 54,387.95		
Op Costs			
Toronto Condo rent	\$ 7,200.00	Have engaged realtor - End of May at the latest	Process started, two showings have completed in the last week
50% of rent to Forbud	\$ 11,500.00		Reduced
Move out of Van office completely	\$ 11,500.00	Process started - realtor engaged	Process started (potential Jan 31 completion)
AJS Capital Markets	\$ 6,825.00		Agreed with Novus to re-evaluate in January and keep the market support through a tough month of Dec.
US Lab fees	\$ 2,600.00		Reduced
Parking	\$ 1,600.00		Reduced
Total Op Costs	\$ 41,225.00		
Total	\$ 95,612.95		

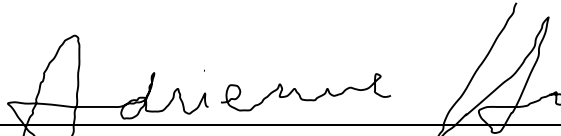
PERMITTED ENCUMBRANCES

- British Columbia Personal Property Registry registration with base registration number 747284L in favour of the Bank of Montreal/Banque de Montreal registered on September 5, 2019.

EXISTING MORTGAGES

PROPERTY	DATE	CHARGE	REGISTRATION NUMBER
LT 89 PL 2176 SCARBOROUGH; LT 90 PL 2176 SCARBOROUGH; LT 91 PL 2176 SCARBOROUGH; LT 101 PL 2291 SCARBOROUGH; LT 102 PL 2291 SCARBOROUGH; LT 103 PL 2291 SCARBOROUGH; LT 104 PL 2291 SCARBOROUGH; LT 105 PL 2291 SCARBOROUGH; LT 106 PL 2291 SCARBOROUGH; LT 107 PL 2291 SCARBOROUGH; LT 108 PL 2291 SCARBOROUGH; PT DAVIDSON AV PL 2176 SCARBOROUGH; PTDAVIDSON AV PL 2291 SCARBOROUGH CLOSED BY SC103893 AS IN TB625847; S/T & T/W TB625847; TORONTO , CITY OF TORONTO	2015/08/31	0982244 B.C. LTD.	AT3995694

This is Exhibit “DD” referred to in the Affidavit of Craig Loverock sworn by Craig Loverock located in the City of Newmarket, in the Regional Municipality of York, in the Province of Ontario, before me at the City of Toronto, in the Province of Ontario, this 22nd day of June, 2022 in accordance with *O.Reg. 431/20, Administering Oath or Declaration Remotely*.



A Commissioner for taking affidavits

ADRIENNE HO

GUARANTEE

This GUARANTEE (this "**Guarantee**") dated as of December 23, 2019, is made by Toronto Herbal Remedies Inc., an Ontario Corporation (the "**Guarantor**") in favour and for the benefit of Infusion Biosciences Inc. (the "**Lender**")

WHEREAS, the Lender and Sproutly Canada, Inc., a British Columbia Corporation (the "**Borrower**"), entered into a loan agreement dated as of December 23, 2019 (as amended, amended and restated, renewed, extended, supplemented, replaced or otherwise modified from time to time, the "**Loan Agreement**").

AND WHEREAS, it is a condition precedent to the Lender establishing credit facilities in favour of the Borrower under the Loan Agreement that the Guarantor execute and deliver this Guarantee.

AND WHEREAS, the Guarantor is the subsidiary of the Borrower.

THEREFORE, in consideration of the Lender establishing credit facilities in favour of the Borrower under the Loan Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Guarantor hereby agrees as follows:

ARTICLE I Guaranteed Obligations

Section 1.01 Guaranteed Obligations. The Guarantor hereby, absolutely, unconditionally and irrevocably guarantees payment to the Lender of all present and future indebtedness, liabilities and obligations, direct or indirect, absolute or contingent, matured or not matured now or at any time, and from time to time, due or owing to the Lender from or by the Borrower or any successor to the Borrower, whether by lapse of time, by acceleration, at maturity or otherwise, including, without limitation, all principal, interest, fees, costs, and expenses (including, without limitation, the reasonable fees and expenses incurred by the Lender' counsel in enforcing any rights under this Guarantee or any other loan document referred to in the Loan Agreement (each a "**Loan Document**"), causes of action and indemnities (collectively, the "**Obligations**").

The Guarantor's liability under this Guarantee shall arise immediately upon written demand for payment from the Lender to the Guarantor. The rate of interest payable by the Guarantor from the date of a demand for payment shall be 20% per annum.

ARTICLE II Waiver of Guarantor Defences

Section 2.01 Waiver of Guarantor Defences. The Guarantor agrees that its Obligations under this Guarantee are irrevocable, continuing, absolute and unconditional and shall not be discharged or impaired or otherwise affected by, and the Guarantor hereby irrevocably waives any defences to enforcement it may have (now or in the future) by reason of:

- (a) Any illegality, invalidity or unenforceability of any Obligation or the Loan Agreement or any other Loan Document.
- (b) Any change in the amount, time, place or manner of payment or performance of, or in any other term of the Obligations, or any waiver, release,

assignment, amendment or other modification of the Loan Agreement or any other Loan Document.

- (c) Any taking, substitution, release, impairment, loss in value, amendment, waiver, or non-perfection of any collateral or any other guarantee for the Obligations.
- (d) Any manner of sale, disposition or application of proceeds of any collateral or other assets to all or part of the Obligations.
- (e) Any default, failure or delay, wilful or otherwise, in the performance of the Obligations.
- (f) Any change in the name, object, capital, ownership or control, or constitution of the Guarantor or the Borrower or any insolvency, bankruptcy, reorganization or other similar proceeding affecting the Borrower, any Guarantor or its assets or any resulting restructuring, compromise, release or discharge of any Obligations.
- (g) Any merger, amalgamation, consolidation or other fundamental change of the Borrower or the Guarantor.
- (h) Any failure of the Lender to disclose to the Guarantor any information relating to the business, condition (financial or otherwise), operations, performance, properties or prospects of the Borrower now or hereafter known to the Lender and the Guarantor hereby waives any duty of the Lender to disclose such information.
- (i) The failure of any other guarantor or third party to execute or deliver this Guarantee or any other guarantee or agreement, or the release or reduction of liability of the Guarantor or any other guarantor or surety with respect to the Obligations.
- (j) The failure of the Lender to assert any claim or demand or to exercise or enforce any right or remedy under the provisions of the Loan Agreement, the other Loan Documents or otherwise.
- (k) Any defence, set-off or counterclaim (other than a defence of payment or performance) that may at any time be available to, or be asserted by, the Borrower against the Lender.
- (l) Any other circumstance, act, or omission that might vary the risk of the Guarantor or otherwise operate as a defence available to, or a legal or equitable discharge of, the Guarantor.

ARTICLE III Guarantor Acknowledgments

The Guarantor further acknowledges and agrees as follows:

Section 3.01 Guarantor Acknowledgments.

- (a) The Guarantor hereby unconditionally and irrevocably waives any right to revoke this Guarantee and acknowledges that this Guarantee is continuing in

nature, shall guarantee any ultimate balance owing to the Lender, and applies to all presently existing and future Obligations, until the complete, irrevocable and indefeasible payment and satisfaction in full of the Obligations.

- (b) This Guarantee is a guarantee of payment and performance and not of collection. The Lender shall not be obligated to enforce or exhaust their remedies against the Borrower or under the Loan Agreement before proceeding to enforce this Guarantee. The liability of the Guarantor to make payment under this Guarantee shall arise immediately upon delivery to the Guarantor of a written demand for payment by the Lender.
- (c) This Guarantee is a direct guarantee and independent of the obligations of the Borrower to the Lender. The Lender may resort to the Guarantor for payment and performance of the Obligations whether or not the Lender shall have resorted to any of their collateral or shall have proceeded against the Borrower or any other guarantors with respect to the Obligations. The Lender may, at the Lender' option, proceed against the Guarantor and the Borrower, jointly and severally, or against the Guarantor only without having obtained a judgment against the Borrower.
- (d) The Guarantor hereby unconditionally and irrevocably waives promptness, diligence, notice of acceptance, presentment, demand for performance, notice of non-performance, default, acceleration, protest or dishonour and any other notice with respect to any of the Obligations and this Guarantee and any requirement that the Lender protect, secure, perfect or insure any encumbrance or any property subject thereto.
- (e) The Guarantor agrees that its guarantee hereunder shall continue to be effective or be reinstated, as the case may be, if at any time all or part of any payment of any Obligation is voided, rescinded or recovered or must otherwise be returned by the Lender upon the insolvency, bankruptcy, reorganization, dissolution or winding-up of the Borrower.
- (f) This Guarantee shall continue to apply to all Obligations owing to the Lender by any amalgamated corporation resulting from the Borrower amalgamating with one or more other corporations.

ARTICLE IV Subordination and Postponement

Section 4.01 Subordination and Postponement. All present and future indebtedness and liability of the Borrower to the Guarantor is hereby subordinated and postponed in right of payment to the prior payment in full of the Obligations. Any amounts received by the Guarantor in violation of this section shall be held by the Guarantor in trust for the benefit of the Lender and forthwith upon receipt paid over to the Lender without in any way reducing, lessening or limiting the obligations of the Guarantor under this Guarantee. This subordination and postponement is independent of the Guarantee and shall remain in force until all Obligations shall have been paid and discharged in full.

ARTICLE V
Subrogation; Contribution; Reimbursement; Indemnification

Section 5.01 Subrogation; Contribution; Reimbursement; Indemnification. The Guarantor waives and shall not exercise any rights that it may acquire by way of subrogation, contribution, reimbursement or indemnification for payments made under this Guarantee until all Obligations shall have been paid and discharged in full. Subject to the foregoing, upon full and final payment and performance of all Obligations, the Guarantor shall be subrogated to the rights of the Lender against the Borrower, and the Lender agree to take such steps as the Guarantor may reasonably request, at the Guarantor's expense, to implement such subrogation.

ARTICLE VI
Representations and Warranties

To induce the Lender to enter into the Loan Agreement, the Guarantor represents and warrants that:

Section 6.01 Representations and Warranties.

- (a) There are no conditions precedent to the effectiveness of this Guarantee that have not been satisfied or waived.
- (b) It has the full power and authority to enter into this Guarantee, to carry out its obligations hereunder and to consummate the transactions contemplated hereby.
- (c) The execution and delivery of this Guarantee and performance of its obligations hereunder have been duly authorized by all required action.
- (d) This Guarantee has been duly executed and delivered by the Guarantor and constitutes a legal, valid and binding obligation of the Guarantor, enforceable against the Guarantor in accordance with its terms.

ARTICLE VII
Indemnity

Section 7.01 Indemnity. The Guarantor hereby agrees to indemnify and hold harmless the Lender from any losses, damages, liabilities, claims and related expenses incurred by the Lender or asserted against the Lender by any person arising out of, in connection with or resulting from this Guarantee or any failure of any Obligations to be legal, valid and binding obligations of the Borrower, enforceable against the Borrower in accordance with its terms.

ARTICLE VIII
Set-Off

Section 8.01 Set-Off. To the maximum extent permitted by applicable law, the Lender may apply any amounts owing to, or sums standing to the credit of, the Guarantor to the payment when due of any amounts owing by the Guarantor under this Guarantee.

ARTICLE IX Miscellaneous

Section 9.01 Notices. All notices and other communication provided for hereunder (each, a "**Notice**") shall be in writing and be delivered by personal delivery, nationally recognized courier, certified or registered mail, facsimile or email of a PDF document to the addresses of parties set forth herein or such other address that may be designated by the receiving party from time to time in accordance with this Section. Notices shall be deemed to have been given (a) when received (if delivered by personal delivery, nationally recognized courier, certified or registered mail); (b) when sent (if delivered by facsimile), except that, if not given on a business day between 9:00 a.m. and 5:00 p.m. local time where the recipient is located, then on the next business day for the recipient; (c) upon receipt by the sender of an acknowledgment from the recipient, such as by the return receipt requested function, return email or other written acknowledgment (if delivered by email of a PDF document), except that, if not given on a business day between 9:00 a.m. and 5:00 p.m. local time where the recipient is located, then on the next business day for the recipient.

Section 9.02 Successors and Assigns; Assignment. This Guarantee is binding upon the Guarantor and its successors and assigns and shall enure to the benefit of the Lender and their successors and assigns. The Guarantor may not, without the prior written consent of the Lender, assign any of their rights, powers or obligations hereunder. The Lender may assign this Guarantee and its rights hereunder without the consent of the Guarantor. Any purported assignment in violation of this Section shall be null and void.

Section 9.03 Severability. If any term or provision of this Guarantee is invalid, illegal or unenforceable in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other term or provision of this Guarantee or invalidate or render unenforceable such term or provision in any other jurisdiction.

Section 9.04 Governing Law. This Guarantee is governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

Section 9.05 Submission to Jurisdiction. Any action or proceeding arising out of or this Guarantee will be instituted in the courts of the Province of Ontario and the Guarantor irrevocably submits to the exclusive jurisdiction of such courts in any such action or proceeding.

Section 9.06 Cumulative Rights. The rights and remedies of the Lender under this Guarantee are cumulative and are in addition to and not in substitution for any other rights and remedies available at law, or in equity or otherwise.

Section 9.07 Entire Agreement; Amendments; Headings; Effectiveness. This Guarantee constitutes the sole and entire agreement of the Guarantor and the Lender with respect to the subject matter contained herein and supersedes all prior and contemporaneous understandings, agreements, representations and warranties, both written and oral, with respect to such subject matter. No amendment or waiver of any provision of this Guarantee shall be valid and binding unless it is in writing and signed, in the case of an amendment, by both parties, or in the case of a waiver, by the party against which the waiver is to be effective. Section headings are for convenience of reference only and shall not define, modify, expand or limit any of the terms of this Guarantee. A signed copy of this Guarantee delivered by facsimile, email or other means of electronic transmission is deemed to have the same legal effect as delivery of an original signed copy of this Guarantee.

IN WITNESS WHEREOF, the Guarantor has executed this Guarantee as of the day and year first above written.

GUARANTOR:

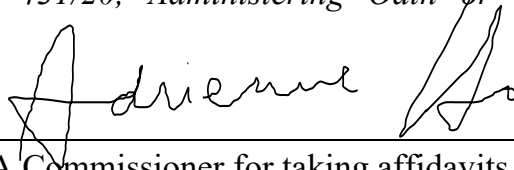
TORONTO HERBAL REMEDIES INC.

By: 

Name: *Craig Lovelace*

Title: *CFO*

This is Exhibit “EE” referred to in the Affidavit of Craig Loverock sworn by Craig Loverock located in the City of Newmarket, in the Regional Municipality of York, in the Province of Ontario, before me at the City of Toronto, in the Province of Ontario, this 22nd day of June, 2022 in accordance with *O.Reg. 431/20, Administering Oath or Declaration Remotely*.

A handwritten signature in black ink, appearing to read "Adrienne Ho". The signature is written in a cursive style with a large initial "A" and a distinct "H".

A Commissioner for taking affidavits

ADRIENNE HO

Properties

PIN 06443 - 0179 LT *Interest/Estate* Fee Simple

Description LT 89 PL 2176 SCARBOROUGH; LT 90 PL 2176 SCARBOROUGH; LT 91 PL 2176 SCARBOROUGH; LT 101 PL 2291 SCARBOROUGH; LT 102 PL 2291 SCARBOROUGH; LT 103 PL 2291 SCARBOROUGH; LT 104 PL 2291 SCARBOROUGH; LT 105 PL 2291 SCARBOROUGH; LT 106 PL 2291 SCARBOROUGH; LT 107 PL 2291 SCARBOROUGH; LT 108 PL 2291 SCARBOROUGH; PT DAVIDSON AV PL 2176 SCARBOROUGH; PT DAVIDSON AV PL 2291 SCARBOROUGH CLOSED BY SC103893 AS IN TB625847; S/T & T/W TB625847; TORONTO , CITY OF TORONTO

Address 64 RALEIGH AV
TORONTO

Chargor(s)

The chargor(s) hereby charges the land to the chargee(s). The chargor(s) acknowledges the receipt of the charge and the standard charge terms, if any.

Name TORONTO HERBAL REMEDIES INC.
Address for Service 64-70 Raleigh Avenue, Toronto, Ontario,
M1K 1A3

I, Craig Loverock, Chief Financial Officer, have the authority to bind the corporation.

This document is not authorized under Power of Attorney by this party.

Chargee(s)*Capacity**Share*

Name INFUSION BIOSCIENCES INC.
Address for Service 181 Bay Street, Suite 1030, Toronto, Ontario, M5J 2T3

Statements

Schedule: See Schedules

Provisions

Principal \$1,000,000.00 *Currency* CDN

Calculation Period See Schedule

Balance Due Date On Demand

Interest Rate See Schedule

Payments

Interest Adjustment Date

Payment Date

First Payment Date

Last Payment Date

Standard Charge Terms 200033

Insurance Amount Full insurable value

Guarantor

Signed By

John Francis Ross Moher 181 University Ave., Suite 2100 acting for Signed 2020 03 06
Toronto
M5H 3M7
Chargor(s)

Tel 416-863-1010

Fax 416-863-1009

I have the authority to sign and register the document on behalf of the Chargor(s).

Submitted By

DALE & LESSMANN LLP 181 University Ave., Suite 2100 2020 03 06
Toronto
M5H 3M7

Tel 416-863-1010

Fax 416-863-1009

Fees/Taxes/Payment

Statutory Registration Fee	\$65.05
Total Paid	\$65.05

File Number

Chargee Client File Number : 142275-1

ADDITIONAL CHARGE PROVISIONS

1. COLLATERAL CHARGE

The Chargor is a corporation incorporated pursuant to the laws of the Province of Ontario and is the registered and beneficial owner of those lands and premises located in the Province of Ontario described in **Schedule "A"** hereof (which, with the buildings and improvements located thereon, are collectively called the "**Lands**").

The registration of this collateral charge over the Lands (the "**Charge**") is pursuant to the terms of the Loan Agreement dated December 23, 2019 as amended, substituted, restated, replaced, renewed or extended from time to time among Sproutly Canada, Inc., as borrower, the Chargor, as guarantor and the Chargee, as lender (the "**Loan Agreement**"), as well as a guarantee issued by the Chargor in favour of the Chargee given pursuant to the Loan Agreement, as such guarantee may be amended from time to time, (the "**Guarantee**"). A default under the Guarantee shall constitute a default under this Charge, and shall permit the Chargee to immediately enforce all of its remedies.

2. INTEREST RATE

This Charge will be void upon payment on demand of the ultimate balance of the amount owing under the Loan Agreement, not exceeding the Principal Amount contained in Page 1 of this Charge together with interest thereon not to exceed the rate of 10.00% per annum as well after as before maturity or demand and both before and after default and all other amounts payable by the Chargor hereunder and all other amounts that can be added to the Principal Amount pursuant to the provisions contained in this Charge and Standard Charge Terms 200033.

3. NO MERGER

The taking of a judgment or judgments under any of the covenants contained in this Charge or in any other security for payment of the Principal Sum will not operate as a merger of such covenants or of the Chargee's security by way of a charge against the Lands or affect the Chargee's right to interest at the Interest Rate and at the stipulated times on any monies owing to the Chargee under any such covenants. It is distinctly understood and agreed that the Interest Rate will be payable on the amount of any judgment.

4. TAXES, CLAIMS AND COSTS

- (a) The Chargor will pay all taxes, rates, levies, assessments and impositions of the municipality or any other taxing authority which are now or hereafter levied, charged, assessed, imposed or payable against or in respect of the Lands, or on this Charge or on the Chargee in respect of this Charge, when the same are due, and will provide the Chargee with the receipts therefor.
- (b) The Chargor will pay and discharge when due all claims of and obligations to labourers, builders, material suppliers and others and all other claims, debts and obligations which by the laws of Canada or Ontario have or might have priority

over the security hereby created, and will provide the Chargee with the receipts therefor.

- (c) If the Chargor fails to pay when due any of the items required to be paid by the Chargor pursuant to any provision of this Charge, including but not limited to those described in paragraphs 4(a) and 4(b), the Chargee may, but will not be obligated to, pay such items.
- (d) If the Chargor fails to repair as provided by this Charge, the Chargee may, at such times as it deems necessary and without the concurrence of any other person, make arrangements for maintaining, restoring, repairing, finishing, adding to, or putting in order the Lands and for managing, improving and taking care of them.
- (e) All solicitor's, inspector's, valuator's, surveyor's and other fees and expenses for drawing and registering this Charge, examining the Lands and the title thereto, and making or maintaining this Charge as a charge on the Lands, and in exercising or enforcing or attempting to enforce or in pursuance of any right, power, remedy or purpose hereunder or subsisting (including legal costs as between a solicitor and his own client on a full indemnity basis and also an allowance for the time, work and expenses of the Chargee or of any agent, solicitor, or servant of the Chargee for any purpose herein provided), together with all sums which the Chargee from time to time advances, expends or incurs pursuant to any provision contained in this Charge (including but not limited to paragraphs 4(c), 4(d), 4(e), 8(d), 9(f), 9(g)(ii), and 18, whether such sums are advanced or incurred with the knowledge, consent, concurrence or acquiescence of the Chargor or otherwise, will be added to the Principal Sum, will be secured hereby and will be a charge on the Lands, together with interest thereon at the Interest Rate calculated from the date of advance or expenditure by the Chargee to the date of payment to the Chargee. All such monies will be payable to the Chargee on demand. The Chargee will have the right to deduct the amount of any such monies from any advance made to the Chargor after the date such expenditures are incurred.

5. INSURANCE

- (a) In accordance with, and as required by, the terms of the Loan Agreement, the Chargor will immediately insure and keep insured during the continuance of this security the Lands to their full insurable value, with insurers approved by the Chargee. The Chargor will also obtain such other insurance, of kinds and in amounts required by the Chargee, including but not limited to insurance against loss or damage by fire, lightning, explosion, smoke, impact by aircraft or land vehicle, riot, windstorm, hail, and such other risks as the Chargee requires, business interruption or rental loss insurance, if appropriate. The Chargor will not do or permit anything which might impair, reduce or void such insurance.

- (b) The Chargor will deliver to the Chargee all policies of insurance with a Charge clause attached, any loss thereunder to be payable to the Chargee, within thirty (30) days of issuance.
- (c) The Chargor will pay all premiums necessary to obtain and maintain such insurance as the same become due and, if requested by the Chargee, will immediately deliver to the Chargee the receipts therefor. Evidence of the renewal of such insurance will, if requested by the Chargee, be provided to the Chargee at least thirty days before the existing insurance expires; otherwise the Chargee may insure as herein provided.
- (d) If there is loss or damage from any of the risks insured against, the Chargor will furnish proof of loss at its own expense and do all necessary acts to enable the Chargee to obtain payment of the insurance monies. In respect of any such insurance monies received by the Chargee the Chargee may at its option:
 - (i) apply the same in or towards substantially rebuilding, reinstating or repairing the Lands; or
 - (ii) apply the same in or towards payment of any principal, interest or other monies owing under this Charge; or
 - (iii) pay the same in whole or in part to the Chargor, but no such payment will operate as payment or a novation of the Chargor's indebtedness hereunder or as a reduction of this Charge; or
 - (iv) apply the same partly in one way and partly in another as the Chargee in its sole discretion determines.

To ensure that the Chargee may so apply such insurance monies in the manner aforesaid, the Chargor assigns and releases to the Chargee all rights of the Chargor to receive the insurance monies and expressly waives all rights and benefits, to the extent that the same is permitted by law, pursuant to any legislation which provides for a contrary application of such insurance monies.

- (e) The Chargor hereby constitutes and appoints the Chargee as its attorney for the purpose of demanding, recovering and receiving payment of all insurance monies to which it becomes entitled. Without limiting the generality of the foregoing, the Chargee may, in the name of the Chargor, file proofs of claim with any insurer who insures the Lands, settle or compromise any claim for insurance proceeds in respect of the Lands, commence and prosecute any action for recovery of insurance proceeds in respect of the Lands, and settle or compromise any such action. Notwithstanding the foregoing, it will remain the Chargor's responsibility to demand, recover and receive such payments. Nothing herein will render the Chargee liable to the Chargor for any act done by it in pursuance of this power of attorney or for its failure to do any act or take any step in relation thereto.

- (f) Pending application of any insurance monies by the Chargee, the same will be deemed to form part of the Lands and be subject to the charge hereby created.
- (g) If the Chargor fails to keep the Lands insured as aforesaid or to pay the said premiums and amounts necessary for such purpose or to deliver the policies or receipts as aforesaid then the Chargee will have the right to insure the Lands in the manner aforesaid at the immediate sole cost and expense of the Chargee.

6. IMPROVEMENTS TO BE FIXTURES

All improvements, fixed or otherwise, now on or hereafter put on the Lands (including but not limited to all buildings, erections, mobile homes, machinery, plant, fences, furnaces, boilers, water heaters, heating, plumbing, air conditioning, cooking, refrigerating, ventilating, lighting and water heating equipment, blinds, windows, doors and all apparatus and equipment appurtenant thereto, whether movable or stationary, with the proper, usual and necessary gears, construction and appliances) are and will, in addition to other fixtures thereon, be and become fixtures and become part of the realty and of the security and are included in the expression the "Lands".

7. USE OF THE LANDS

- (a) The Chargor will not commit or permit any act of waste on the Lands or do or permit anything which might impair their value.
- (b) The Chargor will sufficiently repair, maintain, restore, amend and keep the Lands in good and substantial repair.
- (c) The Chargee by its agents, solicitors or inspectors may enter on the Lands at any reasonable time to view their state of repair.
- (d) If in the opinion of the Chargee the Lands are not in a proper state of repair it may serve notice upon the Chargor to make such repairs or replacements as the Chargee deems proper within a time limited by such notice. If the Chargor fails to comply with such notice such failure will constitute a breach of covenant hereunder. In such case the Chargee or its agents, employees or contractors may enter on the Lands and repair as provided in this Charge at the cost of the Chargor and charge all sums of money determined by the Chargee to be properly paid therefor to the Charge account and will have the right to exercise all the remedies available to the Chargee.
- (e) The Chargor will not make, or permit to be made, any alterations or additions to the Lands which will adversely affect the value of the Lands, or change their present use without the consent of the Chargee. If the Chargor is operating a business on the Lands the Chargor will not change the nature of such business without the prior written consent of the Chargee.
- (f) If the Chargor rents out the Lands, the Chargor will perform all landlord's covenants under any leases. The Chargor will neither do, neglect to do, nor

permit to be done, anything (other than pursuing the enforcement of the terms of such leases in accordance with the terms thereof) which may cause a material modification or termination of any leases or which may diminish the value of any leases, the rents provided for therein, or the interest of the Chargor or Chargee therein. The Chargor will not assign its interest in any leases or rents or collect more than one monthly rental instalment in advance without the prior written consent of the Chargee. The Chargor will give the Chargee immediate notice of any material default or notice of cancellation under any such leases.

- (g) In its ownership, operation and management of the Lands the Chargor will observe and comply with all applicable federal, provincial and municipal by laws, statutes, ordinances, regulations, orders and restrictions including but not limited to those referred to in paragraph 8 and all health, fire, safety and land use by laws and building codes.
- (h) The Lands must at all times be professionally managed. If in the Chargee's sole opinion the Lands are not being professionally managed, the Chargee will have the right to appoint a property manager of its choosing. The Chargor will be responsible for paying all costs, fees and expenses of any such property manager. Appointment of a property manager by the Chargee will not relieve the Chargor from any of its obligations or covenants in this Charge.

8. CARE OF THE LANDS

- (a) In this Charge:
 - (i) “**environment**” includes the Lands and surroundings;
 - (ii) “**pollutant**” means any substance, class of substances, mixture of substances, form of energy or combination thereof that is capable of entering the environment in a quantity or concentration or under conditions that may cause an immediate or long term adverse effect, and includes anything defined as a hazardous substance, hazardous waste, toxic substance, dangerous goods, hazardous chemical, contaminant, or agricultural chemical under any federal, provincial or municipal laws or by laws now or hereafter in force;
 - (iii) “**release**” includes the noun or verb form of spill, discharge, spray, inject, abandon, deposit, leak, seep, pour, emit, empty, throw, dump, place, exhaust and words of like or similar meaning.
- (b) Neither the Chargor, nor, to the knowledge of the Chargor after diligent inquiry and investigation, any other person, has ever caused or permitted any pollutant to be placed, handled, stored or disposed of on, under or at the Lands, or on, under or at adjacent lands, except as disclosed to the Chargee in writing.

- (c) The Chargor will not allow any pollutant to be placed, handled, stored or disposed of on, under or at the Lands without the prior written consent of the Chargee, which consent may be arbitrarily or unreasonably withheld.
- (d) To the extent that any pollutant is placed, handled, stored or disposed of on, under or at the Lands:
 - (i) the Chargor has, and will continue to have, all necessary federal, provincial and municipal licenses, certificates and permits and is and will continue to be in compliance with all applicable federal, provincial and municipal laws and by laws;
 - (ii) the Chargor will not cause or permit to exist, as a result of an intentional or unintentional act or omission on its part (or on the part of its agents, contractors or any other person or entity for whose acts or omissions it is responsible), a release of any pollutant on, under or at the Lands, unless such release is pursuant to and in compliance with the conditions of a permit issued by the appropriate governmental authority;
 - (iii) if the Chargor receives any verbal or written notice of an unauthorized release, or any complaint, order, citation or notice with regard to a release or any other environmental, health or safety matter affecting the Lands (“**environmental complaint**”) from any person or entity, including without limitation Environment Canada, then the Chargor will give immediate oral and written notice (with a copy of the environmental complaint) of such release to the Chargee;
 - (iv) the Chargor will promptly take all necessary remedial action in response to the unauthorized release; provided, however, that the Chargor will not, without the Chargee’s prior written consent, take any such remedial action nor enter into any settlement agreement, consent decree, or other compromise in respect of any related claims, proceedings, lawsuits or action commenced or threatened pursuant to any environmental, health or safety laws or in connection with any third party, if such remedial action, settlement, consent or compromise might impair the value of the Chargee’s security hereunder. The Chargee’s prior consent will not, however, be necessary if the release either poses an immediate threat to the health, safety or welfare of any individual or is of such a nature that an immediate remedial response is necessary and it is not possible to obtain the Chargee’s consent prior to undertaking such action. If the Chargor undertakes any remedial action the Chargor will immediately notify the Chargee of any such remedial action in compliance with all applicable federal, provincial and municipal laws and by laws, and in accordance with the orders and directives of all governmental authorities, to the satisfaction of the Chargee;

- (v) in addition to and not in limitation of the Chargee's rights under this Charge, the Chargee will have the right to take such actions, including, without limitation, hiring consultants and undertaking sampling and testing, as it deems necessary or advisable to remedy, remove, resolve or minimize the impact of, or otherwise deal with, any pollutant or environmental complaint upon its receipt of any notice from any person or entity, including without limitation Environment Canada, asserting the happening of an unauthorized release on, under or at the Lands which, if true, could result in any order, suit or other action against the Chargor or Chargee or any part of the Lands by any governmental agency or otherwise which, in the sole opinion of the Chargee, could jeopardize its security under this Charge. All costs and expenses incurred by the Chargee in the exercise of any such rights will be added to the Principal Sum and will be payable by the Chargor upon demand;
 - (vi) the Chargee may require that the Chargor from time to time promptly cause such tests and procedures as the Chargee deems appropriate to be conducted by professionals in a manner satisfactory to the Chargee, for the purpose of assuring compliance with all federal, provincial and municipal laws and by laws, and having such compliance certified to the Chargee. Such tests and procedures will be commenced promptly and completed with results reported to the Chargee within thirty days following written notice from the Chargee. All costs incurred in respect of such procedures will be paid by the Chargor. If the Chargee incurs any expense in respect thereof the amount thereof will be added to the Principal Sum and the Chargor will reimburse the Chargee for all such sums upon demand; and
 - (vii) the Chargor agrees to defend, indemnify, and hold the Chargee, its officers, agents, trustees, employees, contractors, licensees and invitees, harmless from and against any and all claims, losses, liabilities, damages and expenses (including, without limitation, legal costs as between a solicitor and his own client on a full indemnity basis, including those arising by reason of any of the aforesaid or an action under this indemnity) arising directly or indirectly from, out of or by reason of any release, environmental complaint, or any environmental health, fire, safety, and land use law governing the Chargor, its operations or the Lands. This indemnity will apply notwithstanding any negligent or other contributory conduct by or on the part of the Chargee or any one or more other parties or third parties, will survive the payment of and the discharge and satisfaction of this Charge and shall not be discharged or satisfied by the foreclosure of this Charge against the Lands.
- (e) Without restricting the generality of the foregoing, if gasoline or other storage tanks are located on, under, or at the Lands, the Chargor will:
- (i) maintain and repair such storage tanks in compliance with applicable laws, including the Fire Code, and

- (ii) at the request of the Chargee, as additional security assign to the Chargee any warranties or guarantees received from the manufacturer or installer of such storage tanks.
- (f) Upon request from the Chargee, the Chargor will:
 - (i) provide the Chargee with all information which the Chargee reasonably requests as to the proposed use of the Lands by any tenant, and
 - (ii) incorporate into any proposed lease any provisions which the Chargee requires to be incorporated.

9. CONSTRUCTION

If the Principal Sum is to be advanced from time to time upon the progress of construction of buildings or other improvements which are to be erected on the Lands, then:

- (a) such buildings or improvements will form part of the security for the full amount of the monies secured by this Charge;
- (b) all advances on this Charge will be made from time to time in accordance with the progress of construction of such buildings or improvements and will be made in such manner, at such times, and in such amounts as the Chargee in its sole discretion determines, subject always to the Chargee's discretion to advance or not advance as it sees fit;
- (c) the Chargor will construct such buildings or improvements in accordance with plans and specifications which have been or are hereafter approved by the Chargee and will diligently carry on the completion of the same;
- (d) the Chargor shall comply with all relevant provisions of any applicable builder's lien legislation and, as and when requested by the Chargee, shall provide to the Chargee complete records in respect to holdbacks amounts;
- (e) the Chargee will be entitled to retain such sums as it deems necessary in respect of builders' lien holdbacks pursuant to any applicable builder's lien legislation, which sums will be held for such length of time as the Chargee sees fit;
- (f) the Chargee may pay any builders' liens which may exist or be claimed and it will not be liable or responsible to determine the validity or correctness of any such claim; and
- (g) if the Chargor fails to complete such buildings or improvements with reasonable diligence:
 - (i) the Chargee may, without notice to the Chargor, enter upon the Lands and take possession thereof with power to carry on the completion of such

buildings or improvements and with discretion to alter the plans and specifications if it deems necessary in order to complete the same, and

- (ii) if the Chargee is unable to complete the same properly with the amount of the Principal Sum, the Chargee may in its sole discretion advance such further monies as may be required.

10. COVENANTS UNDER THE LAND TITLES ACT

- (a) The Chargor has a good title to the Lands.
- (b) The Chargor has the right to Charge the Lands.
- (c) On default the Chargee will have quiet possession of the Lands.
- (d) The Lands are free from all encumbrances except as noted on the parcel register for the Lands.
- (e) The Chargor will execute such further assurances of the Lands as may be required by the Chargee.
- (f) The Chargor has done no act to encumber the Lands except as noted on the parcel register for the Lands.

11. DEFAULT AND ACCELERATION

The unpaid balance of the Principal Sum, interest and other monies secured by this Charge will, at the option of the Chargee, immediately become due **ON DEMAND** by the Chargee. The security constituted hereby shall immediately become enforceable upon such demand for payment being made by the Chargee. Without limiting the generality of the foregoing, the unpaid balance of the Principal Sum, interest and other monies secured by this Charge will be immediately due and payable and the security of this Charge will immediately become enforceable and may be enforced without the requirement of any or any further notice of default or nonpayment from the Chargee to the Chargor, in each of the following events (collectively, the “**Events of Default**”):

- (a) the Chargor defaults in payment of any amount due and payable under this Charge or related security;
- (b) the Chargor defaults in the observance or performance of any obligation, covenant or liability of the Chargor to the Chargee, whether contained herein or in another security or agreement executed and delivered by the Chargor to the Chargee;
- (c) any warranty, representation or statement made or furnished to the Chargee by or on behalf of the Chargor in respect of the Lands or the Chargor proves to have been false or misleading in any respect when made or furnished;

- (d) if the Lands are capable of generating income and there is loss or damage to them which materially adversely affects their income generating ability in the reasonable opinion of the Chargee, and such loss or damage cannot be repaired or replaced so as to re-establish the income generating ability of the Lands within a reasonable time and in any case within ninety days following such loss or damage;
- (e) there is a seizure or attachment to or on the Lands which materially adversely affects their income generating ability, in the reasonable opinion of the Chargee, which is not removed or satisfied within thirty days;
- (f) any charge or encumbrance created or issued by the Chargor in the nature of a floating charge becomes enforceable and any step is taken to enforce the same;
- (g) an order is made, an effective resolution passed or an application is filed for the winding up of the Chargor, or a receiver of the Chargor or the Lands is appointed;
- (h) the Chargor becomes insolvent, makes a general assignment for the benefit of its creditors or otherwise acknowledges insolvency, or a bankruptcy application or bankruptcy order is filed or made against the Chargor;
- (i) the Chargor ceases or threatens to cease to carry on its business, makes a bulk sale of its assets or commits or threatens to commit any act of bankruptcy;
- (j) any other Chargee, encumbrancer or other party having a charge on the Lands commences proceedings to enforce its rights or security in such Charge, encumbrance or charge or takes steps to collect all or any of the income generated from the Lands;
- (k) the Chargor grants or attempts to grant any form of security to any person other than the Chargee ranking or purporting to rank in priority to or equally with the security held by the Chargee on the Lands;
- (l) the Chargor abandons the Lands; or
- (m) if the Chargor operates a business on the Lands, it fails to maintain and operate such business as a going concern in a prudent and businesslike manner to the reasonable satisfaction of the Chargee.

For the purpose of this Charge and any and all of the security granted in connection herewith, an "Event of Default" shall include a demand for payment made by the Chargee on the Chargor and the security of this Charge and all security granted in connection herewith will immediately become enforceable and may be enforced upon such demand being made.

12. POWER OF ATTORNEY

Upon the occurrence of an Event of Default pursuant to paragraph 12, the following power of attorney will take effect: the Chargor hereby irrevocably appoints the Chargee, or such person or corporation as may be designated by the Chargee, as attorney on behalf of the Chargor to sell, lease, Charge or otherwise dispose of or encumber the Lands, and to execute all instruments and do all acts, matters and things that may be necessary or convenient for carrying out the powers hereby given and for the recovery of all sums of money owing for or in respect of the Lands, and for the enforcement of all contracts and covenants in respect of the Lands, and for the taking and maintaining of possession of and the protection and preservation of the Lands.

13. RIGHT TO SEIZE

If the Chargor defaults in performing or fulfilling any of the covenants set forth in this Charge it will be lawful for, and the Chargor hereby grants full power and licence to, the Chargee to enter, seize and distrain upon the Lands, and by distress warrant to recover by way of rent reserved as in the case of a demise of the Lands as much of the Principal Sum, interest and other monies as is from time to time in arrears, together with all costs, charges and expenses attending such levy or distress as in like cases of distress for rent.

14. APPOINTMENT OF RECEIVER OR RECEIVER MANAGER

- (a) At any time when there is default under any of the provisions of this Charge the Chargee may, with or without entering into possession of the Lands, appoint in writing a receiver or a receiver manager (the “**Receiver**”) of the Lands and of the rents and revenues therefrom with or without security. The Chargee may from time to time by similar writing remove any Receiver and appoint another in its place. In making any such appointment or removal the Chargee will be deemed to be acting as agent or attorney for the Chargor. The statutory declaration of an officer of the Chargee as to the existence of such default will be conclusive evidence of such default. Every Receiver will be the irrevocable assignee or attorney of the Chargor for the collection of all rents falling due in respect of the Lands. Every Receiver may, in the discretion of the Chargee exercised in writing, be vested with all or any powers and discretions of the Chargee. The Chargee may from time to time fix the remuneration of every Receiver, who will be entitled to deduct the same from the income or proceeds of sale of the Lands. Every Receiver will, as far as concerns responsibility for his acts or omissions, be deemed the agent or attorney of the Chargor and in no event the agent of the Chargee. The appointment of every Receiver by the Chargee will not incur or create any liability on the part of the Chargee to the Receiver in any respect. Such appointment or anything which may be done by the Receiver or the removal of any Receiver or the termination of any receivership will not have the effect of constituting the Chargee a Chargee in possession of the Lands. Every Receiver will from time to time have the power to rent any portion of the Lands which may become vacant for such term and subject to such provisions as it may deem advisable or expedient. In so doing every Receiver will act as the attorney or

agent of the Chargor and will have the authority to execute any lease of any such premises in the name of and on behalf of the Chargor. The Chargor undertakes to ratify and confirm whatever any Receiver does in respect of the Lands. Every Receiver will have full power to manage, operate, amend, repair, alter or extend the Lands in the name of the Chargor for all purposes including securing the payment of rental for the Lands. In exercising such powers the Receiver will have all incidental powers, including the power to borrow such funds as may be required in connection therewith. No Receiver will be liable to the Chargor to account for monies or damages other than cash received by it in respect of the Lands. Out of such cash so received every Receiver will in the following order pay:

- (i) its remuneration,
 - (ii) all payments made or incurred by it in connection with the management, operation, amendment, repair, alteration or extension of the Lands, and
 - (iii) interest, principal and other money which may from time to time be charged upon the Lands in priority to this Charge, and all taxes, insurance premiums and every other expenditure made or incurred by it in respect of the Lands.
- (b) Notwithstanding the provisions of subparagraph (a) above and in addition to the right of private appointment contained therein, the Chargee will have the right to apply to a court of competent jurisdiction for the appointment of a receiver or a receiver manager, whether such application is made prior to or after the appointment of a Receiver pursuant to subparagraph (a). The right to apply to a court for the appointment of a receiver or receiver manager may be exercised at any time by the Chargee in its sole discretion.

15. RESTRICTION ON TRANSFER

The Chargor shall not convey, transfer, Charge, alienate, or otherwise encumber the Lands nor allow the Lands to be encumbered other than in accordance with the terms of the Loan Agreement.

In the event of a further encumbrance or a sale, conveyance or transfer of the Lands or any portion thereof, or a change in control of the Chargor, or a change in the beneficial ownership of the Lands or any portion thereof, or a lease of the whole of the Lands, all sums secured hereunder shall, at the Chargee's option, become due and payable forthwith unless the written consent of the Chargee has been first obtained. The rights of the Chargee pursuant to this provision shall not be affected or limited in any way by the acceptance of payments due under the Charge from the Chargee or any person claiming through or under him and the rights of the Chargee hereunder shall continue without diminution for any reason whatsoever until such time as the Chargee has consented in writing as required by this provision.

16. ASSIGNMENT OF RENTS

As further security to the Chargee for repayment as aforesaid, the Chargor hereby assigns, transfers and sets over to the Chargee all rents and other revenues from the Lands now or hereafter due or to become due, provided that:

- (a) the Chargor will be entitled to receive and recover such rents and other revenues until default under this Charge;
- (b) if the Chargor defaults, all monies received by the Chargor in respect of the Lands after the default will be received by the Chargor in trust for the Chargee. Immediately after receiving such monies the Chargor will pay such monies to the Chargee;
- (c) the Chargee will have no obligation to collect any such rents or other revenues at any time and will be liable only for monies actually received;
- (d) nothing contained in this clause nor the exercise by the Chargee of any rights or remedies arising herefrom will place or be deemed to place the Chargee in possession of the Lands;
- (e) neither this assignment, nor the collection of rents pursuant to it, will be construed as a recognition or acceptance of any lease with respect to the Lands;
- (f) the Chargor will not accept any rents in excess of one monthly instalment in advance;
- (g) whenever requested by the Chargee the Chargor will assign to the Chargee its interest in each specific lease of the Lands and will execute such further specific or general assignments as may be requested by the Chargee from time to time; and
- (h) the Chargee or its agents may separately register this assignment wherever the Chargee in its discretion deems appropriate.

17. SUBROGATION

The Chargee may pay off any charges or encumbrances against the Lands and in such cases will be subrogated to the rights of, stand in the position of, and be entitled to all the equities of the person so paid off whether the same are or are not discharged.

18. PRIOR CHARGE

If the Chargor defaults in the performance of any covenants, payments or conditions contained in any Charge, lien, agreement for sale, encumbrance, interest in land or other charge or claim upon or with respect to the Lands which has or may have or which may acquire priority to this Charge (any and all of which are herein called the “**Prior Charge**”) then such default will constitute a default under this Charge and the full amount then secured by this Charge will, at the option of

the Chargee, become immediately due and payable without notice or demand. The Chargee will be entitled to pay any arrears or other sums payable under the Prior Charge, or to pay off all or any portion of the amount thereby secured. For the purposes of tendering any arrears or other sums payable to a holder of a Prior Charge, the Chargor hereby irrevocably appoints the Chargee its agent and irrevocably directs the Chargee to tender such monies upon the holder of a Prior Charge in the name of and on behalf of the Chargor. In this regard the Chargor hereby assigns to the Chargee its equity of redemption, if any, with respect to the Prior Charge, together with any statutory right of redemption given to the Chargor. It is the intention of the parties that the Chargee will have the same rights and powers, but not the liabilities, as the Chargor under and pursuant to the terms of the Prior Charge so that the Chargee will be in a position to take whatever steps are necessary to bring the Prior Charge into good standing once default has occurred thereunder. This assignment is not intended to encompass the Chargor's entire interest in the Prior Charge, but only to the extent above stipulated. Nothing herein contained will create any obligation on the Chargee to cure any default on behalf of the Chargor.

19. PARTIAL RELEASE

The Chargee may release any part of the Lands at any time at its discretion, or may release any person from this Charge or from any of the covenants herein contained or contained in any collateral security, either with or without any consideration therefor, without responsibility therefor and without releasing any other part of the Lands, any other person or any collateral security.

20. ATTORNMENT

For better securing the punctual payment of the sum secured by this Charge the Chargor hereby attorns and becomes tenant to the Chargee of the Lands at a monthly rental equivalent to the amount of interest accrued on the outstanding Principal Sum during such month, the same to be paid on demand. If any judgement, execution or attachment is issued against any of the Chargor's goods or lands or if the Chargor becomes insolvent or bankrupt or commits an act of bankruptcy within the meaning of the Bankruptcy and Insolvency Act of Canada or any legislation substituted therefor or takes the benefit of any statute relating to bankrupt or insolvent debtors then such rental, together with the rental for the next three months, will, without demand, be payable immediately. The legal relation of landlord and tenant is hereby constituted between the Chargee and the Chargor. Neither this clause, nor anything done by virtue hereof, will render the Chargee a Chargee in possession or accountable for any monies except those actually received. The Chargee may at any time after default hereunder enter on the Lands and determine the tenancy hereby created without giving any notice to quit.

21. MORTGAGEE IN POSSESSION

If the Chargee exercises any of its rights hereunder, or goes into possession of the Lands for any purpose under the powers conferred upon it by this Charge or by law, it will not be deemed to be a Chargee in possession nor responsible in any way for anything other than monies actually received by it.

22. APPROPRIATION OF PAYMENTS

Any payments made by the Chargor on account of this Charge will be applied firstly to interest calculated as aforesaid on so much of the Principal Sum as from time to time remains unpaid and the balance, if any, of any payments will be applied on account of the Principal Sum; except, however, in the case of default by the Chargor, in which case the Chargee may apply any payments received during the period of default in whatever order it may elect as between the Principal Sum, interest or other monies secured by this Charge.

23. INSPECTIONS

That the Chargee or agent of the Chargee may, at any time, enter upon the Lands to inspect the Lands and buildings thereon, provided that the Chargee adheres to all required site safety rules, regulations and policies.

24. SUBSTITUTE MORTGAGE

That in the event that this Charge is granted by the Chargor in replacement of or in substitution for another Charge granted by the Chargor to the Chargee (the “**earlier Charge**”) with respect to the Land, then the Chargee shall be entitled (notwithstanding that the Charge account numbers for the earlier Charge and this Charge is in replacement of or substitution for the earlier Charge) to advance under this Charge, by way of internal transfer of Charge accounts, the amount owing under the earlier Charge, and upon such internal transfer of Charge accounts it shall be deemed that the amount thereby transferred as aforesaid, is advanced hereunder.

25. USE OF MONEY

That the Chargee shall not be charged with any moneys receivable or collectible out of the Lands or otherwise, except those actually received; and all revenue of the Lands received or collected by the Chargee from any source other than payment by the Chargor may, at the option of the Chargee, be used in maintaining or insuring the Land, or in payment of taxes or other charges against the Lands, or applied on the Charge account, and the Chargee may (at its option) retain such moneys received or collected, in such a suspense account and shall not be under any liability to pay interest on any sums in suspense account; and the Chargee shall not, by reason of the collection of any moneys receivable or collectible out of the Lands, be deemed to be a Chargee in possession.

26. LIABILITY OF MORTGAGOR

Notwithstanding any sale or other dealings by the Chargor with the Lands, or any part thereof, the Chargor together with any other party who is or becomes liable under this Charge, shall continue to be liable under this Charge until all monies secured by this Charge have been repaid in full notwithstanding the assumption of the Charge by any party, with or without the consent of the Chargee or the Chargor, and notwithstanding any amendment, modification, renewal or extension of this Charge (including, without restriction, any increase or decrease in the interest rate, amortization period, monthly payments or term of this Charge) which takes place after such sale or an assumption has occurred with or without the consent of the Chargor or any other party.

27. EXPROPRIATION AND CONDEMNATION

- (a) Notwithstanding anything to the contrary contained herein, if the Chargee receives a notice of intention to expropriate the Lands or the estate or interest of the Chargee in the Lands, or the Lands are condemned by any authority having jurisdiction in that regard, then the Principal Sum, interest and other monies hereby secured will at the option of the Chargee automatically become due in full on demand by the Chargee.
- (b) The damages, proceeds, consideration and award, whether awarded by the Land Compensation Board, the Surface Rights Board, a court or otherwise, resulting from any expropriation are, to the extent of the full amount of the monies and obligations secured by this Charge and remaining unpaid on the date of such expropriation, hereby assigned by the Chargor to the Chargee and will be paid immediately to the Chargee.
- (c) The Chargor hereby waives the benefit of any expropriation legislation in favour of the Chargor as against the Chargee. The Chargor covenants to pay to the Chargee the difference between the amount owing under this Charge and the monies paid by the expropriating authority to the Chargee, together with interest thereon at the Interest Rate both before and after maturity, default, acceleration and the obtaining of any judgement by the Chargee.

28. REVOLVING CREDIT

It is hereby declared by and agreed between the Chargor and the Chargee that this Charge may be held by the Chargee as security for a revolving line of credit up to a specific Principal Sum equal to the sum identified in paragraph 1 of this Charge as being the Principal Sum lent or to be lent to the Chargor.

29. GENERAL CLAUSES

- (a) Notwithstanding the covenants and conditions contained in this Charge, it is expressly understood and agreed that the money and indebtedness secured by this Charge are payable **ON DEMAND** and the Chargee may make demand at any time, notwithstanding that none of the said covenants and conditions may be in default. For the purposes of the *Land Titles Act* (Ontario), on the Chargee making demand hereunder, the Chargor shall be deemed to be in default under this Charge and the security constituted by this Charge shall be enforceable.
- (b) Any notice required or permitted to be given to the Chargor in connection with this Charge may be delivered or mailed to it by registered mail addressed to it at its last address as shown on the records of the Chargee. Such notice will be conclusively deemed to have been received on the date of delivery or three business days after the date of mailing. No want of notice or publication when required by this Charge or by any statute, nor any impropriety or irregularity, will invalidate any sale made or purported to be made under this Charge.

- (c) Whenever the Chargee is given the right, permission or discretion to take some step or to exercise some remedy pursuant to this Charge, the Chargee will have no obligation to exercise or act on the right, permission, discretion or to do anything whatever pursuant thereto. The Chargee will have no liability whatsoever for choosing not to exercise or act, in whole or in part, on such right, permission, discretion or remedy.
- (d) No waiver by the Chargee of the performance of any covenant, proviso, condition or agreement herein contained will take effect or be binding on the Chargee unless the same is in writing from the Chargee or its duly authorized agent. Such waiver will not nullify such covenant, proviso, condition or agreement, affect its future enforcement or be a waiver of any subsequent breach of the same.
- (e) A default in the due observance or performance by the Chargor of any of its covenants contained in any promissory notes, collateral security or securities which may now or at any time be held or taken by the Chargee in respect of the monies secured hereby will in addition to its usual effect have the same effect and give rise to the same rights and remedies as a default under the terms of this Charge. If the Chargee becomes entitled to take legal proceedings of any nature whatsoever against the Chargor in respect of this Charge or in respect of any of the said promissory notes or securities, the Chargee may either concurrently with such suit, successively or otherwise pursue any or all of its other remedies. If the Chargee pursues one or other of the said remedies this will not constitute an election by the Chargee to abandon any of the other remedies.
- (f) Neither the execution nor registration of this Charge nor the advance or re advance of all or any part of the monies hereby intended to be secured will bind the Chargee to advance or re advance the said monies or any unadvanced part thereof. The advance or re advance of the said monies or any part thereof from time to time will be in the sole discretion of the Chargee. The lien and charge hereby created will take effect immediately on the execution of this Charge and will be a continuous charge for the full amount of the monies secured by this Charge, notwithstanding that the balance owing may fluctuate, may from time to time be reduced to a nil balance, or that monies advanced may be repaid and further advances made.
- (g) If the Chargor is a body corporate it will maintain its separate corporate existence and do all such things as are required in order to permit it to carry on its business.
- (h) The Chargor covenants and agrees that it shall not, without the prior written consent of the Chargee, repay any amounts due and owing to shareholders of the Chargor, redeem shares, pay dividends to shareholders of the Chargor or increase the compensation paid by the Chargor to the principals of the Chargor until such time as all indebtedness due and owing to the Chargee has been repaid.

- (i) The Chargor will:
 - (i) maintain proper records and books of account with respect to revenue and expenses related to the Lands. The Chargor will allow the Chargee's representatives at all reasonable times to inspect all such records and books of account as such representatives may deem necessary;
 - (ii) provide to the Chargee:
 - a) such accountant prepared financial statements or personal net worth statements, as applicable, for the Chargor and any individual or corporate guarantors in accordance with the Loan Agreement and as may be requested by the Chargee; and
 - b) such other information, financial or otherwise, as to the operation of the Lands, and the business and affairs of the Chargor, in relation to the Chargor being able to observe and perform its obligations to the Chargee under this Charge, as the Chargee from time to time reasonably requests.
- (j) The Chargor will fulfil or comply with such additional terms, conditions and covenants, if any, as are contained on any Schedules to this Charge.

30. INTERPRETATION

- (a) If the context so requires, wherever the neuter is used it will include the feminine and masculine, and wherever the singular is used it will include the plural.
- (b) Wherever the word "Lands" is used it will be deemed to include the phrase "or any part thereof" where the context so permits.
- (c) All the covenants, agreements, representations, warranties, indemnities and obligations of the Chargor in this Charge are deemed to be joint and several covenants, agreements, representations, warranties, indemnities and obligations of each of such parties; provided always, and it is expressly agreed, that all covenants, provisos, powers, privileges and licences herein expressed or implied will be binding upon and enure to the benefit of the respective legal personal representatives, successors and permitted assigns of the Chargor and the Chargee.
- (d) The provisions contained in any schedules to this Charge are incorporated by reference and form a part of this Charge as fully as if set out in the body of this Charge. The covenants and obligations of the Chargor and the rights and remedies of the Chargee contained in this Charge are in addition to those granted or implied by statute or otherwise imposed or granted by law.

- (e) If any provision of this Charge is held to be invalid or unenforceable by a Court of competent jurisdiction it will be deemed to have been deleted from the Charge and the remaining provisions of this Charge will continue in full force and effect and be enforced to the greatest extent permitted by law.
- (f) This Charge shall be governed by and construed in accordance with the laws in effect within the Province of Ontario and, by execution and delivery of this Charge, the Chargor accepts for itself, this Charge and its property, generally, and unconditionally, the non-exclusive jurisdiction of the courts having jurisdiction in such province.
- (g) The headings contained in this Charge are inserted for ease of reference only and will not be construed so as to limit or restrict the obligations of the Chargor or the rights and remedies of the Chargee.
- (h) This Charge may be granted pursuant to or in connection with a commitment letter, loan agreement or other agreement or security entered into by the Chargor with the Chargee. In such case neither the execution nor registration of this Charge or any additional or other security or documentation will act as a merger of or otherwise affect the enforceability thereof or hereof. All agreements and securities now or hereafter entered into by the Chargor with or in favour of the Chargee, whether related to the within transaction or otherwise, will be in addition to and not in substitution for any agreements or securities previously granted, unless expressly provided to the contrary therein.

31. CHARGE

For better securing to the Chargee the repayment in the manner aforesaid of the Principal Sum, interest and other monies hereby secured, and for the due performance by the Chargor of all of the covenants, provisos and conditions herein expressed or implied, the Chargor hereby Charges to the Chargee all its estate and interest in the Lands.

32. RENEWAL, EXTENSION OR AMENDMENT

That in the event that the Chargee shall agree to renew or extend the term of this Charge, such renewal or extension (and the rate of interest, term, installment and other stipulations of such renewal or extension) shall be binding upon the Chargor, its successors in title and assigns, and all subsequent Charges, encumbrances and other interests in or of the Charged premises (subsequent to this Charge and together hereinafter called "**Subsequent Encumbrances**"), and shall take full priority over all Subsequent Encumbrances, whether or not the said renewal or extension is filed or recorded by caveat at the application Land Titles office and whether or not the rate of interest payable or payment amortization period applicable during the renewal or extension term is greater than or less than the rate or amortization stipulated in this Charge. The Chargor shall, forthwith on request therefore by the Chargee, provide to the Chargee, at the Chargor's expense, all such postponements and other assurances as the Chargee may require to ensure the foregoing binding effect and priority. All renewals (if any) shall be done at the Chargor's expense (including without limitation payment of Chargee's legal expenses on a

solicitor-and-his-own-client basis). No such renewal or extension, even if made by a successor in title to the Chargor named herein and whether or not the Chargor shall consent thereto, shall in any way release or abrogate or render unenforceable the covenants or obligations of the Chargor named herein, which shall continue notwithstanding such renewal or extension and shall apply to this Charge as renewed or extended. It is expressly acknowledged that such agreement may increase the rate of interest chargeable hereunder.

33. DISCHARGE

The Chargee will have a reasonable time after receipt of payment in full to provide the Chargor with a registrable discharge of this Charge. All costs related to such discharge will be borne by the Chargor to the extent permitted by law.

34. PARAMOUNTCY

In the case of any inconsistency or conflict with any of the provisions of this Charge and Standard Charge Terms 200033, the provision of this Charge shall prevail. Silence in either this Charge or Standard Charge Terms 200033, but addressed in the other shall not be deemed an inconsistency.

SCHEDULE A

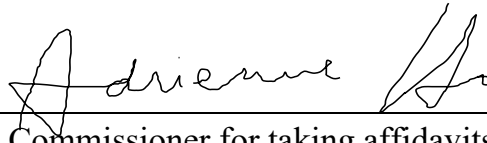
Legal Description

LT 89 PL 2176 SCARBOROUGH; LT 90 PL 2176 SCARBOROUGH; LT 91 PL 2176 SCARBOROUGH; LT 101 PL 2291 SCARBOROUGH; LT 102 PL 2291 SCARBOROUGH; LT 103 PL 2291 SCARBOROUGH; LT 104 PL 2291 SCARBOROUGH; LT 105 PL 2291 SCARBOROUGH; LT 106 PL 2291 SCARBOROUGH; LT 107 PL 2291 SCARBOROUGH; LT 108 PL 2291 SCARBOROUGH; PT DAVIDSON AV PL 2176 SCARBOROUGH; PT DAVIDSON AV PL 2291 SCARBOROUGH CLOSED BY SC103893 AS IN TB625847; S/T & T/W TB625847; TORONTO , CITY OF TORONTO, being the whole of pin 06443-0179 (LT)

Municipal Address

64 Raleigh Avenue, Toronto, Ontario

This is Exhibit “FF” referred to in the Affidavit of Craig Loverock sworn by Craig Loverock located in the City of Newmarket, in the Regional Municipality of York, in the Province of Ontario, before me at the City of Toronto, in the Province of Ontario, this 22nd day of June, 2022 in accordance with *O.Reg. 431/20, Administering Oath or Declaration Remotely*.

A handwritten signature in black ink, appearing to read "Adrienne Ho", written over a horizontal line.

A Commissioner for taking affidavits

ADRIENNE HO

GENERAL SECURITY AGREEMENT

THIS AGREEMENT dated as of the 21st day of January, 2020.

BY:

TORONTO HERBAL REMEDIES INC.

(the "**Debtor**")

IN FAVOUR OF:

INFUSION BIOSCIENCES INC.

(the "**Secured Party**")

WHEREAS the Secured Party, Sproutly Canada, Inc. (the "Borrower") and the Debtor entered into a loan agreement dated as of January 21, 2020 (as amended, amended and restated, renewed, extended, supplemented, replaced or otherwise modified from time to time, the "Loan Agreement");

AND WHEREAS it is a condition precedent to the Secured Party establishing credit facilities in favour of the Borrower under the Loan Agreement that the Debtor, a subsidiary of the Borrower, execute and deliver a guarantee (the "Guarantee");

AND WHEREAS the Debtor has agreed to grant, as general and continuing security for the payment and performance of the Indebtedness (as hereinafter defined), the security interest and assignment, mortgage and charge granted herein;

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the Secured Party extending credit and making or agreeing to make one or more advances to the Borrower and for other good and valuable consideration, the Debtor covenants with the Secured Party as follows:

ARTICLE 1 DEFINITIONS

1.1 Definitions: Capitalized terms used in this Agreement that are not defined in this section have the respective meanings ascribed thereto in the Act and all other capitalized terms used in this Agreement have the respective meanings ascribed thereto in this section:

- (a) "**Act**" means the *Personal Property Security Act (Ontario)*, as amended or re-enacted from time to time;
- (b) "**Buildings**" means all structures, buildings and other improvements constructed, being constructed or to be constructed on the Lands;
- (c) "**Collateral**" means all present and after-acquired property and all other present and future undertaking, assets and property (including, without limitation, each Account, Chattel Paper, Document of Title, Equipment, Instrument, Intangible, Inventory, Money, Books and Records, Security and

Goods) that are owned or acquired by or on behalf of the Debtor or in respect of which the Debtor now or hereafter has any rights and which is now or hereafter may become located on, affixed or attached to, placed upon, situate in or on, or which may arise out of, from or in connection with the ownership, use or disposition of, the Lands or the Buildings or any part thereof including, without limitation, all increases, additions, substitutions, repairs, renewals, replacements, accessions, accretions and improvements to any such personal property and all Proceeds and other amounts derived directly or indirectly from any dealings with any such personal property;

- (d) **"Expenses"** means all reasonable costs, fees and expenses (including legal fees and disbursements on a solicitor and his own client basis) incurred by or on behalf of the Secured Party in connection with or arising out of or from any one or more of the following:
 - (i) any act done or taken by the Secured Party or any Receiver, or any proceeding instituted by the Secured Party, the Debtor or any other person, firm or corporation, in connection with or in any way relating to any one or more of the Act, this Agreement or any part hereof, the preservation, protection, enforcement or realization of the Collateral or the Security Interest or both, the recovery of the Indebtedness and responding to enquiries regarding the scope of the Security Interest perfected by the registration of a Financing Statement under the Act;
 - (ii) the remuneration of the Receiver and its agents, if any; and
 - (iii) all amounts incurred or paid by or on behalf of the Secured Party pursuant to Section 6.3 hereof;
- (e) **"Existing Loan"** means the loan agreement among the Debtor, 0982244 B.C. Ltd., and Bray Limited Partnership dated June 18, 2015, as amended, and any ancillary documents thereto;
- (f) **"Existing Security"** means the general security agreement between the Debtor and 0982244 B.C. Ltd., as amended, granted pursuant to the Existing Loan;
- (g) **"Indebtedness"** means all present and future debts and liabilities due or to become due, absolute or contingent, direct or indirect, now existing or hereafter arising, owing by the Debtor to the Secured Party, whether pursuant to or under the Loan Agreement, the Loan Documents or otherwise and includes any extensions, renewals or replacements thereof and includes the Expenses;
- (h) **"Lands"** means the lands and premises described on Schedule "A" annexed hereto;
- (i) **"Loan Agreement"** means that certain loan agreement dated as of January 21st, 2020 among the Debtor, the Secured Party and Sproutly Canada, Inc. as same may be amended from time to time;
- (j) **"Loan Documents"** means all agreements, instruments and other documents made or assigned by the Debtor in favour of the Secured Party in connection

with the loan transaction contemplated in the Loan Agreement, as same may be amended from time to time including the Guarantee; and

- (k) "**Security Interest**" means the assignment, transfer, mortgage, charge and security interest provided for in Section 2.1 hereof and "security interest" has the meaning ascribed thereto in the Act.

ARTICLE 2 GRANT OF SECURITY INTEREST AND ATTACHMENT

2.1 Security Interest: As continuing security for the payment of the Indebtedness and the performance, fulfilment and satisfaction of all covenants, obligations and conditions on the part of the Debtor set out herein, in the Loan Agreement and in the Loan Documents, the Debtor:

- (a) assigns, transfers, mortgages and charges to and in favour of the Secured Party all of the Debtor's rights, title and interest in and to the Collateral; and
- (b) grants to and in favour of the Secured Party a security interest in the Collateral;

as and by way of a fixed charge, provided that the said grant of the security interest, assignment, mortgage and charge will not render the Secured Party liable to observe or perform any term, covenant or condition of any agreement, document or instrument to which the Debtor is a party or by which it is bound.

2.2 Exclusion of Last Day of Leasehold Interest from Security Interest: The Security Interest referred to in Section 2.1 hereof shall not extend to or apply to the last day of the term of any lease or agreement therefor that is now or may hereafter be held by the Debtor; provided, however, if the Security Interest becomes enforceable, the Debtor shall thereafter stand possessed of the last day of each such lease or agreement therefor and shall hold the same in trust for, and shall, upon receipt of a written request to that effect from the Secured Party assign the same to, any person who acquires the term of any such lease or any agreement therefor in the course of any enforcement of the Security Interest or in the course of any realization upon the Collateral or any part thereof.

2.3 Attachment: The Debtor acknowledges: (i) that value has been given; (ii) the security interest granted hereby attaches upon the execution of this Agreement by the Debtor (or, in the case of any after-acquired property, at the time of acquisition by the Debtor of any rights therein); (iii) it has not agreed to postpone the time of attachment of the security interest and (iv) it has received a copy of this Agreement.

ARTICLE 3 REPRESENTATIONS, WARRANTIES AND COVENANTS

3.1 Representations and Warranties: The Debtor represents and warrants that the Collateral is owned by the Debtor with, excepting the Existing Security, good and marketable title thereto, free and clear of any assignments, executions, mortgages, charges, hypothecations, pledges, security interests, liens, demands, adverse claims and any other encumbrances whatsoever

3.2 Covenants: The Debtor covenants and agrees with the Secured Party that so long as any of the Indebtedness remains outstanding:

- (a) the Debtor shall at all times maintain its corporate existence;
- (b) the Debtor shall diligently maintain and operate the Collateral and shall conduct its operations in a reasonable and prudent manner so as to maintain, preserve and protect the Collateral;
- (a) the Debtor shall not permit the Collateral to be affixed to real or personal property so as to become a fixture or accession without the prior written consent of the Secured Party;
- (c) the Debtor shall pay all taxes, rates, levies, government fees and dues levied, assessed or imposed in respect of the Collateral or any part thereof, as and when the same become due and payable, and shall forthwith upon request by the Secured Party deliver such evidence as may satisfy the Secured Party that such taxes, rates, levies, fees and dues have been paid;
- (d) the Debtor shall at all times repair and keep in good order and condition any part or parts of the Collateral that constitutes tangible personal property, and renew and replace all and any of the same which may become unrepairable or destroyed;
- (e) the Debtor shall insure, at its own expense, on a replacement cost basis, all items of Collateral for which insurance coverage is purchasable, at all times during which any Indebtedness exists, with insurers and pursuant to policies approved by the Secured Party, for such risks and perils as a reasonable owner of similar Collateral would consider prudent and for such other insurable risks and perils as the Secured Party may from time to time consider advisable or desirable and in respect of which insurance coverage may be available;
- (f) the Debtor shall, upon request from the Secured Party, deliver to the Secured Party original or certified true copies of all policies of insurance required to be maintained by the Debtor pursuant hereto and the Debtor shall, at least thirty (30) days prior to the expiry of any such insurance policy, deliver to the Secured Party a renewal receipt, binder or new policy replacing such expiring insurance policy, or otherwise satisfy the Secured Party that such insurance has been renewed;
- (g) the Debtor shall cause all proceeds payable under all policies of insurance required to be maintained by the Debtor hereunder to be made payable to the Secured Party, as its interest may appear, and shall otherwise deal with such policies in such manner so as to enable all proceeds payable thereunder to be collected by the Secured Party from the insurer. The Secured Party may elect to have such insurance money applied in the reinstatement of the relevant Collateral or towards repayment of the Indebtedness whether then due or not;
- (h) the Debtor shall defend the Collateral against all claims and demands respecting the Collateral made by all persons at any time and shall not create, grant, assume or otherwise permit to exist any assignment, execution,

mortgage, charge, hypothec, pledge, lien, security interest or other encumbrance upon the Collateral or any part thereof or the Debtor's interest therein;

- (i) the Debtor shall not, without providing 30 days written notice to the Secured Party, change its chief executive office, the registered office or the location of the office where it keeps its records respecting receivables, or, other than in the ordinary course of its business, move any of the Collateral;
- (j) the Debtor shall permit the Secured Party from time to time at any reasonable time to inspect the Collateral and make copies of all information relating to the Collateral and for such purposes the Secured Party will have access to all premises occupied by the Debtor or where the Collateral may be found;
- (k) the Debtor shall not change its name or, if the Debtor is a corporation, not amalgamate with any other corporation without first giving notice to the Secured Party of its new name and the names of all amalgamating corporations and the date when such new name or amalgamation is to become effective;
- (l) the Debtor shall from time to time at the request of the Secured Party and at the expense of the Debtor, make and do all such acts and things and execute and deliver all such instruments, security agreements and other writings and assurances as may be necessary or desirable or recommended by counsel to the Secured Party with respect to this Agreement or the Collateral or in order to perfect, keep perfected, maintain and preserve the Security Interest;
- (m) the Debtor shall, subject to the terms of the Loan Agreement, pay or reimburse the Secured Party upon demand for all Expenses together with interest thereon from the date of payment by the Secured Party until paid in full to the Secured Party by the Debtor at the highest rate of interest payable under the Loan Documents, calculated and compounded monthly before and after demand, maturity, default and judgment, together with interest on overdue interest at the same rate; and
- (n) the Debtor shall not transfer, convey, sell, sublease, assign or otherwise deal with or part with possession of the Collateral or any part thereof.

ARTICLE 4 DEALING WITH COLLATERAL

4.1 Dealing with Collateral: The Debtor shall not sell, lease or otherwise dispose of any of the Collateral without the prior written consent of the Secured Party, except that the Debtor may, upon the occurrence and continuation of an Event of Default, deal with its money or sell items of Inventory in the ordinary course of its business so that the purchaser thereof takes title thereto free and clear of the security interest, assignment, mortgage and charge granted hereby, but all proceeds of any such sale will continue to be subject to the security granted hereby. Upon the occurrence and continuation of an Event of Default, and the exercise by the Secured Party of any of its rights and remedies under Section 5.2, all money received by the Debtor will be held by the Debtor in trust for the Secured Party and must be held

separate and apart from other money of the Debtor and paid over to the Secured Party on request.

- 4.2 Rights and Duties of Secured Party:** The Secured Party may perform any of its rights and duties hereunder by or through agents and is entitled to retain counsel and to act in reliance upon the advice of such counsel concerning all matters pertaining to its rights and duties hereunder. In the holding of the Collateral, the Secured Party and any agent on its behalf is only bound to exercise the same degree of care as would a reasonable and prudent owner. The Secured Party and any agent on its behalf will be deemed to have exercised reasonable care with respect to the custody and preservation of the Collateral if it takes such action for that purpose as the Debtor reasonably requests in writing, but failure of the Secured Party or its agent to comply with any such request will not of itself be deemed a failure to exercise reasonable care.
- 4.3 Registration of Securities:** The Secured Party may have any Securities registered in its name or in the name of its nominee and will be entitled, but not required, to exercise any of the rights that any holder of such Securities may at any time have. However, until the occurrence and continuation of an Event of Default, and the exercise by the Secured Party of any of its rights and remedies under Section 5.2, the Debtor will be entitled to exercise, in a manner not prejudicial to the interests of the Secured Party or which would not violate or be inconsistent with this Agreement, all voting power from time to time exercisable in respect of the Securities. The Secured Party will not be responsible for any loss occasioned by its exercise of any of such rights or by failure to exercise the same within the time limited for the exercise thereof. The Debtor must from time to time forthwith upon the request of the Secured Party deliver to the Secured Party those Securities requested by the Secured Party duly endorsed for transfer to the Secured Party or its nominee.
- 4.4 Notification of Account Debtors:** Upon the occurrence and continuation of an Event of Default and the exercise by the Secured Party of any of its rights and remedies under Section 5.2, the Secured Party may give notice to any account debtor of the Debtor or other person to make all further payments to the Secured Party. Any payment or other proceeds of Collateral received by the Debtor from account debtors or from any other person liable to the Debtor after the occurrence and continuation of such Event of Default and exercise of such rights and remedies will be held by the Debtor in trust for the Secured Party and must be held separate and apart from other money of the Debtor and paid over to the Secured Party on request.
- 4.5 Application of Funds:** All money collected or received by the Secured Party in respect of the Collateral may be applied on account of such parts of the Indebtedness as the Secured Party in its sole discretion determines, or may be held unappropriated in a collateral account, or in the discretion of the Secured Party may be released to the Debtor, all without prejudice to the Secured Party's rights against the Debtor.

**ARTICLE 5
EVENTS OF DEFAULT AND REMEDIES**

5.1 Events of Default: The Debtor shall be in default hereunder upon the occurrence of any one or more of the following events (which shall collectively be called "**Events of Default**" and individually an "**Event of Default**"):

- (a) if the Debtor is in default under or pursuant to, or otherwise fails to perform, fulfill or satisfy any covenant, obligation or condition set out in, or upon the occurrence of an event described as an "event of default" or a "default" in, this Agreement, the Loan Agreement or any of the Loan Documents or the Existing Loan; or
- (b) if the Debtor or any guarantor or covenantor of the Indebtedness or any part thereof commits an act of bankruptcy or becomes insolvent or has a receiver or receiver and manager appointed for it or over any of its assets or if any creditor takes possession of any of its assets or if any execution, distress or other like process is levied or enforced upon the Collateral or any part thereof or if any compromise or arrangement with creditors is made by any of them.

5.2 Remedies Upon Default: Subject and subordinate to the rights of 0982244 B.C. Ltd. under the Existing Loan, upon the occurrence and continuation of an Event of Default: (a) the full amount of the Indebtedness not yet payable shall become immediately payable, without presentment, protest, notice of protest or notice of dishonour, all of which are expressly waived; (b) the obligation, if any, of the Secured Party to extend further credit to the Debtor will cease; and (c) the security granted hereby will become immediately enforceable. The Secured Party shall have, in addition to all other rights, powers and remedies available at law and in equity, the following rights, powers and remedies:

- (a) the Secured Party may immediately sue for the Indebtedness;
- (b) the Secured Party may appoint and reappoint by instrument in writing, or institute proceedings in any court of competent jurisdiction for the appointment or reappointment of, any person (including the Secured Party) or persons to be a receiver or receiver and manager (collectively called a "**Receiver**") of all or any part of the Collateral. The Secured Party may remove or replace the Receiver from time to time, and appoint another person or persons in his stead or make application to a court of competent jurisdiction to do so. Subject to the provisions of the instrument or court order appointing the Receiver, the Receiver so appointed or replaced shall have, possess and may exercise all or any part of the rights, powers and remedies of the Secured Party (whether conferred upon the Secured Party by this Agreement or otherwise). For greater certainty, where the Secured Party is referred to in this Agreement, the term shall, where the context permits, include the Receiver so appointed or replaced and the officers, employees, servants or agents of the Secured Party and the Receiver;
- (c) the Secured Party may, without notice, take such steps as it considers necessary or desirable to obtain possession of all or any part of the Collateral by any method permitted by law, and to that end the Debtor agrees:

- (i) to deliver possession of the Collateral to the Secured Party forthwith upon its receipt of a written or verbal demand therefor, at such place or places specified by the demand; and
 - (ii) that the Secured Party may, at any time during the day or night, by any lawful means, enter upon any other premises where any of the Collateral may be found for the purpose of rendering unusable any part of the Collateral which constitutes equipment or for the purpose of taking possession of and removing the Collateral or any part thereof or both;
- (d) the Secured Party may have, exercise or enforce any rights of the Debtor in respect of the Collateral;
- (e) subject to the Act, the Secured Party may without notice, advertisement, demand for payment or any other formality (all of which are hereby waived) do any act or thing to maintain, preserve and protect the Collateral or its value, or seize, collect, realize upon, lease, dispose of, release to third parties, sell by public or private sale or any other mode of disposition as the Secured Party may consider advisable or otherwise deal with the Collateral or any part thereof in such manner, for such consideration, upon such terms and conditions and at such time or times as may, in the absolute discretion of the Secured Party, seem to it necessary or advisable;
- (f) subject to the Act, the Secured Party may without notice, retain the Collateral or any part thereof and postpone the sale or any other disposition or dealing with the Collateral or any part thereof for such period as may, in the absolute discretion of the Secured Party, seem to it necessary or advisable;
- (g) subject to the Act, the Secured Party may without notice, elect to retain all or any part of the Collateral in satisfaction of the Indebtedness or any part thereof;
- (h) subject to the Act, the Secured Party may purchase all or any part of the Collateral at any public or private sale, auction, tender or by way of any other mode of disposition;
- (i) the Secured Party may borrow money on the security of the Collateral and create security interests in the Collateral, whether or not in priority to the Security Interest, which, in the absolute discretion of the Secured Party, may impair the Debtor's right to redeem the Collateral;
- (j) the Secured Party may carry on or concur in the carrying on of all or any part of the business of the Debtor and may enter upon, occupy and use all or any of the premises occupied or used by the Debtor, or in which the Collateral or any part thereof is situate for such time as the Secured Party sees fit, free of charge, to the exclusion of the Debtor; and
- (k) the Secured Party may pay any indebtedness of the Debtor, post any security or otherwise deal with any other creditors of the Debtor in order to obtain the discharge of any mortgage, charge, hypothecation, pledge, security interest, lien, claim or other encumbrance that may exist against the Collateral or any part thereof.

- 5.3 Receiver as Agent:** The Receiver shall be the agent of the Debtor for all purposes except possession of the Collateral only, which possession shall be on behalf of and as agent of the Secured Party and not the Debtor.
- 5.4 Power of Attorney:** The Debtor hereby irrevocably appoints any officer for the time being of the Secured Party the true and lawful attorney of the Debtor upon the occurrence and continuation of an Event of Default, with full power of substitution, to do all things and execute and deliver all such documents and instruments with the right to use the name of the Debtor whenever and wherever the officer may deem necessary or expedient and from time to time to exercise all rights and powers and to perform all acts of ownership in respect to the Collateral in accordance with this Agreement.
- 5.5 Risk of Loss:** Where all or any part of the Collateral is in the possession of the Secured Party or the Receiver the risk of loss or damage, whether caused by the negligence of the Secured Party, the Receiver or otherwise, shall be the sole responsibility and obligation of the Debtor.

ARTICLE 6 GENERAL CONTRACT PROVISIONS

- 6.1 Secured Party not Liable:** Neither the Secured Party nor the Receiver shall be bound to do any one or more of the following:
- (a) give any notice;
 - (b) make or do any repair, processing or preparation for disposition of the Collateral (whether commercially reasonable or not);
 - (c) use reasonable care in the custody or preservation of any of the Collateral in its possession;
 - (d) keep the Collateral identifiable;
 - (e) proceed in a commercially reasonable manner in the collection from debtors of the Debtor;
 - (f) exercise any rights, powers and remedies whatsoever including, without limitation, seize, collect, realize upon, lease, sell or otherwise dispose of, borrow money on the security of, release to third parties, obtain possession of, obtain payment for, maintain or preserve or protect, the Collateral or any part thereof or its value; and
 - (g) institute proceedings for the purpose of seizing, collecting, realizing upon, disposing of or obtaining possession of or payment for, the Collateral or any part thereof or for the purpose of preserving any rights of the Secured Party, the Debtor or any other person, firm or corporation in respect of same;

nor shall the Secured Party or the Receiver be liable or accountable for doing or for failing to do any one or more of the foregoing. Notwithstanding anything contained herein, the Debtor shall be liable for all actions, causes of action, proceedings, debts, demands, claims, losses, damages and other liabilities incurred or suffered by the

Debtor, the Secured Party or the Receiver by reason of or on account of any act or failure to act of the Receiver.

- 6.2 Application of Funds:** Subject and subordinate to the rights of 0982244 B.C. Ltd. under the Existing Loan, all amounts realized from the Collateral upon the enforcement of the Security Interest shall be applied by the Secured Party or the Receiver firstly, to the payment of Expenses, secondly, to the payment of such part of the Indebtedness as constitutes interest, and thirdly, to the payment of the balance of the Indebtedness; and any deficiency shall be and remain payable by the Debtor to the Secured Party. If any surplus remains after the payments itemized herein, such surplus shall be applied in the manner provided for in the Act.
- 6.3 Performance by Secured Party:** If the Debtor fails to perform, fulfill or satisfy any covenant, obligation or condition herein set out including, without limitation, the payment of money, the Secured Party may, in its absolute discretion, but without being bound to do so, perform any such covenant, obligation or condition capable of being performed by the Secured Party. No such performance or payment shall relieve the Debtor from any default under this Agreement or any consequence of such default.
- 6.4 Rights, Powers and Remedies:** Each right, power and remedy of the Secured Party provided for in this Agreement or available at law or in equity may be exercised separately from or in combination with, and is in addition to and not in substitution for, any other right, power and remedy of the Secured Party however created. Without limiting the generality of the foregoing, the taking of judgment or judgments by the Secured Party shall not operate as a merger or affect the right of the Secured Party to interest as provided herein.
- 6.5 Waiver:** No consent or waiver, express or implied, by the Secured Party to or of any breach or default by the Debtor in the performance of its obligations hereunder shall be deemed or construed to be a consent to or a waiver of any other breach or default in the performance of the Debtor's obligations hereunder. Failure on the part of the Secured Party to complain of any act or failure to act of the Debtor or to declare the Debtor in default, irrespective of how long such failure continues, shall not constitute a waiver by the Secured Party of its rights hereunder.
- 6.6 Dealings with Persons:** The Secured Party may grant extensions of time and other indulgences, take and give up securities, accept compositions, grant releases and discharges, release any part of the Collateral to third parties and otherwise deal with the Collateral, the Debtor, debtors of the Debtor, guarantors, sureties and others, as the Secured Party may see fit, without prejudice to the Secured Party's rights, powers and remedies whatsoever.
- 6.7 Notices:** Any demand, notice or communication to be made or given hereunder shall be in writing and may be made or given by personal delivery or electronic means of communication addressed to the respective parties at the addresses set out in the Loan Agreement, or such other address or in care of such other officer as a party may from time to time advise to the other party hereto by notice in writing, as aforesaid. The date of receipt of any such notice, election, demand, declaration or request shall be the date of delivery of such notice, election, demand or request if delivered personally or, if sent by facsimile, the business day following the date of transmittal, or if mailed as aforesaid, shall be deemed to be the fourth business day next following the date of such mailing. If at the date of any such mailing there is a

general interruption in the operation of the postal service of Canada which does or is likely to delay the delivery by mail of such notice, election, demand or request, it shall be served personally.

- 6.8 Successors and Assigns:** This Agreement and each of the covenants, warranties and representations herein set out shall enure to the benefit of the successors and assigns of the Secured Party and be binding upon the successors and permitted assigns of the Debtor.
- 6.9 Survival:** All covenants, undertakings, agreements, representations and warranties made by the Debtor in this Agreement shall survive the execution and delivery of this Agreement and shall continue in full force and effect until the Indebtedness is paid in full. All representations and warranties made by the Debtor herein shall be deemed to have been relied upon by the Secured Party.
- 6.10 Entire Agreement:** This Agreement constitutes the entire agreement between the Debtor and the Secured Party relating to the Security Interest and may not be amended in any manner except by written instrument signed by both of them.
- 6.11 Applicable Law:** This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario.
- 6.12 Discharge:** Upon the full and irrevocable payment, performance and satisfaction of the Indebtedness, this Agreement will be released and terminated, and the Debtor will be entitled to a release or discharge of any registrations or filings made in connection with this Agreement or in connection with the Security Interests.
- 6.13 Time of the Essence:** Time is and shall continue to be of the essence of this Agreement.
- 6.14 Headings:** The insertion of headings in this Agreement is for the convenience of reference only and shall not affect the construction or interpretation of this Agreement.
- 6.15 Number and Gender:** All nouns and personal pronouns relating thereto shall be read and construed as the number and gender may require and the verb shall be read and construed as agreeing with the noun and pronoun.
- 6.16 Acknowledgement:** The Debtor acknowledges having received a fully executed copy of this Agreement and, to the extent permitted by applicable law, waives all rights to receive from the Secured Party a copy of any financing statement, financing change statement, or verification statement, filed or issued at any time in respect of this Agreement. The Debtor confirms its consent to the filing by the Secured Party or on its behalf of any financing statement or financing change statement filed or issued at any time in respect of this Agreement.
- 6.17 Joint and Several:** All the covenants, agreements, representations, warranties, indemnities and obligations of the Debtor in this Agreement are deemed to be joint and several covenants, agreements, representations, warranties, indemnities and obligations of each of such parties.
- 6.18 Execution and Delivery:** This Agreement may be executed in any number of counterparts and delivered originally, by facsimile, or by Portable Document Format

(“**PDF**”) and each such facsimile copy, or PDF copy, when so delivered shall be deemed to be an original and all of which taken together shall constitute one and the same instrument.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF the Debtor has executed this Agreement as of the date first written above.

TORONTO HERBAL REMEDIES INC.

Per: _____
Name: *Craig Lovelock*
Title: *CFO*

Per: _____
Name:
Title:

**SCHEDULE A
LEGAL DESCRIPTION OF LANDS**

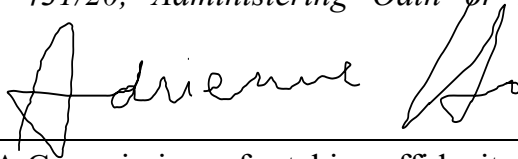
LT 89 PL 2176 SCARBOROUGH; LT 90 PL 2176 SCARBOROUGH; LT 91 PL 2176SCARBOROUGH; LT 101 PL 2291 SCARBOROUGH; LT 102 PL 2291 SCARBOROUGH; LT 103 PL 2291 SCARBOROUGH; LT 104 PL 2291 SCARBOROUGH; LT 105 PL 2291 SCARBOROUGH; LT 106 PL 2291 SCARBOROUGH; LT 107 PL 2291 SCARBOROUGH; LT 108 PL 2291 SCARBOROUGH; PT DAVIDSON AV PL 2176 SCARBOROUGH; PTDAVIDSON AV PL 2291 SCARBOROUGH CLOSED BY SC103893

AS

IN TB625847; S/T & T/W TB625847; TORONTO , CITY OF TORONTO

**SCHEDULE A
LEGAL DESCRIPTION OF LANDS**

This is Exhibit "I I" referred to in the Affidavit of Craig Loverock sworn by Craig Loverock located in the City of Newmarket, in the Regional Municipality of York, in the Province of Ontario, before me at the City of Toronto, in the Province of Ontario, this 22nd day of June, 2022 in accordance with *O.Reg. 431/20, Administering Oath or Declaration Remotely*.

A handwritten signature in black ink, appearing to read "Adrienne Ho". The signature is written in a cursive style with a large initial "A" and a stylized "H".

A Commissioner for taking affidavits

ADRIENNE HO

FIRST AMENDING AGREEMENT

THIS AMENDMENT made on the 24th day of August 2020.

AMONG:

INFUSION BIOSCIENCES INC., a company incorporated pursuant to the laws of the Province of Ontario

(the "**Lender**")

-and-

SPROUTLY CANADA, INC., a company incorporated pursuant to the laws of the Province of British Columbia

(the "**Borrower**")

-and-

TORONTO HERBAL REMEDIES INC., a company incorporated pursuant to the laws of the Province of Ontario

(the "**Guarantor**", and together with the Borrower, the "**Loan Parties**")

WHEREAS the Borrower, the Guarantor and the Lender entered into a loan agreement dated as of 21st day of January 2020, as amended, amended and restated, renewed, extended, supplemented, replaced or otherwise modified to the date hereof, the "**Loan Agreement**";

AND WHEREAS the parties hereto wish to amend the Loan Agreement on the terms and subject to the conditions set forth herein;

NOW THEREFORE in consideration of the mutual covenants, terms and conditions set forth herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. **Interpretation.** Capitalized terms used not otherwise defined in this Amendment shall have the respective meanings assigned to them in the Loan Agreement (the "**Amended Loan Agreement**").
2. **Amendments to the Loan Agreement.** Effective as of May 14, 2020, Section 2 of the Loan Agreement is hereby amended by deleting the value "10%" from first sentence of such Section and inserting in lieu thereof the value "15%", and Interest shall be payable under the terms of the Loan Agreement at a rate of 15% commencing from May 14, 2020.
3. **Limited Effect.** Except as expressly provided herein, all of the terms and provisions of the Loan Agreement and the other Security Documents are and shall remain in full force and effect and are hereby ratified and confirmed by the Borrower and the other Loan Parties. The amendments contained herein shall not be construed as a waiver or amendment of any other provision of the Loan Agreement or the other Security Documents or for any purpose except as expressly set forth herein or a consent to any

further or future action on the part of the Borrower or the other Loan Parties that would require the waiver or consent of the Lender.

4. **Conditions Precedent.** This Amendment shall become effective upon the date (the "Effective Date") on which the Lender shall have received:
 - (a) This Amendment, duly executed and delivered by the parties hereto.
 - (b) Satisfactory evidence that all corporate and other proceedings that are necessary in connection with this Amendment have been taken to the Lender's and its counsel's reasonable satisfaction, and the Lender and such counsel shall have received all such counterpart originals or certified copies of such documents as the Lender may reasonably request.
 - (c) Such other information and documents as may reasonably be required by the Lender and its counsel in connection with this Amendment.

5. **Representations and Warranties.** The Borrower and each other Loan Party hereby represents and warrants to the Lender (before and after giving effect to this Amendment) that:
 - (a) Each Loan Party has the corporate power and authority, and the legal right, to execute, deliver and perform this Amendment and, in the case of the Borrower, to authorize the increase in the interest rate payable on the loan.
 - (b) Each Loan Party has taken all necessary corporate action to authorize the execution, delivery and performance of this Amendment and , in the case of the Borrower, to authorize the increase in the interest rate payable under the Amended Loan Agreement.
 - (c) No consent or authorization of, filing with, notice to or other act by, or in respect of, any Governmental Authority or any other Person is required in connection with this Amendment, the extensions of credit under the Amended Loan Agreement or the execution, delivery, performance, validity or enforceability of this Amendment, or the performance, validity or enforceability of the Amended Loan Agreement, except consents, authorizations, filings and notices which have been obtained or made and are in full force and effect.
 - (d) This Amendment has been duly executed and delivered on behalf of the each Loan Party that is a party hereto. This Amendment and the Amended Loan Agreement constitute the legal, valid and binding obligations of the Borrower and the other Loan Parties party thereto and are enforceable against the Borrower and the other Loan Parties party thereto in accordance with their terms except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general equitable principles (whether enforcement is sought by proceedings in equity or at law).
 - (e) Each of the representations and warranties made by any Loan Party herein or in or pursuant to the Security Documents is true and correct on and as of the Effective Date as if made on and as of such date (except that any representation or warranty which by its terms is made as of an earlier date shall be true and correct as of such earlier date).

- (f) No Default or Event of Default has occurred and is continuing, or will result from this Amendment or any extension of credit under the Amended Loan Agreement.
- (g) The Borrower and each of the other Loan Parties has all agreements and satisfied all conditions which this Amendment and the other Security Documents provide shall be performed or satisfied by the Borrower or the other Loan Parties on or before the Effective Date.
6. **Confirmation of Security and Guarantees.** Each Loan Party hereby confirms that each of the Security Documents and guarantees that it has delivered to the Lender is and continues to be in full force and effect as continuing security for the payment and performance by it of all its present and future indebtedness, liabilities and obligations to the Lender now or hereafter arising, to the extent provided therein, and each such Security Document and guarantee is enforceable against it by the Lender in accordance with its terms.
7. **Mortgage.** Subject to the consent of the 0982244 B.C. LTD., which the Lender acknowledges might not be obtained, or such consent no longer being required, the Guarantor hereby covenants to amend the mortgage granted on the facility at 64 Raleigh Avenue, Toronto, Ontario to increase the interest rate to 15% per annum.
8. **Further Assurances.** The Borrower and the Guarantor shall execute or cause to be made, done or executed, all further and lawful acts, deeds, things, devices, conveyances and assurances whatsoever for effecting the purposes and intent of this Amendment as counsel for the Lender shall reasonably advise or request.
9. **Successors and Assigns.** This Amendment is binding upon and shall enure to the benefit of the Borrower, the Guarantor and the Lender, and each of their respective permitted successors and assigns.
10. **Governing Law.** This Amendment shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable in that Province without giving effect to any choice or conflict of law provision or rule.
11. **Counterparts and Facsimile.** This Amendment and any amendments, waivers, consents or supplements hereto may be executed in counterparts, each of which is deemed an original, but all of which together are deemed to be one and the same agreement. A signed copy of this Amendment delivered by facsimile, email or other means of electronic transmission is deemed to have the same legal effect as delivery of an original signed copy of this Amendment.
12. **Costs and Expenses.** The Borrower shall pay all expenses incurred by the Lender including, without limitation, legal fees (on a solicitor and client basis) and registration costs of the Borrower in connection with the preparation and negotiation of this Agreement and the new loan agreement dated the date hereof among the Lender and the Loan Parties, the preparation, negotiation and registration of the Lender's security and the enforcement of the Lender's rights relating to the Indebtedness, the security interest and the collateral security, subject to an aggregate maximum cap for all expenses of \$20,000.00.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the date first above written.

INFUSION BIOSCIENCES INC.

Per: 
Name Charles Shin
Title Director

SPROUTLY CANADA, INC.

Per: _____
Name
Title

TORONTO HERBAL REMEDIES INC.

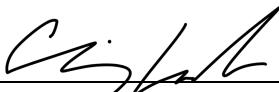
Per: _____
Name
Title

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the date first above written.

INFUSION BIOSCIENCES INC.

Per: _____
Name
Title

SPROUTLY CANADA, INC.

Per:  _____
Name Craig Loverock
Title CFO

TORONTO HERBAL REMEDIES INC.

Per: _____
Name
Title

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the date first above written.


INFUSION BIOSCIENCES INC.

Per: _____
Name
Title

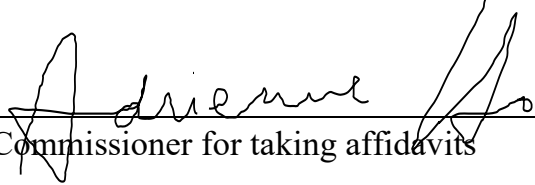
SPROUTLY CANADA, INC.

Per: _____
Name
Title

TORONTO HERBAL REMEDIES INC.

Per:  _____
Name Craig Loverock
Title Director

This is Exhibit “**HH**” referred to in the Affidavit of Craig Loverock sworn by Craig Loverock located in the City of Newmarket, in the Regional Municipality of York, in the Province of Ontario, before me at the City of Toronto, in the Province of Ontario, this 44th day of June, 2022 in accordance with *O.Reg. 431/20, Administering Oath or Declaration Remotely*.



A Commissioner for taking affidavits

ADRIENNE HO

LOAN AGREEMENT

THIS AGREEMENT made effective as of August 24, 2020,

AMONG:

INFUSION BIOSCIENCES INC., a company incorporated pursuant to the laws of the Province of Ontario
(the "**Lender**")

-and-

SPROUTLY CANADA, INC., a company incorporated pursuant to the laws of the Province of British Columbia
(the "**Borrower**")

-and-

TORONTO HERBAL REMEDIES INC., a company incorporated pursuant to the laws of the Province of Ontario
(**"THR"**)

-and-

INFUSION BIOSCIENCES CANADA INC., a company incorporated pursuant to the laws of the Province of Alberta
(**"IBC"**)

WHEREAS the Lender is prepared to advance certain funds to the Borrower on the terms and conditions set out herein;

AND WHEREAS the Lender, the Borrower and THR are parties to a Loan Agreement dated January 21, 2020 (the "**Existing Loan**"), in connection with which the Borrower granted a general security agreement in favour of the lender and THR provided a guarantee, a general security agreement and a mortgage in support of the Borrower's obligations to the lender (collectively the "**Existing Security Documents**")

The parties agree as follows:

1. The Lender agrees to lend to the Borrower and the Borrower agrees to borrow from the Lender the sum of eight hundred and fifty-five thousand dollars (\$855,000) of lawful money of Canada (the "**Principal Sum**") for a term ending on October 24, 2020 ("**Maturity Date**"), the indebtedness to be evidenced by a convertible debenture issued by the Borrower to the Lender (the "**Convertible Debenture**") and subject to the conditions therein, which are incorporated by reference and form part of this Agreement.
2. The Borrower agrees to pay to the Lender interest on the Principal Sum from the date of May 14, 2020, at a rate per annum equal to 15% per annum accruing monthly and compounding monthly (the "**Interest**"). As long as no Event of Default (as defined herein) has occurred and is continuing, Interest shall accrue at the rate set out above and is payable on the Maturity Date.

3. The Borrower shall pay all expenses incurred by the Lender including, without limitation, legal fees (on a solicitor and client basis) and registration costs of the Borrower in connection with the preparation and negotiation of this Agreement and the first amendment to the Existing Loan, the preparation, negotiation and registration of the Lender's security and the enforcement of the Lender's rights relating to the Indebtedness, the security interest and the collateral security, subject to an aggregate maximum cap for all expenses of \$20,000.00.
4. The Borrower agrees to repay to the Lender at the City of Toronto or at any other place in Canada as the Lender may direct, the Principal Sum and Interest (the "**Indebtedness**") on the Maturity Date.
5. Notwithstanding any other provisions hereof, any conversion undertaken in accordance with the terms of Article 4 of the Convertible Debenture shall reduce the amount of Indebtedness due and payable hereunder to the extent of any such conversion.
6. Notwithstanding the execution of this Agreement by the parties, the Agreement and the obligation of the Lender to advance any amounts hereunder shall be conditional on the following:
 - (a) receipt by the Lender of the following documents, each in full force and effect, and in form and substance satisfactory to the Lender:
 - (i) an executed copy of this Agreement;
 - (ii) executed copies of:
 - (A) a guarantee granted by IBC in a form satisfactory to the Lender,
 - (B) a general security agreement granted by the IBC in a form satisfactory to the Lender; and
 - (iii) an executed copy of the Convertible Debenture; and
 - (b) The Borrower meeting the conditions set out **Schedule "A"** to the satisfaction of the Lender in its sole discretion.

If any of the foregoing conditions precedent are not satisfied or waived by the Lender in writing on or before the August 24, 2020, this Agreement will terminate, and the Lender will be under no further obligation to the Borrower in connection with the transaction contemplated herein.

7. The Borrower covenants and agrees that so long as any monies will be outstanding under this Agreement, the Borrower shall prepare a weekly budget in writing with respect to the use of the loan proceeds (each a "**Weekly Budget**") and submit a copy of the Lender prior to the week in which the proceeds are to be used for approval by the Lender, such approval to be granted in the Lender's sole discretion. If approved by the Lender in writing a Weekly Budget is deemed an "**Approved Budget**".
8. The Borrower covenants and agrees that so long as any monies will be outstanding under this Agreement, it will:
 - (a) all times maintain its corporate existence;

- (b) duly perform its obligations under this Agreement and all other agreements and instruments executed and delivered hereunder;
 - (c) carry on and conduct its business in a proper business-like manner in accordance with good business practice;
 - (d) allow the Lender or its agents and advisors on reasonable notice during regular business hours full access to the books and records of the Borrower, and to make copies and extracts thereof, and cause management thereof, and the solicitors, auditors, accountants and advisors thereof, to fully co-operate with the Lender, its agents and advisors, accordingly;
 - (e) notify the Lender at least 30 days in advance of any change in its name or the location of its chief executive office;
 - (f) promptly give written notice to the Lender of any material litigation, proceeding or investigation affecting the Borrower, or in respect of which there is a reasonable possibility of a determination adverse to the Borrower, and shall from time to time furnish to the Lender all reasonable information requested by the Lender concerning the status of any such litigation, proceeding, dispute or investigation;
 - (g) at all times comply with all applicable laws, statutes, rules, by-laws and regulations, and all applicable official directives, orders, judgments and decrees of governmental bodies;
 - (h) pay and discharge promptly when due, all taxes, assessments and other governmental charges or levies imposed upon it or upon its properties or assets or upon any part thereof, as well as all claims of any kind (including claims for labour, materials and supplies) which, if unpaid, would by law become a lien, trust or other claims upon any such properties or assets;
 - (i) furnish and give to the Lender (if such is the case) notice that an Event of Default has occurred and, if applicable, is continuing or notice in respect of any event which would constitute an Event of Default hereunder with the passage of time and specifying the nature of same; and
 - (j) perform and do all such acts and things as are necessary to perfect and maintain the security provided to the Lender pursuant to this Agreement.
9. The Borrower covenants and agrees with the Lender that the Borrower will not without first obtaining the written consent of the Lender (which may be withheld in its sole discretion):
- (a) use the loan proceeds for any purposes other than in strict accordance with an Approved Budget;
 - (b) except for the security provided to the Lender pursuant to this Agreement or pursuant to the permitted encumbrances as set out in **Schedule "A"** (the "**Permitted Encumbrances**"), make, give, create or permit or attempt to make, give or create any lien over any assets of the Borrower;
 - (c) make any changes to the Borrower's capitalization;

- (d) redeem or purchase any of its shares, or otherwise reduce its share capital;
 - (e) declare or provide for any dividends or other payments based upon share capital;
 - (f) make any payment (whether for principal, interest or otherwise) on account of indebtedness owing to shareholders or directors of the Borrower or any related or Affiliated corporations or persons;
 - (g) save and except for the Loan, incur any indebtedness;
 - (h) guarantee the obligations of any other person, directly or indirectly, other than obligations permitted by this Agreement, or make loans to or extend credit to any other person except customers of the Borrower in the ordinary course of business;
 - (i) enter into any contract, agreement or transaction whatsoever, including for the sale, purchase, lease or other dealing in any property or the provision of any services, with any affiliate except upon terms that are not less favourable to the Borrower than it would obtain at the time in a comparable arm's length transaction with a person that is not an affiliate;
 - (j) enter into any transaction or series of transactions (including by way of reorganization, consolidation, amalgamation, merger, liquidation or otherwise) which would have the effect or which would otherwise result in all or substantially all of its property, assets and undertaking becoming the property of any other person, or in the case of an amalgamation, of the continuing corporation resulting therefrom;
 - (k) make any cash outlay or commitment of cash over \$5,000 other than outlay or commitment under the Approved Budget; or
 - (l) lend any funds to a third-party.
10. Upon the occurrence and continuation of any of the following events of default (each an "**Event of Default**" and, collectively, the "**Events of Default**") the Lender may, at its option, require the unpaid balance of the Principal Sum together with all interest accrued to become immediately due and payable:
- (a) If the Borrower fails to make any of the payments in the amounts and at the times specified in this Agreement and such default is not waived, cured or remedied within ten (10) days of Borrower receiving written notification of such an event by the Lender;
 - (b) If the Borrower, ICB or THR is in default of any of its covenants hereunder, under any of the Security Documents, the Existing Security Documents or under any other agreement with the Lender and such failure is not remedied within ten (10) days after the earlier of the Borrower first having knowledge thereof or the Borrower receiving written notice thereof from the Lender;
 - (c) If the Borrower should become bankrupt or insolvent or should the Borrower be subject to the provisions of the Bankruptcy and Insolvency Act (Canada), or any other act for the benefit of creditors or should the Borrower go into

liquidation either voluntarily or under an order of a court of competent jurisdiction or make a general assignment for the benefit of its creditors or otherwise acknowledge its insolvency;

- (d) If any of the Borrower's representations, warranties or other statements in this Agreement or any Security Documents, or the Existing Security Documents, or other collateral document delivered hereunder or in connection with the Loan proves to be untrue;
 - (e) If the Borrower should default in the payment of moneys to any other creditor who has supplied credit to the Borrower; and
 - (f) If the Lender in good faith believes that the prospect of payment or performance by the Borrower of his or her obligations under this Agreement is impaired or that any collateral provided to the Lender as security for payment of any obligations of the Borrower to the Lender is in danger of being impaired, lost, damaged or confiscated.
11. Upon the occurrence and continuation of an Event of Default the Lender shall have the right without any further demand or notice whatsoever to exact payments of all amounts whatsoever then outstanding and owing or to become owing by the Borrower to the Lender under any other agreement made between the Lender and the Borrower. There are no such Events of Default as at the date hereof.
 12. The Borrower does hereby indemnify and hold the Lender harmless from and against any and all damages, losses, settlement payments, obligations, liabilities, claims, actions or causes of action, and reasonable costs and expenses incurred (including legal fees on a solicitor and client full indemnity basis), suffered, sustained or required to be paid by the Lender by reason of or resulting from a breach by the Borrower of any of the covenants contained in this Agreement or any of the other loan documents.
 13. The Borrower and THR, as guarantor under the Existing Loan, have each granted to the Lender a security interest in the present and after acquired personal property of the Borrower and THR, respectively, to remain in effect for so long as there is any "Indebtedness", as defined in the respective general security agreements. IBC shall provide a guarantee and grant a security interest representing a fixed charge on all present and after acquired property of IBC to be registered until the Loan and the Existing Loan are paid in full. The Borrower, THR, and IBC also covenant they will execute or cause to be made, done or executed, all further and lawful acts, deeds, things, devices, conveyances and assurances whatsoever for effecting the purposes and intent of this Agreement as counsel for the Lender shall reasonably advise or request.
 14. Each of the Borrower and THR hereby confirms that each of the Existing Security Documents and guarantees that it has delivered to the Lender is and continues to be in full force and effect as continuing security for the payment and performance by it of all its present and future indebtedness, liabilities and obligations to the Lender now or hereafter arising, to the extent provided therein, and each such Existing Security Document and guarantee is enforceable against it by the Lender in accordance with its terms.
 15. Subject to the consent of the 0982244 B.C. LTD., which the Lender acknowledges might not be obtained, or such consent no longer being required, THR hereby covenants to provide additional security for the Indebtedness by a mortgage granted

on the facility at 64 Raleigh Avenue, Toronto, Ontario (the "**Toronto Facility**") owned by the THR and to allow for the existing mortgage on the Toronto Facility in favour of the Lender to be amended to increase the interest rate to 15% per annum.

16. Upon the occurrence and continuation of an Event of Default, the Lender may from time to time appropriate any moneys received by it from the Borrower or from the proceeds of security (if any) given by the Borrower in or towards payment of the liabilities as it in its sole discretion may see fit and the Borrower shall not have the right to require any other appropriation, and it is agreed that the taking of a judgment or judgments or any other action or dealing whatsoever by the Lender with respect to the securities shall not operate as a merger of any debt owing by the Borrower to the Lender or any part.
17. Notice to be given shall, save as otherwise specifically provided, be in writing addressed to the party for whom it is intended and shall not be deemed received until actual receipt by the other party except if sent by telex or facsimile, in which case it shall be deemed received on the business day next following the date of transmission. The mailing, telex and facsimile addresses of the parties shall be:
 - (a) As to the Lender: Infusion Biosciences Inc.
181 Bay Street, Suite 1030
Toronto, ON M5J 2T3
 - (b) As to the Borrower: Sproutly Canada, Inc.
#1050 - 1095 West Pender Street
Vancouver, BC V6E 2M6

or any other mailing, email or facsimile addresses as the parties from time to time may notify the other.

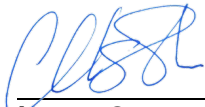
18. This Agreement and shall be governed by and construed in accordance with the applicable laws of the Province of Ontario and of Canada.
19. This agreement shall be binding on and enure to the benefit of the Borrower, the Lender and their respective successors and assigns, except that the Borrower shall not, without the prior written consent of the Lender, assign any rights or obligations with respect to this agreement. The Lender may transfer, assign or grant participation in its rights and obligations with respect to this agreement or any other agreement contemplated to any lending institution which it considers to be financially responsible, provided that any transfer, assignment or grant shall neither result in any additional cost to the Lender nor, without the consent of the Borrower, release the Lender from its obligations under this agreement.
20. Any provision of this agreement which is or becomes prohibited or unenforceable in any jurisdiction shall not invalidate or impair the remaining provisions of this agreement which shall be deemed severable from the prohibited or unenforceable provision and any prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable that provision in any other jurisdiction.
21. No amendment supplement or waiver of any provision of this agreement or any other agreements provided for or contemplated, nor any consent to any departure by the Borrower, shall in any event be effective unless it shall be in writing and signed by the Lenders and then the waiver or consent shall be effective only in the specific instance for the specific purpose for which it has been given.

22. No waiver or act or omission of the Lender shall extend to or be taken in any manner whatsoever to affect any subsequent Event of Default or breach by the Borrower of any provision of this agreement or the results or the rights resulting from it.
23. Time shall be of the essence of this agreement. The recitals form an integral part of this agreement.
24. This agreement shall remain in full force and effect until the payment and performance in full of all of the Borrower's obligations under this agreement.
25. This Agreement, including the Convertible Debenture and any ancillary documents and security documents referenced herein, constitutes the entire agreement among the parties and cancels and supersedes any prior agreements, undertakings, declarations or representations, written or verbal in respect of it.
26. This Loan Agreement may be executed in any number of counterparts and it shall not be necessary for all parties to execute the same counterpart. Each such counterpart shall be deemed to be an original instrument, but all such counterparts together shall constitute a single agreement. Delivery of this Loan Agreement may be made by facsimile transmission or email in PDF format.

[REMAINDER OF THE PAGE LEFT INTENTIONALLY BLANK - SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF the parties have affixed their hands and seals on the date first written above.

INFUSION BIOSCIENCES INC.

Per: 

Name Charles Shin
Title Director

SPROUTLY CANADA, INC.

Per: _____
Name
Title

TORONTO HERBAL REMEDIES INC.

Per: _____
Name
Title

**INFUSION BIOSCIENCES CANADA
INC.**

Per: _____
Name
Title

IN WITNESS WHEREOF the parties have affixed their hands and seals on the date first written above.


INFUSION BIOSCIENCES INC.

Per: _____
Name
Title

SPROUTLY CANADA, INC.

Per:  _____
Name Craig Loverock
Title CFO

TORONTO HERBAL REMEDIES INC.

Per:  _____
Name Craig Loverock
Title CFO

**INFUSION BIOSCIENCES CANADA
INC.**

Per: _____
Name
Title

IN WITNESS WHEREOF the parties have affixed their hands and seals on the date first written above.

INFUSION BIOSCIENCES INC.

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SPROUTLY CANADA, INC.

Per: _____
Name
Title

TORONTO HERBAL REMEDIES INC.

Per: _____
Name
Title

**INFUSION BIOSCIENCES CANADA
INC.**

Per:  _____
Name Craig Loverock
Title CFO

SCHEDULE "A"

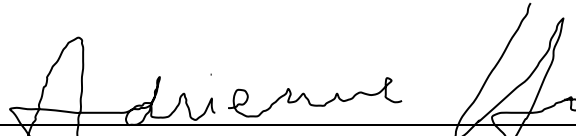
CONDITIONS

- Settlements, or reasonable assurance that the Company's payroll liabilities shall be settled, as set forth in the proposal for orderly business reorganization provided by the Lender to the Company (the "**Proposal**");
- Settlements, or reasonable assurance that the Company's accounts payables and accrued liabilities can be negotiated as per the Proposal;
- Addition of a Lender nominee on the board of directors;
- Appointment of Dr. Arup Sen as CEO effective as of May 14, 2020; and
- Amendment of the terms of the \$1,000,000 convertible debenture of the Company dated November 26, 2019 and held by the Lender to conform to the Conversion, Interest and Security Ranking terms as set forth in Term Sheet dated May 14, 2020.

PERMITTED ENCUMBRANCES

- British Columbia Personal Property Registry registration with base registration number 747284L in favour of the Bank of Montreal/Banque de Montreal registered on September 5, 2019.

This is Exhibit “II” referred to in the Affidavit of Craig Loverock sworn by Craig Loverock located in the City of Newmarket, in the Regional Municipality of York, in the Province of Ontario, before me at the City of Toronto, in the Province of Ontario, this 44th day of June, 2022 in accordance with *O.Reg. 431/20, Administering Oath or Declaration Remotely*.



A Commissioner for taking affidavits

ADRIENNE HO

Properties

PIN 06443 - 0179 LT
Description LT 89 PL 2176 SCARBOROUGH; LT 90 PL 2176 SCARBOROUGH; LT 91 PL 2176 SCARBOROUGH; LT 101 PL 2291 SCARBOROUGH; LT 102 PL 2291 SCARBOROUGH; LT 103 PL 2291 SCARBOROUGH; LT 104 PL 2291 SCARBOROUGH; LT 105 PL 2291 SCARBOROUGH; LT 106 PL 2291 SCARBOROUGH; LT 107 PL 2291 SCARBOROUGH; LT 108 PL 2291 SCARBOROUGH; PT DAVIDSON AV PL 2176 SCARBOROUGH; PT DAVIDSON AV PL 2291 SCARBOROUGH CLOSED BY SC103893 AS IN TB625847; S/T & T/W TB625847; TORONTO , CITY OF TORONTO
Address 64 RALEIGH AV
 TORONTO

Claimant(s)

Name HER MAJESTY THE QUEEN IN RIGHT OF ONTARIO AS REPRESENTED BY THE MINISTER OF FINANCE
Address for Service MINISTRY OF FINANCE
 Account Management and
 Collections Branch
 33 King Street West
 6th Floor
 Oshawa ON L1H 8H5

This document is not authorized under Power of Attorney by this party.
 This document is being authorized by a representative of the Crown.

Statements

Schedule: See Schedules

Signed By

Kimberly Denise Winkley	33 King St. West, 6th Floor Oshawa L1H 8H5	acting for Applicant(s)	Signed	2021 05 27
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Tel 905-433-5292
 Fax 905-433-6760

I have the authority to sign and register the document on behalf of the Applicant(s).

Submitted By

MINISTRY OF FINANCE	33 King St. West, 6th Floor Oshawa L1H 8H5	2021 05 27
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Tel 905-433-5292
 Fax 905-433-6760

Fees/Taxes/Payment

<i>Statutory Registration Fee</i>	\$65.30
<i>Total Paid</i>	\$65.30

File Number

Claimant Client File Number : TORONTO HERBAL REMEDIES INC (EHT)

WHEREAS pursuant to subsection 23 (1) of the Employer Health Tax Act, R.S.O. 1990, c.E.11, as amended (the Act), any tax payable or required to be remitted by any taxpayer is, upon registration of a notice claiming a lien and charge conferred by section 23, a lien and charge on any interest the taxpayer liable to pay or remit has in the real property described in the notice:

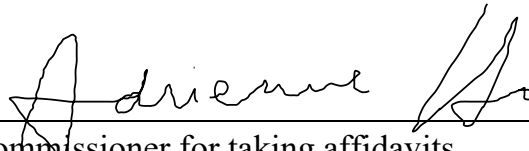
WHEREAS Toronto Herbal Remedies Inc. is indebted to the Minister of Finance for taxes and other amounts under the Act in the amount of \$8,782.32 as at May 27, 2021, with all amounts for which the taxpayer afterwards becomes liable while this notice remains registered, including interest at such rate or rates as determined from time to time under regulations made pursuant to the Act, which rate is currently 7 per cent per year compounded daily;

AND WHEREAS, Toronto Herbal Remedies Inc. has an interest in the lands described by virtue of being the registered owner;

NOW THEREFORE TAKE NOTICE that HER MAJESTY THE QUEEN IN RIGHT OF ONTARIO AS REPRESENTED BY THE MINISTER OF FINANCE claims a lien and charge against the interest of Toronto Herbal Remedies Inc. in the lands described;

EHT#: 122-908-556

This is Exhibit “**JJ**” referred to in the Affidavit of Craig Loverock sworn by Craig Loverock located in the City of Newmarket, in the Regional Municipality of York, in the Province of Ontario, before me at the City of Toronto, in the Province of Ontario, this 44th day of June, 2022 in accordance with *O.Reg. 431/20, Administering Oath or Declaration Remotely*.

A handwritten signature in black ink, appearing to read "Adrienne Ho", written over a horizontal line.

A Commissioner for taking affidavits

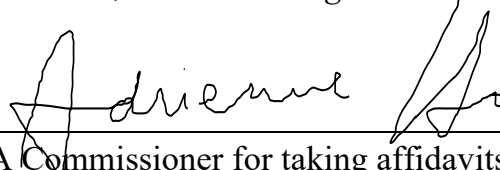
ADRIENNE HO

WEEK ENDING		1	2	3	4	5	6	7	8	9	10	11	12	13	14	TOTAL
		06/26/2022	07/03/2022	07/10/2022	07/17/2022	07/24/2022	07/31/2022	08/07/2022	08/14/2022	08/21/2022	08/28/2022	09/04/2022	09/11/2022	09/18/2022	09/25/2022	
Beginning cash (deficit)		-	(79,186)	(141,129)	(205,942)	(264,795)	(349,145)	(416,088)	(430,901)	(431,093)	(556,034)	(562,976)	(577,789)	(612,982)	(627,795)	
Receipts	Notes															
Other receipts		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total receipts		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disbursements from operations																
Salaries and wages (incl taxes)	1	44,813	-	14,813	-	18,813	-	14,813	-	18,813	-	14,813	-	14,813	4,000	145,693
Employee benefits		-	-	-	1,260	-	-	-	-	1,260	-	-	-	-	1,260	3,780
Utilities	2	-	6,750	-	-	-	-	6,750	-	-	6,750	-	-	-	-	20,250
Communications and admin	3	-	-	-	-	7,000	-	-	-	7,000	-	-	-	-	7,000	21,000
Insurance		1,015	-	-	-	900	-	-	-	900	-	-	-	-	900	3,715
Waste removal & cleaning	4	-	-	-	2,400	-	-	-	-	500	-	-	-	-	500	3,400
Supplies	5	-	-	-	-	1,000	-	-	-	1,000	-	-	-	-	1,000	3,000
Repairs and maintenance	6	-	5,000	-	5,000	-	-	-	-	1,717	-	-	-	-	2,500	14,217
Destruction/shipping cost of flower inventory		-	-	-	-	5,000	-	-	-	-	-	-	-	-	-	5,000
Source deductions and related fees	7	33,358	193	-	193	-	193	-	193	-	193	-	193	-	193	34,706
Monitor & counsel fees		-	25,000	25,000	25,000	-	30,000	-	-	35,000	-	-	25,000	-	25,000	190,000
Mortgage interest	8	-	-	-	-	32,500	-	-	-	32,500	-	-	-	-	32,500	97,500
DIP fees and interest		-	-	-	-	8,750	-	-	-	8,750	-	-	-	-	23,750	41,250
Restructuring costs	9	-	25,000	25,000	25,000	-	30,000	-	-	15,000	-	-	10,000	-	5,000	135,000
Phase II (Try Environmental Services)	10	-	-	-	-	7,887	-	-	-	-	-	-	-	-	-	7,887
KEIP	11	-	-	-	-	-	-	-	-	-	-	-	-	-	15,000	15,000
Contingency		-	-	-	-	2,500	-	-	-	2,500	-	-	-	-	2,500	7,500
Total disbursements		79,186	61,943	64,813	58,853	84,351	66,943	14,813	193	124,940	6,943	14,813	35,193	14,813	121,103	748,898
Net Cash Flow		(79,186)	(61,943)	(64,813)	(58,853)	(84,351)	(66,943)	(14,813)	(193)	(124,940)	(6,943)	(14,813)	(35,193)	(14,813)	(121,103)	(748,898)
Closing cash (deficit)		\$ (79,186)	\$ (141,129)	\$ (205,942)	\$ (264,795)	\$ (349,145)	\$ (416,088)	\$ (430,901)	\$ (431,093)	\$ (556,034)	\$ (562,976)	\$ (577,789)	\$ (612,982)	\$ (627,795)	\$ (748,898)	\$ (748,898)

Notes:

- 1 Week 1 payment includes \$30,000 which represent a portion of back wages .
- 2 Utilities presented for payment do not include arrears only monthly charges estimated by current rates.
- 3 This amount reflect all security and communication costs associated with the cannabis licence and facility.
- 4 This includes amounts for delivery of bins which were removed for non payment.
- 5 Personal protective equipment and cleaning supplies required as a condition of licence.
- 6 Repairs and maintenance include amounts for minor repairs that are necessary to maintain the building.
- 7 These are amount required for payment pursuant to the DIP Agreement and ongoing payroll to close.
- 8 Associated interest costs for current Mann Mortgage.
- 9 This reflects estimated cost for Company's legal counsel.
- 10 A Phase II environmental assessment was completed and invoiced in August 2021 by Try Environmental Services Inc. ("Try"). As a potential purchaser will most probably request a reliance letter from Try, therefore, this payment is considered critical.
- 11 Amounts allocated for Key Employee Incentive are to assist with the sales process and keep the CFO/President as a security cleared Director for the transition of licence if required.

This is Exhibit “**KK**” referred to in the Affidavit of Craig Loverock sworn by Craig Loverock located in the City of Newmarket, in the Regional Municipality of York, in the Province of Ontario, before me at the City of Toronto, in the Province of Ontario, this 44th day of June, 2022 in accordance with *O.Reg. 431/20, Administering Oath or Declaration Remotely*.

A handwritten signature in black ink, appearing to read "Adrienne Ho", written over a horizontal line.

A Commissioner for taking affidavits

ADRIENNE HO

0982244 B.C. Ltd.
401-15336 31st Avenue
Surrey, British Columbia V3Z 0X2
604-535-1628
james.randhawa@iompropertygroup.com

June 22, 2022

Toronto Herbal Remedies
70 Raleigh Ave
Toronto, ON M1K 1A3

Attention: Craig Loverock

Re: 0982244 BC LTD. o/a ISLE OF MANN PROPERTY GROUP (the “Lender”) interim financing credit facility in favour of TORONTO HERBAL REMEDIES INC. (“THR”) and SPROUTLY, INC. (“Sproutly”); and, together with THR, the “Borrowers”)

We understand that the Borrowers intend to initiate proceedings under the Companies’ Creditors Arrangement Act (“**CCAA**”), naming BDO Canada Limited as monitor (the “**Monitor**”), and that in connection with the CCAA proceedings (the “**CCAA Proceedings**”) the Borrowers require interim financing and will be seeking from the Ontario Superior Court of Justice [Commercial List] (the “**Court**”) an interim financing order pursuant to section 11.2 of the CCAA (the “**DIP Financing Order**”).

The Lender is pleased to offer interim financing by way of the credit facility described in this term sheet (the “**Term Sheet**”) subject to the terms and conditions set forth herein. Unless otherwise indicated, all amounts are expressed in Canadian currency. All times express herein refer to eastern (Toronto) time. All capitalized terms not otherwise defined in the body of this Term Sheet shall have the meanings ascribed thereto in **Schedule “A”**.

Borrowers: Toronto Herbal Remedies Inc. and Sproutly Inc., jointly and severally

Lender: 0982244 BC Ltd. o/a Isle of Mann Property Group

Facility: A super-priority, debtor-in-possession non-revolving demand credit facility up to the maximum amount of CAD \$750,000.00 (the “**Facility**”).

Purpose: The purpose of the Facility is to fund (i) working capital needs in accordance with the cash flow projections approved by the Monitor and the Lender, acting reasonably, from time to time (the “**Cash Flow Projections**”); (ii) the Lender’s Fees and Expenses (as defined below); (iii) professional fees and expenses incurred by the Borrowers and the Monitor in respect of the CCAA Proceedings; and (iv) such other costs and expenses of the Borrowers as may be agreed to by the Lender, acting reasonably, in writing.

Repayment & Maturity: The Borrowers shall make monthly interest-only payments, with the balance of the principal and all obligations owing under the Facility due in full on the earlier of (the “**Maturity Date**”): (i) the occurrence of an Event of Default (as defined below); (ii) the date on which the CCAA Proceedings are terminated; (iii) the date upon which a transaction for the sale of (x) the Borrower’s real property or (y) substantially all of the business and assets of any of the

Borrowers is completed; and (iv) September 30, 2022 (or such other date as the Lender may agree).

**Facility
Advances:**

The Facility shall be available by multiple advances (individually, an “**Advance**” and collectively, “**Advances**”), normally to be issued once a week in accordance with the following:

1. the Borrowers shall submit joint, written requests for an Advance on the Thursday preceding the week for which the Advance relates;
2. the Lender shall fund an Advance on the Tuesday following the receipt of request for the same;
3. notwithstanding the quantum of any Advance requested, the Lender shall only be required to fund such portion thereof that is consistent with the necessary weekly funding set out in the Cash Flow Projections, plus a maximum variation thereto of twenty percent (20%) (for any Advance, the “**Maximum Advance Value**”);
4. the funding of any portion of an Advance in excess of the Maximum Advance Value shall be at the sole discretion of the Lender, acting reasonably; and
5. all Advances shall be advanced by wire transfer to a bank account designated by the Borrowers in writing.

Notwithstanding the foregoing, the Lender may issue Advances outside of, or ancillary to, the procedures above at its discretion.

Nothing in this Term Sheet creates a legally binding obligation on the Lender to advance any amount under the Facility at any time unless the Lender is satisfied in its sole discretion, acting reasonably, that the Borrowers are in compliance with every provision of this Term Sheet and that no fact exists or event has occurred which materially changes the manner in which the Lender previously evaluated the risks inherent in advancing amounts to the Borrowers under the Facility, whether or not the Lender was or should have been aware of such facts or events differently at any time.

Interest:

14% per annum, calculated monthly on a daily balance outstanding.

Fees & Expenses:

The Borrowers shall pay all fees and expenses (collectively, the “**Lender’s Fees and Expenses**”) incurred by the Lender in connection with the preparation, registration and ongoing administration of this Term Sheet, the DIP Financing Order, the DIP Charge and with the enforcement of the Lender’s rights and remedies thereunder or at law or in equity, including, without limitation all reasonable legal fees and disbursements incurred by the Lender, on a full indemnity basis. For purposes of greater certainty, “**Lender’s Fees and Expenses**” shall include all reasonable fees and expenses incurred by the Lender in connection with the CCAA Proceedings and all Court attendances in respect thereof. If the Lender has paid any expense for which the Lender is entitled to reimbursement from the Borrowers, such expense shall be added to the Facility

and shall accrue interest at the rate set out above. All such fees and expenses and interest thereon shall be secured by the DIP Charge whether or not any funds under the Facility are advanced.

Facility Fee: Concurrently with each Advance, a facility fee of 2.0% of the amount of such Advance shall apply, all of which fees shall accrue to and be repaid, together with all other amounts comprising the Facility, on the Maturity Date.

Security: All debts, liabilities, and obligations of the Borrowers under the Facility shall be secured by the DIP Charge (*as defined below*) and such security agreements charging all of the properties, assets and undertakings of the Borrowers, as may be reasonably requested by the Lender.

Conditions: The availability of the Facility is subject to and conditional upon the following:

1. by not later than 5:00pm on June 24, 2022, the Court shall have issued the DIP Financing Order in a form satisfactory to the Lender including:
 - (a) approving this Term Sheet and the Facility contemplated herein;
 - (b) subject only to the priority of the Administration Charge in the amount of \$150,000, granting the Lender a first-ranking priority charge (the “**DIP Charge**”) in favour of the Lender over all present and future assets, properties and undertakings of the Borrowers as security for repayment of the DIP Facility and all interest, fees, expenses and other amounts payable by the Borrowers;
 - (c) granting the Lender the right, upon the occurrence of an Event of Default, to terminate the Facility and to enforce the rights and remedies available to it, with Court approval obtained on not more than five (5) days’ notice to the Borrowers and the Monitor, pursuant to the DIP Financing Order, this Term Sheet, the DIP Charge, and any additional rights and remedies available to it, at law or in equity;
 - (d) declaring that the granting of the DIP Charge, the execution and delivery of all other documents and instruments contemplated herein, and the payment of all amounts by the Borrowers to the Lender, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any Applicable Law;
 - (e) declaring the DIP Financing Order, including the DIP Charge granted thereunder, binding upon a trustee in bankruptcy of any of the Borrowers, the Monitor, any receiver, interim-receiver, receiver-manager or any other officer of the Court appointed in respect of any of the Borrowers; and

- (f) declaring the Lender to be an “unaffected creditor” under any restructuring plan that may be made by any of the Borrowers and that the indebtedness to the Lender under the Facility shall not be compromised under any such restructuring plan;
- 2. any charge to secure the payment of the fees and expenses of counsel to the Borrowers, the Monitor, counsel to the Monitor not to exceed \$150,000 (the “**Administration Charge**”);
- 3. any charge as security for the indemnity provided to the directors and officers of the Borrowers against obligations and liabilities they may incur after the commencement of the CCAA Proceedings not to exceed \$50,000 (the “**D&O Charge**”);
- 4. the DIP Financing Order shall not have been amended or varied in a manner adverse to the Lender, or stayed, without the consent of the Lender, and shall continue to be in full force and effect;
- 5. receipt of a duly executed copy of this Term Sheet;
- 6. receipt of a grid promissory note, on the Lender’s form, to evidence amounts advanced under the Facility; and
- 7. delivery by the Borrowers to the Lender of any such further security or documentation that the Lender and its lawyers may reasonably require to give effect to the foregoing.

Each of the following is a condition precedent to any subsequent Advance to be made hereunder, in each case unless waived in writing by the Lender in its sole discretion:

- 1. all of the conditions contained in this Term Sheet shall have been satisfied and shall as at the time of the making of the subsequent Advance in question continue to be satisfied;
- 2. by no later than 5:00pm on July 4, 2022, the Court shall have issued an order approving a sale process, in a form satisfactory to the Lender, for the concurrent marketing for sale of (i) the real property of THR independent of any other assets, properties and undertakings of the THR and (ii) the business of the THR on a going concern or en bloc basis (the “**Sale Process Order**”);
- 3. the Sale Process Order shall not have been amended or varied in a manner adverse to the Lender, or stayed, without the consent of the Lender, and shall continue to be in full force and effect; and
- 4. no Event of Default shall have occurred and be continuing.

The making of an Advance hereunder without the fulfillment of one or more conditions set forth in this Term Sheet shall not constitute a waiver of any such condition, unless expressly so waived in writing by the Lender, and the Lender

reserves the right to require fulfillment of such condition in connection with any Advance.

**Reporting
Covenants:**

The Borrowers shall provide such financial and other information as the Lender may reasonably request, from time to time, including but not limited to:

- (a) consolidated monthly cash flow statements from the Monitor;
- (b) monthly accounts payable and accounts receivables listings;
- (c) evidence of payment of all government priority amounts; and
- (d) bi-weekly updates from the Monitor in respect of the sales process approved in the Sale Process Order (*as defined below*).

Other Covenants:

The Borrowers covenant and agree with the Lender, so long as any amounts are outstanding by the Borrowers to the Lender hereunder, to:

1. pay all sums of money when due hereunder;
2. not request, obtain or consent to a variation of the DIP Financing Order if, in the opinion of the Lender, such variation may be prejudicial to the Lender, without the prior written consent of the Lender;
3. make all reasonable efforts to provide the Lender with at least five (5) Business Days' advance notice of all Court filings made by it, together with copies of, and an opportunity to comment on, all related Court materials;
4. provide the Lender with prompt written notice of any event which constitutes, or which, with notice, lapse of time, or both, would constitute an Event of Default, a breach of any covenant or other term or condition of this Term Sheet, or of any document given in connection therewith;
5. use the proceeds of the Facility solely for the purposes provided for herein;
6. keep and maintain books of account and other accounting records in accordance with generally accepted accounting principles;
7. upon reasonable notice, permit the Lender or its representatives, at any time and from time to time with such frequency as the Lender, in its sole discretion, may require, to visit and inspect any of the Borrowers' premises, properties and assets and to examine and obtain copies of the Borrower's records or other information and discuss any of the Borrowers' affairs with the auditors, counsel and other professional advisors of the Borrowers, all at the reasonable expense of the Borrowers;
8. carry on the business of the Borrowers in the normal course, consistent with past practice and orders of the Court made in the CCAA Proceedings;

9. not incur any expense other than as included in the Cash Flow Projections, or as reasonably required for the operation of the business up to a maximum of \$10,000, without the prior written consent of the Lender;
10. to pay or make provision for payment of all Priority Claims due and payable from and after the commencement of the CCAA Proceedings, as and when such Priority Claims are due; and
11. keep the Borrowers' assets fully insured against such perils and in such manner as would be customarily insured by companies owning similar assets naming the Lender as first loss payee and to ensure all assets secured by the DIP Charge are in existence and in the possession and control of the Borrowers.

**Events
of Default:**

Without limiting the right of the Lender to demand payment at anytime, if any one or more of the following events (an "**Event of Default**") has occurred and is continuing:

1. any of the Borrowers fails to pay when due any principal, fees or other amounts due under this Term Sheet;
2. any of the Borrowers breaches any covenant, term, condition or other provision of this Term Sheet or any other document delivered to the Lender in respect thereof;
3. if the DIP Financing Order or the Sale Process Order is stayed, set aside or varied in a manner adverse to the Lender, without the consent of the Lender, in its sole discretion, or any other order of the Court in the CCAA Proceedings is made, which is or may be prejudicial to the Lender's interests;
4. the stay of proceedings resulting from the CCAA Proceedings is terminated or lifted in whole or in part without the consent of the Borrowers and the Lender;
5. substantially all of the business or assets of any of the Borrowers are sold, except pursuant to a transaction resulting from the Sale Process or as may be otherwise approved by the Lender in writing in advance;
6. any default or failure by any of the Borrowers to make any payment of any Priority Claims due and payable arising from and after the commencement of the CCAA Proceedings;
7. any of the Borrowers becomes bankrupt or the appointment of a receiver, receiver and manager, or other officer of the Court is made, all or any significant part of the assets of any of the Borrowers;

then, in such event, the Lender may, by written notice to the Borrowers, declare all monies outstanding under the Facility to be immediately due and payable and

upon seeking an Order of the Court on not more than five (5) days notice, enforce, without further notice, demand or delay, all of its rights and remedies against the Borrowers and their properties, assets and undertakings including, without limitation, the enforcement of the DIP Charge.

For greater certainty any default by one of the Borrowers hereunder, shall be deemed to be a default by both of the Borrowers hereunder, enforceable on a joint and several basis.

Nothing contained in this section shall limit any right of the Lender under this Term Sheet to demand payment of the Facility. On the occurrence of an Event of Default, at the discretion of the Lender, the Borrowers shall not be entitled to any further advance under this Facility. Any advance made by the Lender after the occurrence of an Event of Default shall not oblige the Lender to make further advances thereafter.

**Evidence of
Indebtedness:**

The Lender shall maintain records evidencing the Facility. The Lender's accounts and records constitute, in the absence of manifest error, conclusive evidence of the indebtedness of the Borrowers to the Lender pursuant to this Term Sheet.

**Representations
and Warranties:**

The Borrowers each represent and warrant to the Lender that:

1. THR is a corporation duly incorporated, validly existing and duly registered or qualified to carry on business in the Province of Ontario or any other jurisdiction where it may carry on business;
2. Sproutly is a corporation duly incorporated, validly existing and duly registered or qualified to carry on business in the Province of British Columbia or any other jurisdiction where it may carry on business
3. subject to the issuance of the DIP Financing Order, the execution, delivery and performance by the Borrowers of this Term Sheet has been duly authorized by all necessary actions and do not violate the constating documents or any Applicable Laws or agreements to which the Borrowers are subject or by which the Borrowers are bound;
4. no event has occurred which constitutes, or which, with notice, lapse of time, or both, would constitute, an Event of Default, a breach of any covenant or other term or condition of this Term Sheet or any document given in connection therewith; and
5. the Borrowers have good and marketable title to all of their respective property, assets and undertakings.

General:

Non-Merger: The provisions of this Term Sheet shall not merge on the first advance hereunder but shall continue in full force and effect for the benefit of the parties hereto.

Further Assurances and Documentation: The Borrowers shall do all things and execute all documents deemed necessary or appropriate by the Lender for the

purposes of giving full force and effect to the terms, conditions, undertakings hereof and the DIP Charge to be granted pursuant to the DIP Financing Order.

Severability: If any provision of this Term Sheet is or becomes prohibited or unenforceable in any jurisdiction, such prohibition or unenforceability shall not invalidate or render unenforceable the provision concerned in any other jurisdiction nor shall it invalidate, affect or impair any of the remaining provisions of this Term Sheet.

Governing Law: This Term Sheet shall be construed in accordance with and be governed by the laws of the Province of Ontario and the federal laws of Canada applicable therein.

Counterparts: This Term Sheet may be executed in any number of separate counterparts by any one or more of the parties thereto, and all of said counterparts taken together shall constitute one and the same instrument. Delivery of an executed counterpart of this Term Sheet by email, PDF or by other electronic means shall be as effective as delivery of a manually executed counterpart.

Assignment: The Lender may assign all or part of its rights and obligations under this Term Sheet without notice to and without the Borrowers' consent. The Borrowers may not assign or transfer all or any part of its rights or obligations under this Term Sheet, any such transfer or assignment being null and void and of no force or effect. This Term Sheet shall enure to the benefit of and be binding upon the parties hereto and their respective successors and permitted assigns.

Time: Time shall be of the essence in all provisions of this Term Sheet.

Termination by Borrowers: At any time following the indefeasible payment in full in immediately available funds of all of the amounts owing under the Facility, including, without limitation, principal, interest, costs and expenses contemplated hereunder, the Borrowers shall be entitled to terminate this Term Sheet upon written notice to the Lender.

Entire Agreement, Amendments and Waiver: This Term Sheet and any other written agreement delivered pursuant to or referred to in this Term Sheet constitute the whole and entire agreement between the parties in respect of the Facility. There are no verbal agreements, undertakings or representations in connection with the Facility. No amendment or waiver of any provision of this Term Sheet will be effective unless it is in writing signed by each of the Borrowers and the Lender. No failure or delay on the part of the Lender in exercising any right or power hereunder or under the DIP Charge shall operate as a waiver thereon. No course of conduct by the Lender will give rise to any reasonable expectation which is in any way inconsistent with the terms and conditions of this Term Sheet and the DIP Charge or the Lender's rights thereunder.

Best Efforts:

Upon the Borrowers' acceptance of this Term Sheet, the Borrowers will use their best efforts to obtain the DIP Financing Order.

Expiration: This Term Sheet must be accepted by the Borrowers by no later than 5:00 pm (Toronto Time) on June 20, 2022, after which this Term Sheet will expire.


[THE REMAINDER OF THIS PAGE WAS INTENTIONALLY LEFT BLANK]

If the terms and conditions of this Term Sheet are acceptable to you, please sign in the space indicated below and return the signed copy of this Term Sheet to us. Acceptance may also be effected by scanned transmission and in counterpart.

We thank you for allowing us the opportunity to provide you with this Term Sheet.

Yours truly,

0982244 BC LTD.


Per: 
Name: Luvdeep Randhawa
Title: Director

I have authority to bind the corporation.

ACCEPTANCE

The undersigned hereby accepts this Term Sheet this 22 day of June 2022.


TORONTO HERBAL REMEDIES INC.

Per: 
Name: Craig Loverock
Title: CFO

I have authority to bind the corporation.

The undersigned hereby accepts this Term Sheet this 22 day of June 2022.

SPROUTLY INC.

Per: 
Name: Craig Loverock
Title: CFO

I have authority to bind the corporation.

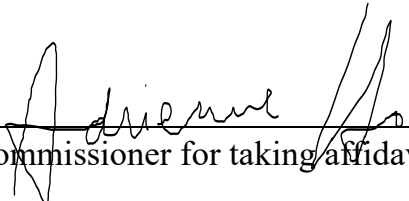
SCHEDULE “A”

In addition to terms defined elsewhere in this Term Sheet, the following terms shall have the following meanings:

- (a) **“Applicable Laws”** means, with respect to any person, property, transaction or event, all present or future statutes, regulations, rules, orders, codes, treaties, conventions, judgments, awards, determinations and decrees of any governmental, regulatory, fiscal or monetary body or court of competent jurisdiction, in each case, having the force of law in any applicable jurisdiction.
- (b) **“Priority Claims”** means the aggregate of any amounts accrued or payable by any of the Borrowers which under any law may rank prior to or *pari passu* with the DIP Charge or otherwise in priority to any claim by the Lender for payment or repayment of any amounts owing under this Term Sheet, including: (i) wages, salaries, commissions or other remuneration; (ii) vacation pay; (iii) pension plan contributions; (iv) amounts required to be withheld from payments to employees or other persons for federal and provincial income taxes, employee Canadian Pension Plan contributions and employee Employment Insurance premiums, additional amounts payable on account of employer Canada Pension Plan contributions and employer Employment Insurance premiums; (v) harmonized sales tax; (vi) provincial sales or other consumption taxes; (vii) Workers' Compensation Board and Workplace Safety and Insurance Board premiums or similar premiums; (viii) real property taxes; (ix) rent and other amounts payable in respect of the use of real property; (x) amounts payable for repair, storage, transportation or construction or other services which may give rise to a possessory or registerable lien; and (xi) claims which suppliers could assert pursuant to Section 81.1 or Section 81.2 of the BIA; and (xii) WEPPA Claims.
- (c) **“WEPPA Claims”** means any claims made against any of the Borrowers pursuant to the *Wage Earner Protection Program Act*, S.C. 2005, c. 47, s.1, as the same may be amended, restated or replaced from time to time.

Words importing the singular include the plural thereof and vice versa and words importing gender include the masculine, feminine and neuter genders.

This is Exhibit “LL” referred to in the Affidavit of Craig Loverock sworn by Craig Loverock located in the City of Newmarket, in the Regional Municipality of York, in the Province of Ontario, before me at the City of Toronto, in the Province of Ontario, this 44th day of June, 2022 in accordance with *O.Reg. 431/20, Administering Oath or Declaration Remotely*.



A Commissioner for taking affidavits

ADRIENNE HO

DISCONNECTION NOTICE



The amount shown on this notice is now **OVERDUE**. Toronto Hydro reserves the right to disconnect your electricity service in accordance with its Conditions of Service. **Your electricity service may be DISCONNECTED upon expiry of a minimum of 14 calendar days from the print date of this notice** if full payment has not been received by Toronto Hydro and applied to your account.

Date on which notice was printed: June 06, 2022

Account number: 6296617638

Address: 70 RALEIGH AVE.

Service will be disconnected between:

June 21, 2022 and July 04, 2022
Earliest date of disconnection Latest date of disconnection

\$ 97,198.95 **OVERDUE AMOUNT**

METHODS OF PAYMENT:

Same day options

Visa, MasterCard, Western Union (use code "Arrears.ON")

Regular payment options

Online bank payment, telephone banking, bank teller, cheque and Canada Post MoneyGram. Please ensure payment is sent five business days prior to the disconnection timeframe noted to ensure sufficient processing time.

When payment is made with a Toronto Hydro representative at your premises, only Visa or MasterCard will be accepted. Cash will not be accepted.

PLEASE BE ADVISED OF THE FOLLOWING SERVICE CHARGES. ANY "AFTER HOURS" CHARGES WILL ONLY BE APPLIED IF RECONNECTION IS REQUESTED BY THE CUSTOMER TO TAKE PLACE OUTSIDE OF REGULAR BUSINESS HOURS.

Reconnection at the meter — during regular hours:	\$ 120.00 + HST	Applied after reconnection of your electricity service following a disconnection of the meter.
Reconnection at the meter — after regular hours:	\$ 400.00 + HST	
Reconnection at pole — during regular hours:	\$ 300.00 + HST	Applied after reconnection of your electricity service when no direct access to the meter was available at the time of disconnection.
Reconnection at pole — after regular hours:	\$ 820.00 + HST	

CONTACT US: We're here to help. You can reach us during regular business hours, Monday to Friday, 8 a.m. to 8 p.m. (excluding all statutory and civic holidays). If your electricity service is disconnected, it will be reconnected within two business days from the receipt of confirmed payment. In order for your electricity service to be reconnected, the account holder or an authorized representative must be present at the premises at the time of reconnection.

PLEASE CONTACT US AT **416-542-8000** IMMEDIATELY TO ENSURE CONTINUED ELECTRICITY SERVICE. Visit us at **torontohydro.com**.

DISCONNECTION NOTICE



Toronto Hydro may disconnect electricity service at your premises whether or not you are present. Disconnection or reconnection of your electricity service may also occur without a visit by a Toronto Hydro representative to your premises. Please be advised that if we are unable to gain access to our meter, Toronto Hydro will disconnect your electricity service using alternate methods, which may include hiring the services of a bailiff and locksmith. Should your electricity service be disconnected or reconnected either directly at your premises, using an alternate method, or using a bailiff and locksmith, Toronto Hydro shall not be responsible for any resulting loss or damage to the premises or its contents except for physical damage to the facilities arising directly from Toronto Hydro's entry on the Customer's property.

Your account may be re-assessed for a security deposit based on your payment history.

Pay your bills automatically with Pre-Authorized Debit (PAD). Save time, save postage, avoid late payment charges and enjoy peace of mind knowing that your payment will always be made on time. Pre-authorized debit is secure, convenient and reliable. Visit torontohydro.com/pad.

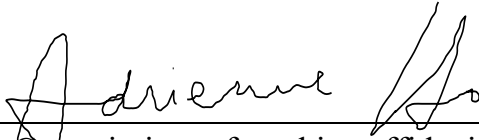
Switch to eBills for simple, secure, 24/7 access to your current bill plus two years of past bills. Conveniently manage your bill online - anytime, anywhere. Visit torontohydro.com/ebills

CONTACT US: We're here to help. You can reach us during regular business hours, Monday to Friday, 8 a.m. to 8 p.m. (excluding all statutory and civic holidays). If your electricity service is disconnected, it will be reconnected within two business days from the receipt of confirmed payment. In order for your electricity service to be reconnected, the account holder or authorized representative must be present at the premises at the time of reconnection.

PLEASE CONTACT US AT **416-542-8000** IMMEDIATELY TO ENSURE CONTINUED ELECTRICITY SERVICE.

Visit us at torontohydro.com.

This is Exhibit “**MM**” referred to in the Affidavit of Craig Loverock sworn by Craig Loverock located in the City of Newmarket, in the Regional Municipality of York, in the Province of Ontario, before me at the City of Toronto, in the Province of Ontario, this 22nd day of June, 2022 in accordance with *O.Reg. 431/20, Administering Oath or Declaration Remotely*.

A handwritten signature in black ink, appearing to read "Adrienne Ho", written over a horizontal line.

A Commissioner for taking affidavits

ADRIENNE HO

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

**IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT,
R.S.C. 1985, c. C-36, AS AMENDED**

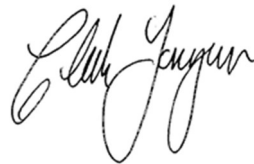
**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT
OF SPROUTLY INC. AND TORONTO HERBAL REMEDIES INC.
(THE "APPLICANTS")**

CONSENT

BDO Canada Limited hereby consents to act as the Court-appointed Monitor of the Applicants in connection with its proceedings pursuant to the *Companies' Creditors Arrangements Act* and pursuant to the terms of an Order substantially in the form filed.

Dated this 21st day of June 2022

BDO Canada Limited



Per:

**Name: Clark Lonergan
Title: Senior Vice President**

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF SPROUTLY, INC. and TORONTO HERBAL
REMEDIES INC. (each an “**Applicant**” and collectively, the “**Applicants**”)

Court File No. CV-22-00683056-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceedings commenced at Toronto, Ontario

CONSENT

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TD West Tower, Toronto-Dominion Centre
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Fax: (416) 304-1313

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Adrienne Ho (LSO# 68439N)

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Lawyers for the Applicants

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF SPROUTLY INC. and TORONTO HERBAL REMEDIES INC.

Court File No. CV-22-00683056-00CL

ONTARIO
**SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

Proceedings commenced at Toronto

AFFIDAVIT OF CRAIG LOVEROCK

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TD West Tower, Toronto-Dominion Centre
Toronto, ON M5K 1K7

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Fax: 416-304-1313

Lawyers for the Applicants

TAB 3

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

THE HONOURABLE) FRIDAY, THE 24th
)
JUSTICE PENNY) DAY OF JUNE, 2022
)
)

IN THE MATTER OF THE *COMPANIES' CREDITORS
ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF **SPROUTLY INC.** and **TORONTO
HERBAL REMEDIES INC.** (the “**Applicants**”)

INITIAL ORDER

THIS APPLICATION, made by the Applicants, pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”) was heard this day by videoconference.

ON READING the affidavit of Craig Loverock sworn June 22, 2022 and the Exhibits thereto (the “**Loverock Affidavit**”), the pre-filing report of the proposed monitor, BDO Canada Limited (“**BDO**”) dated June 22, 2022 (the “**Pre-Filing Report**”), and on being advised that the secured creditors who are likely to be affected by the charges created herein were given notice of this Application, and on hearing the submissions of counsel for the Applicant, counsel for BDO, and those other parties listed on the Counsel Slip, no one else appearing although duly served as appears from the Affidavit of Service of ► sworn June ►, 2022, and on reading the consent of BDO to act as the monitor of the Applicants (in such capacity, the “**Monitor**”),

SERVICE & DEFINITIONS

1. **THIS COURT ORDERS** that the time for service of the Notice of Application and the Application Record is hereby abridged and validated so that this Application is properly returnable today and hereby dispenses with further service thereof.
2. **THIS COURT ORDERS** that all capitalized terms not expressly defined herein are defined in the Loverock Affidavit.

APPLICATION

3. **THIS COURT ORDERS AND DECLARES** that each Applicant is insolvent and is a company to which the CCAA applies.

POSSESSION OF PROPERTY AND OPERATIONS

4. **THIS COURT ORDERS** that the Applicants shall remain in possession and control of their current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate, including all proceeds thereof (the “**Property**”), including any Property subject to any Controlled Substances Legislation (as defined below). Subject to further Order of this Court, the Applicants shall continue to carry on business in a manner consistent with the preservation of their business (the “**Business**”) and Property. The Applicants are authorized and empowered to continue to retain and employ the employees, consultants, agents, experts, accountants, counsel and such other persons (collectively “**Assistants**”) currently retained or employed by them, with liberty to retain such further Assistants as they deem reasonably necessary or desirable in the ordinary course of business, to preserve the value of the Property or the Business, or for the carrying out of the terms of this Order.

5. **THIS COURT ORDERS** that the Applicants shall be entitled to continue to use the central cash management system currently in place (the “**Cash Management System**”) and that any present or future bank or credit union providing the Cash Management System shall not be under any obligation whatsoever to inquire into the propriety, validity or legality of any transfer, payment, collection or other action taken under the Cash Management System, or as to the use or application by the Applicants of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, shall be entitled to provide the Cash Management System without any liability in respect thereof to any Person (as defined below) other than the Applicants, pursuant to the terms of the documentation applicable to the Cash Management System.

6. **THIS COURT ORDERS** that the Applicants shall be entitled, but not required, to pay the following expenses whether incurred prior to, on or after the date of this Order:

- (a) all outstanding and future wages, salaries, employee benefits, vacation pay, and employee expenses payable on or after the date of this Order, in each case incurred

in the ordinary course of business and consistent with existing compensation policies and arrangements;

- (b) the fees and disbursements of any Assistants retained or employed by the Applicants in respect of these proceedings, at their standard rates and charges;
- (c) any taxes, duties, or other payments required under the Controlled Substances Legislation; and
- (d) with the consent of the Monitor, amounts owing for goods or services supplied to the Applicants prior to the granting of this Order if, in the opinion of the Applicants, such payment is necessary or desirable to avoid disruptions to the operations of the Business or the Applicants during the CCAA proceeding.

7. **THIS COURT ORDERS** that, except as otherwise provided to the contrary herein, and subject to the DIP Documents (as defined below) the Applicants shall be entitled but not required to pay all reasonable expenses incurred by the Applicants in carrying on the Business in the ordinary course after the date of this Order, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

- (a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business, including, without limitation, payments on account of insurance, maintenance and security services; and
- (b) payment for goods or services actually supplied to the Applicants following the date of this Order or payments to obtain the release of goods or delivery of services contracted for prior to the date of this Order.

8. **THIS COURT ORDERS** that the Applicants shall remit, in accordance with legal requirements, or pay:

- (a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, and (iii) income taxes;
- (b) all goods, services, excise or other applicable sales taxes (collectively, "**Sales Taxes**") required to be remitted by the Applicants in connection with the sale of

goods and services by the Applicants, but only where such Sales Taxes are accrued or collected after the date of this Order, or where such Sales Taxes were accrued or collected prior to the date of this Order, but not required to be remitted until on or after the date of this Order; and

- (c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business by the Applicants, but only where such taxes are accrued during a period after the date of this Order.

9. **THIS COURT ORDERS** that, except as specifically permitted herein or in the Cash Flow Forecast, as amended, and subject to the DIP Term Sheet (as defined below) and the other DIP Documents, the Applicants are hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the Applicants to any of their creditors as of the date of this Order; (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of the Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the Business.

RESTRUCTURING

10. **THIS COURT ORDERS** that the Applicants shall, subject to such requirements as are imposed by the CCAA and such covenants as may be contained in the DIP Term Sheet, have the right to continue negotiations with stakeholders in an effort to pursue restructuring options.

NO PROCEEDINGS AGAINST THE APPLICANTS OR THE PROPERTY

11. **THIS COURT ORDERS** that until and including July 4, 2022, or such later date as this Court may subsequently order (the “**Stay Period**”), no proceeding or enforcement process in or out of any court or tribunal (each, a “**Proceeding**”) shall be commenced, continued or take place against or in respect of the Applicants or the Monitor or affecting the Business or the Property, except with the written consent of the Applicants and the Monitor, or with leave of this Court, and any and all Proceedings currently under way or directed to take place against or in respect of the

Applicants or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

12. **THIS COURT ORDERS** that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being “**Persons**” and each being a “**Person**”) against or in respect of the Applicants or the Monitor, or affecting the Business or the Property, are hereby stayed and suspended, except with the written consent of the Applicants and the Monitor, or leave of this Court, provided that nothing in this Order shall (i) empower the Applicants to carry on any business which the Applicants are not lawfully entitled to carry on, (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH RIGHTS

13. **THIS COURT ORDERS** that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, lease, licence or permit in favour of or held by the Applicant, except with the written consent of the Applicants and the Monitor, or leave of this Court.

CONTINUATION OF SERVICES

14. **THIS COURT ORDERS** that during the Stay Period, all Persons having oral or written agreements with the Applicants or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility, or other services to the Business or the Applicants, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Applicants, and that the Applicants shall be entitled to the continued use of their current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Applicants in accordance with normal

payment practices of the Applicants or such other practices as may be agreed upon by the supplier or service provider and each of the Applicants and the Monitor, or as may be ordered by this Court.

NON-DEROGATION OF RIGHTS

15. **THIS COURT ORDERS** that, notwithstanding anything else in this Order, no Person shall be prohibited from requiring immediate payment for goods, services, use of leased or licensed property or other valuable consideration provided on or after the date of this Order, nor shall any Person be under any obligation on or after the date of this Order to advance or re-advance any monies or otherwise extend any credit to the Applicants. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

16. **THIS COURT ORDERS** that during the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future directors or officers of the Applicants with respect to any claim against the directors or officers that arose before the date hereof and relates to any obligations of the Applicants whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations, until a compromise or arrangement in respect of the Applicants, if one is filed, is sanctioned by this Court or is refused by the creditors of the Applicants or this Court.

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

17. **THIS COURT ORDERS** that the Applicants shall indemnify their directors and officers against obligations and liabilities that they may incur as directors or officers of the Applicants after the commencement of the within proceedings, except to the extent that, with respect to any officer or director, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

18. **THIS COURT ORDERS** that the directors and officers of the Applicants shall be entitled to the benefit of and are hereby granted a charge (the "**Directors' Charge**") on the Property, which charge shall not exceed an aggregate amount of \$50,000, as security for the indemnity provided in paragraph 17 of this Order. The Directors' Charge shall have the priority set out in paragraphs 35 and 37 herein.

19. **THIS COURT ORDERS** that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge, and (b) the Applicant's directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 17 of this Order.

APPOINTMENT OF MONITOR

20. **THIS COURT ORDERS** that BDO is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of the Applicants with the powers and obligations set out in the CCAA or set forth herein and that the Applicants and their shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the Applicants pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

21. **THIS COURT ORDERS** that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

- (a) monitor the Applicants' receipts and disbursements;
- (b) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein;
- (c) assist the Applicants, to the extent required by the Applicants, in its dissemination to the DIP Lender (as defined below) of financial and other information as agreed to between the Applicants and the DIP Lender, including reporting on a reasonable basis to be agreed between the Applicants and the DIP Lender;
- (d) advise the Applicants in the preparation of the Applicants' cash flow statements and any other reporting to the Court or as reasonably required by the DIP Lender;
- (e) have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of

the Applicants, to the extent that is necessary to adequately assess the Applicants' business and financial affairs or to perform its duties arising under this Order;

- (f) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order; and
- (g) perform such other duties as are required by this Order or by this Court from time to time.

22. **THIS COURT ORDERS** that, notwithstanding any other provision hereof, the Monitor shall not take possession of the Property and shall take no part whatsoever in the management, supervision of the management, or control of the Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof, including, without limitation, any Business or Property for which any permit, license or approval is issued or required in accordance with the following legislation and any other applicable federal, provincial or state legislation in connection with the cultivation, processing, sale and/or Possession of cannabis or cannabis-related products in Canada or outside of Canada and any regulations issued in connection therewith (collectively, the “**Controlled Substances Legislation**”):

- (a) *Cannabis Act*, S.C. 2018, c. 16;
- (b) *Excise Act, 2001*, S.C. 2002, c. 22;
- (c) *Cannabis Control Act, 2017*, S.O. 2017, c. 26;
- (d) *Ontario Cannabis Retail Corporation Act, 2017*, S.O. 2017, c. 26; and
- (e) *Cannabis License Act, 2018*, S.O. 2018, c. 12;

and nothing in this Order shall be construed as resulting in the Monitor being an employer or successor employer within the meaning of any statute, regulation, or rule of law or equity for any purpose whatsoever.

23. **THIS COURT ORDERS** that nothing herein contained shall require the Monitor to occupy or to take control, care, charge, possession or management (separately and/or collectively, “**Possession**”) of any of the Property that might be environmentally contaminated, might be a

pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the Ontario *Environmental Protection Act*, the *Ontario Water Resources Act*, or the Ontario *Occupational Health and Safety Act* and regulations thereunder (the “**Environmental Legislation**”), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Monitor shall not, as a result of this Order or anything done in pursuance of the Monitor's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

24. **THIS COURT ORDERS** that the Monitor shall provide any creditor of the Applicants and the DIP Lender with information provided by the Applicants in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the Applicants is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the Applicants may agree.

25. **THIS COURT ORDERS** that, in addition to the rights and protections afforded to the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out by it of the provisions of this Order, including under any Controlled Substances Legislation, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded to the Monitor by the CCAA or any applicable legislation.

26. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor and counsel to the Applicants shall be paid their reasonable fees and disbursements and applicable taxes, in each case at their standard rates and charges, by the Applicants as part of the costs of these proceedings. The Applicants are hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor and counsel for the Applicants.

27. **THIS COURT ORDERS** that the Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

28. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor and counsel to the Applicants shall be entitled to the benefit of and are hereby granted a charge (the “**Administration Charge**”) on the Property, which charge shall not exceed an aggregate amount of \$150,000, as security for their professional fees and disbursements plus applicable taxes incurred at the standard rates and charges of the Monitor and such counsel, both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraphs 35 and 37 hereof.

DIP FINANCING

29. **THIS COURT ORDERS** that the Applicants is hereby authorized and empowered to obtain and borrow under a credit facility from 0982244 B.C. Ltd. o/a Isle of Mann Property Group (the “**DIP Lender**”) in order to finance the Applicants’ working capital requirements and other general corporate purposes and capital expenditures, provided that borrowings under such credit facility shall not exceed \$750,000 (the “**DIP Facility**”) and are limited to what is reasonably necessary for the continued operations of the Applicants in the ordinary course of business during the initial Stay Period, unless permitted by further Order of this Court.

30. **THIS COURT ORDERS** that such DIP Facility shall be on the terms and subject to the conditions set forth in the term sheet between the Applicants and the DIP Lender dated as of June 22, 2022 (the “**DIP Term Sheet**”), filed.

31. **THIS COURT ORDERS** that the Applicants are hereby authorized and empowered to execute and deliver such credit agreements, mortgages, charges, hypothecs and security documents, guarantees and other definitive documents (collectively, the “**DIP Documents**”), as are contemplated by the DIP Term Sheet or as may be reasonably required by the DIP Lender pursuant to the terms thereof, and the Applicants are hereby authorized and directed to pay and perform all of its indebtedness, interest, fees, liabilities and obligations to the DIP Lender under and pursuant to the DIP Term Sheet and the DIP Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

32. **THIS COURT ORDERS** that the DIP Lender shall be entitled to the benefit of and is hereby granted a charge (the “**DIP Lender’s Charge**”) on the Property, including, without limiting the foregoing, the real property identified in Schedule “A” hereto (the “**Real Property**”), which DIP Lender’s Charge shall not secure any obligation that exists between the Applicants and the DIP Lender before this Order is made. The DIP Lender’s Charge shall have the priority set out in paragraphs 35 and 37 hereof.

33. **THIS COURT ORDERS** that, notwithstanding any other provision of this Order:

- (a) the DIP Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the DIP Lender’s Charge or any of the DIP Documents;
- (b) upon the occurrence of an event of default under the DIP Documents or the DIP Lender’s Charge, the DIP Lender, upon five days’ written notice to the Applicants and the Monitor, may exercise, with prior approval of this Court, any and all of its rights and remedies against the Applicants or the Property under or pursuant to the DIP Term Sheet, the DIP Documents and the DIP Lender’s Charge, including, without limitation, to cease making advances to the Applicants, to make, demand, accelerate payment and give other notices, or to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against any the Applicants and for the appointment of a trustee in bankruptcy of the Applicants; and
- (c) the foregoing rights and remedies of the DIP Lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the Applicants or the Property.

34. **THIS COURT ORDERS AND DECLARES** that the DIP Lender shall be treated as unaffected in any plan of arrangement or compromise filed by the Applicants under the CCAA, or any proposal filed by the Applicants under the *Bankruptcy and Insolvency Act* of Canada (the “**BIA**”), with respect to any advances made under the DIP Documents.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

35. **THIS COURT ORDERS** that the priorities of the Administration Charge, the Directors' Charge and the DIP Lender's Charge (collectively, the "**Charges**" and each individually, a "**Charge**"), as among them, shall be as follows:

First – Administration Charge (to the maximum amount of \$150,000);

Second – DIP Lender's Charge (to the maximum amount of \$160,000); and

Third – Directors' Charge (to the maximum amount of \$50,000).

36. **THIS COURT ORDERS** that the filing, registration or perfection of the Charges shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

37. **THIS COURT ORDERS** that each of the Charges shall constitute a charge on the Property and such Charges shall rank in priority to all other security interests, trusts, liens, charges, encumbrances and claims of secured creditors, statutory or otherwise (collectively, the "**Encumbrances**") in favour of any Person in respect of such Property, save and except for any valid and existing purchase-money security interests or the equivalent security interests under various provincial legislation (that, for greater certainty, shall not include trade payables).

38. **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or as may be approved by this Court, the Applicants shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, any of the Charges, unless the Applicants also obtain the prior written consent of the Monitor and the beneficiaries of the Charges affected thereby (collectively, the "**Chargees**"), or further Order of this Court.

39. **THIS COURT ORDERS** that the Charges shall not be rendered invalid or unenforceable and the rights and remedies of the Chargees shall not otherwise be limited or impaired in any way by: (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to the BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any

negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an “**Agreement**”) which binds the Applicants, and notwithstanding any provision to the contrary in any Agreement:

- (a) the creation of the Charges nor the execution, delivery, perfection, registration or performance of the DIP Term Sheet or the DIP Documents shall not create or be deemed to constitute a breach by the any of the Applicants of any Agreement to which they are a party;
- (b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the Applicants entering into the DIP Term Sheet, the creation of the Charges or the execution, delivery or performance of the DIP Documents; and
- (c) the payments made by the Applicants pursuant to this Order, the DIP Term Sheet or the DIP Documents and the granting of the Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

40. **THIS COURT ORDERS** that any Charge created by this Order over leases of real property in Canada shall only be a Charge in the Applicants’ interest in such real property, including in respect of any leases thereof.

SERVICE AND NOTICE

41. **THIS COURT ORDERS** that the Monitor shall (i) without delay, publish in *The Globe and Mail (National Edition)* a notice containing the information prescribed under the CCAA, (ii) within five days after the date of this Order or as soon as reasonably practicable thereafter, make this Order publicly available in the manner prescribed under the CCAA in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder.

42. **THIS COURT ORDERS** that the E-Service Protocol of the Commercial List (the “**Protocol**”) is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Guide (which can be found on the Commercial List website at: www.ontariocourts.ca/scj/practice/practice-directions/toronto/eservice-commercial/)

shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the Rules of Civil Procedure and paragraph 13 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established by the Monitor in accordance with the Protocol with the following URL: <https://www.bdo.ca/en-ca/extranets/SI-and-toronto-herbal-remedies/>.

43. **THIS COURT ORDERS** that if the service or distribution of documents in accordance with the Guide is not practicable, the Applicants and the Monitor are at liberty to serve or distribute this Order, any other materials and orders as may be reasonably required in these proceedings and any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery, facsimile or other electronic transmission to the Applicants' creditors or other interested parties at their respective addresses as last shown on the records of the Applicants and that any such service or notice by courier, personal delivery or facsimile or other electronic transmission shall be deemed to be received on the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

44. **THIS COURT ORDERS** that the Applicants, the Monitor and their respective counsel are at liberty to serve or distribute this Order, any other materials and orders as may be reasonably required in these proceedings, including any notices, or other correspondence, by forwarding true copies thereof by electronic mail to the Applicants' stakeholders or other interested parties and their advisors. For greater certainty, any such distribution or service shall be deemed to be in satisfaction of a legal or juridical obligation, and notice requirements within the meaning of clause 3(c) of the *Electronic Commerce Protection Regulations*, Reg. 8100-2-175 (SOR/DORS).

GENERAL

45. **THIS COURT ORDERS** that the Applicants or the Monitor may from time to time apply to this Court for advice and directions in the discharge of their powers and duties hereunder.

46. **THIS COURT ORDERS** that nothing in this Order shall prevent BDO from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the Applicants, the Business or the Property, provided that in each case: (i) BDO's ability to act in any of the preceding capacities is subject to the terms and provisions of any Controlled Substances

Legislation pursuant to which BDO, acting in any of the preceding capacities, is prohibited by law from taking possession or control of some or all of the Business or Property; and (ii) by acting in any of the preceding capacities, BDO shall not take possession or control (nor shall it be deemed to have taken possession or control) of any Business or Property subject to any Controlled Substances Legislation.

47. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or outside of Canada, to give effect to this Order and to assist the Applicants, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals and regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicants and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Applicants and the Monitor and their respective agents in carrying out the terms of this Order.

48. **THIS COURT ORDERS** that each of the Applicants and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Monitor is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

49. **THIS COURT ORDERS** that any interested party (including the Applicants and the Monitor) may apply to this Court to vary or amend this Order on not less than seven (7) days' notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

50. **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Time on the date of this Order.

REGISTRATION ON TITLE

51. **THIS COURT ORDERS AND DIRECTS** that, as soon as practicable, the Land Registry Office for the Land Titles Division of Toronto (No. 66) accept this Order for registration on title to the Real Property described in Schedule "A" hereto, and **HEREBY DIRECTS** that the Land

Registrar register the DIP Lender's Charge on title to the Real Property in the form prescribed in the Land Titles Act.

Schedule "A"**Real Property**

Address: 64 Raleigh Av, Toronto, Ontario being PIN 06443-0179 LT legally described as LT 89 PL 2176 SCARBOROUGH; LT 90 PL 2176 SCARBOROUGH; LT 91 PL 2176 SCARBOROUGH; LT 101 PL 2291 SCARBOROUGH; LT 102 PL 2291 SCARBOROUGH; LT 103 PL 2291 SCARBOROUGH; LT 104 PL 2291 SCARBOROUGH; LT 105 PL 2291 SCARBOROUGH; LT 106 PL 2291 SCARBOROUGH; LT 107 PL 2291 SCARBOROUGH; LT 108 PL 2291 SCARBOROUGH; PT DAVIDSON AV PL 2176 SCARBOROUGH; PT DAVIDSON AV PL 2291 SCARBOROUGH CLOSED BY SC103893 AS IN TB625847; S/T & T/W TB625847; TORONTO , CITY OF TORONTO

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF **SPROUTLY INC.** and **TORONTO HERBAL REMEDIES INC.**

Court File No.: CV-22-00683056-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceedings commenced at Toronto

INITIAL ORDER

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Fax: 416-304-1313

Lawyers for the Applicants

TAB 4

~~[MONITOR'S NAME]~~BDO to act as the monitor of the Applicants (in such capacity, the "Monitor"),

SERVICE & DEFINITIONS

1. **THIS COURT ORDERS** that the time for service of the Notice of Application and the Application Record is hereby abridged and validated² so that this Application is properly returnable today and hereby dispenses with further service thereof.

2. THIS COURT ORDERS that all capitalized terms not expressly defined herein are defined in the Loverock Affidavit.

APPLICATION

3. ~~2.~~ THIS COURT ORDERS AND DECLARES that ~~the~~each Applicant is insolvent and is a company to which the CCAA applies.

~~PLAN OF ARRANGEMENT~~

~~3. — THIS COURT ORDERS that the Applicant shall have the authority to file and may, subject to further order of this Court, file with this Court a plan of compromise or arrangement (hereinafter referred to as the "Plan").~~

POSSESSION OF PROPERTY AND OPERATIONS

4. **THIS COURT ORDERS** that the ~~Applicant~~Applicants shall remain in possession and control of ~~its~~their current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate, including all proceeds thereof (the "Property"), including any Property subject to any Controlled Substances Legislation (as defined below). Subject to further Order of this Court, the ~~Applicant~~Applicants shall continue to carry on business in a manner consistent with the preservation of ~~its~~their business (the "Business") and Property. The ~~Applicant is~~Applicants are authorized and empowered to continue to retain and employ the employees, consultants, agents, experts, accountants, counsel and such other persons

²~~If service is effected in a manner other than as authorized by the Ontario Rules of Civil Procedure, an order validating irregular service is required pursuant to Rule 16.08 of the Rules of Civil Procedure and may be granted in appropriate circumstances.~~

(collectively "Assistants") currently retained or employed by ~~it~~them, with liberty to retain such further Assistants as ~~it deems~~they deem reasonably necessary or desirable in the ordinary course of business, to preserve the value of the Property or the Business, or for the carrying out of the terms of this Order.

5. **{THIS COURT ORDERS** that the ~~Applicant~~Applicants shall be entitled to continue to ~~utilize~~use the central cash management system³ currently in place ~~as described in the Affidavit of [NAME] sworn [DATE] or replace it with another substantially similar central cash management system~~(the "Cash Management System") and that any present or future bank or credit union providing the Cash Management System shall not be under any obligation whatsoever to inquire into the propriety, validity or legality of any transfer, payment, collection or other action taken under the Cash Management System, or as to the use or application by the ~~Applicant~~Applicants of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, shall be entitled to provide the Cash Management System without any liability in respect thereof to any Person (as ~~hereinafter~~ defined below) other than the ~~Applicant~~Applicants, pursuant to the terms of the documentation applicable to the Cash Management System, ~~and shall be, in its capacity as provider of the Cash Management System, an unaffected creditor under the Plan with regard to any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System.~~}

6. **THIS COURT ORDERS** that the ~~Applicant~~Applicants shall be entitled, but not required, to pay the following expenses whether incurred prior to, on or after the date of this Order:

- (a) all outstanding and future wages, salaries, employee ~~and pension~~ benefits, vacation pay, and employee expenses payable on or after the date of this Order, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements; ~~and~~

³~~This provision should only be utilized where necessary, in view of the fact that central cash management systems often operate in a manner that consolidates the cash of applicant companies. Specific attention should be paid to cross border and inter company transfers of cash.~~

- (b) the fees and disbursements of any Assistants retained or employed by the ~~Applicant~~Applicants in respect of these proceedings, at their standard rates and charges;
- (c) any taxes, duties, or other payments required under the Controlled Substances Legislation; and
- (d) with the consent of the Monitor, amounts owing for goods or services supplied to the Applicants prior to the granting of this Order if, in the opinion of the Applicants, such payment is necessary or desirable to avoid disruptions to the operations of the Business or the Applicants during the CCAA proceeding.

7. **THIS COURT ORDERS** that, except as otherwise provided to the contrary herein, ~~the Applicant~~and subject to the DIP Documents (as defined below) the Applicants shall be entitled but not required to pay all reasonable expenses incurred by the ~~Applicant~~Applicants in carrying on the Business in the ordinary course after the date of this Order, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

- (a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business, including, without limitation, payments on account of insurance ~~(including directors and officers insurance)~~, maintenance and security services; and
- (b) payment for goods or services actually supplied to the ~~Applicant~~Applicants following the date of this Order or payments to obtain the release of goods or delivery of services contracted for prior to the date of this Order.

8. **THIS COURT ORDERS** that the ~~Applicant~~Applicants shall remit, in accordance with legal requirements, or pay:

- (a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, and (iii) ~~Quebec Pension Plan, and (iv)~~ income taxes;

- (b) all goods ~~and~~, services, excise or other applicable sales taxes (collectively, "Sales Taxes") required to be remitted by the ~~Applicant~~ Applicants in connection with the sale of goods and services by the ~~Applicant~~ Applicants, but only where such Sales Taxes are accrued or collected after the date of this Order, or where such Sales Taxes were accrued or collected prior to the date of this Order, but not required to be remitted until on or after the date of this Order; and
- (c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business by the ~~Applicant~~.

~~9. — THIS COURT ORDERS that until a real property lease is disclaimed [or resiliated]⁴ in accordance with the CCAA, the Applicant shall pay all amounts constituting rent or payable as rent under real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable to the landlord under the lease) or as otherwise may be negotiated between the Applicant and the landlord from time to time ("Rent"), for the period commencing from and including the date of this Order, twice monthly in equal payments on the first and fifteenth day of each month, in advance (but not in arrears). On the date of the first of such payments, any Rent relating to the Applicants, but only where such taxes are accrued during a period commencing from and including after the date of this Order shall also be paid.~~

9. ~~10.~~ **THIS COURT ORDERS** that, except as specifically permitted herein, or in the Applicant is Cash Flow Forecast, as amended, and subject to the DIP Term Sheet (as defined below) and the other DIP Documents, the Applicants are hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of

⁴ ~~The term "resiliate" should remain if there are leased premises in the Province of Quebec, but can otherwise be removed.~~

amounts owing by the ~~Applicant~~Applicants to any of ~~its~~their creditors as of the date of this dateOrder; (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of ~~its~~the Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the Business.

RESTRUCTURING

10. ~~11.~~ **THIS COURT ORDERS** that the ~~Applicant~~Applicants shall, subject to such requirements as are imposed by the CCAA and such covenants as may be contained in the ~~Definitive Documents (as hereinafter defined)~~DIP Term Sheet, have the right to: continue negotiations with stakeholders in an effort to pursue restructuring options.

~~(a) — permanently or temporarily cease, downsize or shut down any of its business or operations, [and to dispose of redundant or non-material assets not exceeding \$• in any one transaction or \$• in the aggregate]⁵~~

~~(b) — [terminate the employment of such of its employees or temporarily lay off such of its employees as it deems appropriate]; and~~

~~(c) — pursue all avenues of refinancing of its Business or Property, in whole or part, subject to prior approval of this Court being obtained before any material refinancing,~~

~~all of the foregoing to permit the Applicant to proceed with an orderly restructuring of the Business (the "Restructuring").~~

~~12. — THIS COURT ORDERS that the Applicant shall provide each of the relevant landlords with notice of the Applicant's intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the Applicant's entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any~~

⁵~~Section 36 of the amended CCAA does not seem to contemplate a pre-approved power to sell (see subsection 36(3)) and moreover requires notice (subsection 36(2)) and evidence (subsection 36(7)) that may not have occurred or be available at the initial CCAA hearing.~~

~~applicable secured creditors, such landlord and the Applicant, or by further Order of this Court upon application by the Applicant on at least two (2) days notice to such landlord and any such secured creditors. If the Applicant disclaims **[or resiliates]** the lease governing such leased premises in accordance with Section 32 of the CCAA, it shall not be required to pay Rent under such lease pending resolution of any such dispute (other than Rent payable for the notice period provided for in Section 32(5) of the CCAA), and the disclaimer **[or resiliation]** of the lease shall be without prejudice to the Applicant's claim to the fixtures in dispute.~~

~~13. — THIS COURT ORDERS that if a notice of disclaimer **[or resiliation]** is delivered pursuant to Section 32 of the CCAA, then (a) during the notice period prior to the effective time of the disclaimer **[or resiliation]**, the landlord may show the affected leased premises to prospective tenants during normal business hours, on giving the Applicant and the Monitor 24 hours' prior written notice, and (b) at the effective time of the disclaimer **[or resiliation]**, the relevant landlord shall be entitled to take possession of any such leased premises without waiver of or prejudice to any claims or rights such landlord may have against the Applicant in respect of such lease or leased premises, provided that nothing herein shall relieve such landlord of its obligation to mitigate any damages claimed in connection therewith.~~

NO PROCEEDINGS AGAINST THE ~~APPLICANT~~APPLICANTS OR THE PROPERTY

11. ~~14.~~ **THIS COURT ORDERS** that until and including ~~[DATE — MAX. 30 DAYS]~~July 4, 2022, or such later date as this Court may subsequently order (the "Stay Period"), no proceeding or enforcement process in or out of any court or tribunal (each, a "Proceeding") shall be commenced ~~or~~, continued or take place against or in respect of the ~~Applicant~~Applicants or the Monitor, or affecting the Business or the Property, except with the written consent of the ~~Applicant~~Applicants and the Monitor, or with leave of this Court, and any and all Proceedings currently under way or directed to take place against or in respect of the ~~Applicant~~Applicants or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

12. ~~15.~~ **THIS COURT ORDERS** that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the

foregoing, collectively being "Persons" and each being a "Person") against or in respect of the ~~Applicant~~Applicants or the Monitor, or affecting the Business or the Property, are hereby stayed and suspended, except with the written consent of the ~~Applicant~~Applicants and the Monitor, or leave of this Court, provided that nothing in this Order shall (i) empower the ~~Applicant~~Applicants to carry on any business which the ~~Applicant is~~Applicants are not lawfully entitled to carry on, (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH RIGHTS

13. ~~16.~~ **THIS COURT ORDERS** that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, lease, licence or permit in favour of or held by the Applicant, except with the written consent of the ~~Applicant~~Applicants and the Monitor, or leave of this Court.

CONTINUATION OF SERVICES

14. ~~17.~~ **THIS COURT ORDERS** that during the Stay Period, all Persons having oral or written agreements with the ~~Applicant~~Applicants or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility, or other services to the Business or the ~~Applicant~~Applicants, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the ~~Applicant~~Applicants, and that the ~~Applicant~~Applicants shall be entitled to the continued use of ~~its~~their current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the ~~Applicant~~Applicants in accordance with normal payment practices of the ~~Applicant~~Applicants or such other practices as may be agreed upon by the supplier or service provider and each of the ~~Applicant~~Applicants and the Monitor, or as may be ordered by this Court.

NON-DEROGATION OF RIGHTS

15. ~~18.~~ **THIS COURT ORDERS** that, notwithstanding anything else in this Order, no Person shall be prohibited from requiring immediate payment for goods, services, use of ~~lease~~leased or licensed property or other valuable consideration provided on or after the date of this Order, nor shall any Person be under any obligation on or after the date of this Order to advance or re-advance any monies or otherwise extend any credit to the ~~Applicant~~Applicants. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.⁶

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

16. ~~19.~~ **THIS COURT ORDERS** that during the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future directors or officers of the ~~Applicant~~Applicants with respect to any claim against the directors or officers that arose before the date hereof and ~~that~~ relates to any obligations of the ~~Applicant~~Applicants whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations, until a compromise or arrangement in respect of the ~~Applicant~~Applicants, if one is filed, is sanctioned by this Court or is refused by the creditors of the ~~Applicant~~Applicants or this Court.

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

17. ~~20.~~ **THIS COURT ORDERS** that the ~~Applicant~~Applicants shall indemnify ~~its~~their directors and officers against obligations and liabilities that they may incur as directors or officers of the ~~Applicant~~Applicants after the commencement of the within proceedings,⁷ except

⁶ ~~This non-derogation provision has acquired more significance due to the recent amendments to the CCAA, since a number of actions or steps cannot be stayed, or the stay is subject to certain limits and restrictions. See, for example, CCAA Sections 11.01, 11.04, 11.06, 11.07, 11.08, 11.1(2) and 11.5(1).~~

⁷ ~~The broad indemnity language from Section 11.51 of the CCAA has been imported into this paragraph. The granting of the indemnity (whether or not secured by a Directors' Charge), and the scope of the indemnity, are discretionary matters that should be addressed with the Court.~~

to the extent that, with respect to any officer or director, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

18. ~~21.~~ **THIS COURT ORDERS** that the directors and officers of the ~~Applicant~~Applicants shall be entitled to the benefit of and are hereby granted a charge (the "Directors' Charge")⁸ on the Property, which charge shall not exceed an aggregate amount of \$~~●~~50,000, as security for the indemnity provided in paragraph ~~{20}~~18 of this Order. The Directors' Charge shall have the priority set out in paragraphs ~~{38}~~36 and ~~{40}~~38 herein.

19. ~~22.~~ **THIS COURT ORDERS** that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge, and (b) the Applicant's^u directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph ~~{20}~~18 of this Order.

APPOINTMENT OF MONITOR

20. ~~23.~~ **THIS COURT ORDERS** that ~~{MONITOR'S NAME}~~BDO is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of the ~~Applicant~~Applicants with the powers and obligations set out in the CCAA or set forth herein and that the ~~Applicant~~Applicants and ~~its~~their shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the ~~Applicant~~Applicants pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's^u functions.

21. ~~24.~~ **THIS COURT ORDERS** that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

- (a) monitor the ~~Applicant's~~Applicants' receipts and disbursements;

⁸~~Section 11.51(3) provides that the Court may not make this security/charging order if in the Court's opinion the Applicant could obtain adequate indemnification insurance for the director or officer at a reasonable cost.~~

- (b) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein;
- (c) assist the ~~Applicant~~Applicants, to the extent required by the ~~Applicant~~Applicants, in its dissemination, to the DIP Lender ~~and its counsel on a [TIME INTERVAL] basis (as defined below)~~ of financial and other information as agreed to between the ~~Applicant~~Applicants and the DIP Lender ~~which may be used in these proceedings,~~ including reporting on a reasonable basis to be agreed ~~with~~between ~~the Applicant and~~ the DIP Lender;
- (d) advise the ~~Applicant~~Applicants in ~~its~~the preparation of the ~~Applicant~~Applicants's cash flow statements and any other reporting ~~required by the DIP Lender, which information shall be reviewed with the Monitor and delivered to the DIP Lender and its counsel on a periodic basis, but not less than [TIME INTERVAL], or as otherwise agreed to~~ to the Court or as reasonably required by the DIP Lender;
- ~~(e) — advise the Applicant in its development of the Plan and any amendments to the Plan;~~
- ~~(f) — assist the Applicant, to the extent required by the Applicant, with the holding and administering of creditors' or shareholders' meetings for voting on the Plan;~~
- (e) ~~(g)~~ have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the ~~Applicant~~Applicants, to the extent that is necessary to adequately assess the ~~Applicant's~~Applicants' business and financial affairs or to perform its duties arising under this Order;
- (f) ~~(h)~~ be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order; and
- (g) ~~(i)~~ perform such other duties as are required by this Order or by this Court from time to time.

22. ~~25.~~ **THIS COURT ORDERS** that, notwithstanding any other provision hereof, the Monitor shall not take possession of the Property and shall take no part whatsoever in the management ~~or~~ supervision of the management, or control of the Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof, including, without limitation, any Business or Property for which any permit, license or approval is issued or required in accordance with the following legislation and any other applicable federal, provincial or state legislation in connection with the cultivation, processing, sale and/or Possession of cannabis or cannabis-related products in Canada or outside of Canada and any regulations issued in connection therewith (collectively, the “Controlled Substances Legislation”):

- (a) *Cannabis Act*, S.C. 2018, c. 16;
- (b) *Excise Act, 2001*, S.C. 2002, c. 22;
- (c) *Cannabis Control Act, 2017*, S.O. 2017, c. 26;
- (d) *Ontario Cannabis Retail Corporation Act, 2017*, S.O. 2017, c. 26; and
- (e) *Cannabis License Act, 2018*, S.O. 2018, c. 12;

and nothing in this Order shall be construed as resulting in the Monitor being an employer or successor employer within the meaning of any statute, regulation, or rule of law or equity for any purpose whatsoever.

23. ~~26.~~ **THIS COURT ORDERS** that nothing herein contained shall require the Monitor to occupy or to take control, care, charge, possession or management (separately and/or collectively, “Possession”) of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the “Environmental Legislation”), provided however that nothing herein shall

exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Monitor shall not, as a result of this Order or anything done in pursuance of the Monitor's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

24. ~~27.~~ **THIS COURT ORDERS** that ~~that~~ the Monitor shall provide any creditor of the ~~Applicant~~Applicants and the DIP Lender with information provided by the ~~Applicant~~Applicants in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the ~~Applicant~~Applicants is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the ~~Applicant~~Applicants may agree.

25. ~~28.~~ **THIS COURT ORDERS** that, in addition to the rights and protections afforded to the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out by it of the provisions of this Order, including under any Controlled Substances Legislation, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded to the Monitor by the CCAA or any applicable legislation.

26. ~~29.~~ **THIS COURT ORDERS** that the Monitor, counsel to the Monitor and counsel to the ~~Applicant~~Applicants shall be paid their reasonable fees and disbursements and applicable taxes, in each case at their standard rates and charges, by the ~~Applicant~~Applicants as part of the costs of these proceedings. The ~~Applicant is~~Applicants are hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor and counsel for the ~~Applicant on a [TIME INTERVAL] basis and, in addition, the Applicant is hereby authorized to pay to the Monitor, counsel to the Monitor, and counsel to the Applicant, retainers in the amount[s] of \$● [-, respectively,] to be held by them as security for payment of their respective fees and disbursements outstanding from time to time~~Applicants.

27. ~~30.~~ **THIS COURT ORDERS** that the Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

28. ~~31.~~ **THIS COURT ORDERS** that the Monitor, counsel to the Monitor, ~~if any,~~ and ~~the Applicant's~~ counsel to the Applicants shall be entitled to the benefit of and are hereby granted a charge (the "Administration Charge") on the Property, which charge shall not exceed an aggregate amount of \$~~●~~150,000, as security for their professional fees and disbursements plus applicable taxes incurred at the standard rates and charges of the Monitor and such counsel, both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraphs ~~{38}~~35 and ~~{40}~~37 hereof.

DIP FINANCING

29. ~~32.~~ **THIS COURT ORDERS** that the ~~Applicant~~Applicants is hereby authorized and empowered to obtain and borrow under a credit facility from ~~{DIP LENDER'S NAME}~~0982244 B.C. Ltd. o/a Isle of Mann Property Group (the "DIP Lender") in order to finance the ~~Applicant's~~Applicants' working capital requirements and other general corporate purposes and capital expenditures, provided that borrowings under such credit facility shall not exceed \$~~●~~750,000 (the "DIP Facility") and are limited to what is reasonably necessary for the continued operations of the Applicants in the ordinary course of business during the initial Stay Period, unless permitted by further Order of this Court.

30. ~~33.~~ **THIS COURT ORDERS** ~~THAT~~that such ~~credit facility~~DIP Facility shall be on the terms and subject to the conditions set forth in the ~~commitment letter~~term sheet between the ~~Applicant~~Applicants and the DIP Lender dated as of ~~{DATE}~~June 22, 2022 (the "Commitment Letter""DIP Term Sheet"), filed.

31. ~~34.~~ **THIS COURT ORDERS** that the ~~Applicant is~~Applicants are hereby authorized and empowered to execute and deliver such credit agreements, mortgages, charges, hypothecs and security documents, guarantees and other definitive documents (collectively, the "Definitive""DIP Documents"), as are contemplated by the ~~Commitment Letter~~DIP Term Sheet or as may be reasonably required by the DIP Lender pursuant to the terms thereof, and the

~~Applicant is~~ Applicants are hereby authorized and directed to pay and perform all of its indebtedness, interest, fees, liabilities and obligations to the DIP Lender under and pursuant to the ~~Commitment Letter~~ DIP Term Sheet and the ~~Definitive~~ DIP Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

32. ~~35.~~ **THIS COURT ORDERS** that the DIP Lender shall be entitled to the benefit of and is hereby granted a charge (the "DIP Lender's Charge") on the Property, including, without limiting the foregoing, the real property identified in Schedule "A" hereto (the "Real Property"), which DIP Lender's Charge shall not secure ~~an~~ any obligation that exists between the Applicants and the DIP Lender before this Order is made. The DIP Lender's Charge shall have the priority set out in paragraphs ~~{38}~~ 35 and ~~{40}~~ 37 hereof.

33. ~~36.~~ **THIS COURT ORDERS** that, notwithstanding any other provision of this Order:

- (a) the DIP Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the DIP Lender's Charge or any of the ~~Definitive~~ DIP Documents;
- (b) upon the occurrence of an event of default under the ~~Definitive~~ DIP Documents or the DIP Lender's Charge, the DIP Lender, upon ~~●~~ five days' written notice to the ~~Applicant~~ Applicants and the Monitor, may exercise, with prior approval of this Court, any and all of its rights and remedies against the ~~Applicant~~ Applicants or the Property under or pursuant to the ~~Commitment Letter, Definitive~~ DIP Term Sheet, the DIP Documents and the DIP Lender's Charge, including, without limitation, to cease making advances to the ~~Applicant and set off and/or consolidate any amounts owing by the DIP Lender to the Applicant against the obligations of the Applicant to the DIP Lender under the Commitment Letter, the Definitive Documents or the DIP Lender's Charge~~ Applicants, to make, demand, accelerate payment and give other notices, or to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against any the ~~Applicant~~ Applicants and for the appointment of a trustee in bankruptcy of the ~~Applicant~~ Applicants; and

- (c) the foregoing rights and remedies of the DIP Lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the ~~Applicant~~Applicants or the Property.

34. ~~37.~~ **THIS COURT ORDERS AND DECLARES** that the DIP Lender shall be treated as unaffected in any plan of arrangement or compromise filed by the ~~Applicant~~Applicants under the CCAA, or any proposal filed by the ~~Applicant~~Applicants under the *Bankruptcy and Insolvency Act* of Canada (the ~~"BIA"~~"BIA"), with respect to any advances made under the ~~Definitive~~DIP Documents.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

35. ~~38.~~ **THIS COURT ORDERS** that the priorities of the ~~Directors' Charge, the Administration Charge,~~ the Directors' Charge and the DIP Lender's Charge (collectively, the "Charges" and each individually, a "Charge"), as among them, shall be as follows⁹:

First ~~—~~— Administration Charge (to the maximum amount of \$~~●~~150,000);

Second ~~—~~— DIP Lender's Charge (to the maximum amount of \$160,000); and

Third ~~—~~— Directors' Charge (to the maximum amount of \$~~●~~50,000).

36. ~~39.~~ **THIS COURT ORDERS** that the filing, registration or perfection of the ~~Directors' Charge, the Administration Charge or the DIP Lender's Charge (collectively, the "Charges")~~ shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

⁹~~The ranking of these Charges is for illustration purposes only, and is not meant to be determinative. This ranking may be subject to negotiation, and should be tailored to the circumstances of the case before the Court. Similarly, the quantum and caps applicable to the Charges should be considered in each case. Please also note that the CCAA now permits Charges in favour of critical suppliers and others, which should also be incorporated into this Order (and the rankings, above), where appropriate.~~

37. ~~40.~~ **THIS COURT ORDERS** that each of the ~~Directors' Charge, the Administration Charge and the DIP Lender's Charge (all as constituted and defined herein)~~ Charges shall constitute a charge on the Property and such Charges shall rank in priority to all other security interests, trusts, liens, charges ~~and~~ encumbrances, and claims of secured creditors, statutory or otherwise (collectively, "the "Encumbrances"") in favour of any Person in respect of such Property, save and except for any valid and existing purchase-money security interests or the equivalent security interests under various provincial legislation (that, for greater certainty, shall not include trade payables).

38. ~~41.~~ **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or as may be approved by this Court, the ~~Applicant~~ Applicants shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, any of the ~~Directors' Charge, the Administration Charge or the DIP Lender's Charge~~ Charges, unless the ~~Applicant~~ Applicants also ~~obtains~~ obtain the prior written consent of the Monitor, ~~the DIP Lender~~ and the beneficiaries of the ~~Directors' Charge and the Administration Charge~~ Charges affected thereby (collectively, the "Chargees"), or further Order of this Court.

39. ~~42.~~ **THIS COURT ORDERS** that the ~~Directors' Charge, the Administration Charge, the Commitment Letter, the Definitive Documents and the DIP Lender's Charge~~ Charges shall not be rendered invalid or unenforceable and the rights and remedies of the ~~chargees entitled to the benefit of the Charges (collectively, the "Chargees") and/or the DIP Lender thereunder~~ shall not otherwise be limited or impaired in any way by: (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to the BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an "Agreement") which binds the ~~Applicant~~ Applicants, and notwithstanding any provision to the contrary in any Agreement:

- (a) ~~neither~~ the creation of the Charges nor the execution, delivery, perfection, registration or performance of the ~~Commitment Letter~~ DIP Term Sheet or the

~~Definitive~~DIP Documents shall not create or be deemed to constitute a breach by the ~~Applicant~~any of the Applicants of any Agreement to which ~~it is~~they are a party;

- (b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the ~~Applicant~~Applicants entering into the ~~Commitment Letter~~DIP Term Sheet, the creation of the Charges, or the execution, delivery or performance of the ~~Definitive~~DIP Documents; and
- (c) the payments made by the ~~Applicant~~Applicants pursuant to this Order, the ~~Commitment Letter~~DIP Term Sheet or the ~~Definitive~~DIP Documents, and the granting of the Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

40. ~~43.~~ **THIS COURT ORDERS** that any Charge created by this Order over leases of real property in Canada shall only be a Charge in the ~~Applicant's~~Applicants' interest in such real property, including in respect of any leases thereof.

SERVICE AND NOTICE

41. ~~44.~~ **THIS COURT ORDERS** that the Monitor shall (i) without delay, publish in ~~[newspapers specified by the Court]~~The Globe and Mail (National Edition) a notice containing the information prescribed under the CCAA, (ii) within five days after the date of this Order or as soon as reasonably practicable thereafter, ~~(A) make this Order publicly available in the manner prescribed under the CCAA, (B) send, in the prescribed manner, a notice to every known creditor who has a claim against the Applicant of more than \$1000, and (C) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all~~ in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder.

42. ~~45.~~ **THIS COURT ORDERS** that the E-Service Protocol of the Commercial List (the “**Protocol**”) is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the ~~Protocol~~Guide (which can be found on the Commercial

List website at: <http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/e-service-protocol/www.ontariocourts.ca/scj/practice/practice-directions/toronto/eservice-commercial/>) shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the Rules of Civil Procedure and paragraph 2413 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established by the Monitor in accordance with the Protocol with the following URL: ~~‘<@>’~~ <https://www.bdo.ca/en-ca/extranets/SI-and-toronto-herbal-remedies/>.

43. ~~46.~~ **THIS COURT ORDERS** that if the service or distribution of documents in accordance with the ~~Protocol~~Guide is not practicable, the ~~Applicant~~Applicants and the Monitor are at liberty to serve or distribute this Order, any other materials and orders as may be reasonably required in these proceedings, and any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery ~~or~~, or other electronic transmission to the ~~Applicant's~~Applicants' creditors or other interested parties at their respective addresses as last shown on the records of the ~~Applicant~~Applicants and that any such service or ~~distribution~~notice by courier, personal delivery or facsimile or other electronic transmission shall be deemed to be received ~~on the next business day following~~ the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

44. **THIS COURT ORDERS** that the Applicants, the Monitor and their respective counsel are at liberty to serve or distribute this Order, any other materials and orders as may be reasonably required in these proceedings, including any notices, or other correspondence, by forwarding true copies thereof by electronic mail to the Applicants' stakeholders or other interested parties and their advisors. For greater certainty, any such distribution or service shall be deemed to be in satisfaction of a legal or juridical obligation, and notice requirements within the meaning of clause 3(c) of the *Electronic Commerce Protection Regulations*, Reg. 8100-2-175 (SOR/DORS).

GENERAL

45. ~~47.~~ **THIS COURT ORDERS** that the ~~Applicant~~Applicants or the Monitor may from time to time apply to this Court for advice and directions in the discharge of ~~its~~their powers and duties hereunder.

46. ~~48.~~ **THIS COURT ORDERS** that nothing in this Order shall prevent ~~the Monitor~~BDO from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the ~~Applicant~~Applicants, the Business or the Property, provided that in each case: (i) BDO's ability to act in any of the preceding capacities is subject to the terms and provisions of any Controlled Substances Legislation pursuant to which BDO, acting in any of the preceding capacities, is prohibited by law from taking possession or control of some or all of the Business or Property; and (ii) by acting in any of the preceding capacities, BDO shall not take possession or control (nor shall it be deemed to have taken possession or control) of any Business or Property subject to any Controlled Substances Legislation.

47. ~~49.~~ **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or ~~in the United States~~outside of Canada, to give effect to this Order and to assist the ~~Applicant~~Applicants, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, and regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the ~~Applicant~~Applicants and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the ~~Applicant~~Applicants and the Monitor and their respective agents in carrying out the terms of this Order.

48. ~~50.~~ **THIS COURT ORDERS** that each of the ~~Applicant~~Applicants and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Monitor is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

49. ~~51.~~ **THIS COURT ORDERS** that any interested party (including the ~~Applicant~~Applicants and the Monitor) may apply to this Court to vary or amend this Order on not less than seven (7) days' notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

50. ~~52.~~ **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12:01 a.m. Eastern ~~Standard/Daylight~~ Time on the date of this Order.

REGISTRATION ON TITLE

51. **THIS COURT ORDERS AND DIRECTS** that, as soon as practicable, the Land Registry Office for the Land Titles Division of Toronto (No. 66) accept this Order for registration on title to the Real Property described in Schedule "A" hereto, and HEREBY DIRECTS that the Land Registrar register the DIP Lender's Charge on title to the Real Property in the form prescribed in the Land Titles Act.

Schedule "A"

Real Property

Address: 64 Raleigh Av, Toronto, Ontario being PIN 06443-0179 LT legally described as LT 89 PL 2176 SCARBOROUGH; LT 90 PL 2176 SCARBOROUGH; LT 91 PL 2176 SCARBOROUGH; LT 101 PL 2291 SCARBOROUGH; LT 102 PL 2291 SCARBOROUGH; LT 103 PL 2291 SCARBOROUGH; LT 104 PL 2291 SCARBOROUGH; LT 105 PL 2291 SCARBOROUGH; LT 106 PL 2291 SCARBOROUGH; LT 107 PL 2291 SCARBOROUGH; LT 108 PL 2291 SCARBOROUGH; PT DAVIDSON AV PL 2176 SCARBOROUGH; PT DAVIDSON AV PL 2291 SCARBOROUGH CLOSED BY SC103893 AS IN TB625847; S/T & T/W TB625847; TORONTO , CITY OF TORONTO

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED
AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF **SPROUTLY INC.** and **TORONTO HERBAL**
REMEDIES INC.

Court File No.: CV-22-00683056-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceedings commenced at Toronto

INITIAL ORDER

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Document comparison by Workshare Compare on Wednesday, June 22, 2022 5:38:45 PM

Input:	
Document 1 ID	file://C:\Users\roxanam\Desktop\Sproutly\Model-intitial-order-CCAA-EN.doc
Description	Model-intitial-order-CCAA-EN
Document 2 ID	file://C:\Users\roxanam\Desktop\Sproutly\Final Draft First Day Initial Order.docx
Description	Final Draft First Day Initial Order
Rendering set	Standard

Legend:	
Insertion	
Deletion	
Moved from	
<u>Moved to</u>	
Style change	
Format change	
Moved deletion	
Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:

	Count
Insertions	406
Deletions	360
Moved from	0
Moved to	0
Style changes	0
Format changes	0
Total changes	766

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF SPROUTLY, INC. and TORONTO HERBAL REMEDIES INC. (each an "Applicant" and collectively, the "Applicants")

Court File No. CV-22-00683056-00CL

ONTARIO
**SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

Proceedings commenced at Toronto, Ontario

APPLICATION RECORD
(returnable on June 24, 2022 at 10:00 a.m.)

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