

REGAL RESOURCES INC.

As Vendor

- and -

REGAL RESOURCES USA, INC

- and -

BARKSDALE RESOURCES CORP.

As Purchaser

SHARE PURCHASE AGREEMENT

MAY 11, 2021

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MATERIAL CONTRACTS
DIRECTORS AND OFFICERS

SHARE PURCHASE AGREEMENT dated May 11, 2021.

AMONG:

Regal Resources Inc.

(the “Vendor”)

- and -

Regal Resources USA, Inc.

(“Regal USA”)

- and -

Barksdale Resources Corp.

(the “Purchaser”)

RECITALS:

- A. Regal USA is a corporation incorporated under the laws of Nevada.
- B. The Vendor owns all of the issued and outstanding shares of Regal USA.
- C. The Vendor wishes to sell and the Purchaser wishes to purchase all of the issued and outstanding shares of Regal USA owned by the Vendor.
- D. The board of directors of the Vendor, after consultation with its financial and legal advisors, has determined that the Transactions (as defined below) are in the best interests of the Vendor and the Vendor Shareholders (as defined below) and has resolved to recommend to the Vendor Shareholders that they vote in favour of the Vendor Resolution (as defined below).
- E. Immediately prior, and as a condition precedent in favour of the Purchaser, to the execution and delivery of this Agreement, the Purchaser has entered into the Vendor Voting Agreements (as defined below) with certain of the directors and officers of the Vendor.

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the mutual promises and covenants herein contained and other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the Parties agree as follows:

**ARTICLE 1
INTERPRETATION**

1.1 Definitions. In this Agreement, including the Recitals to this Agreement, unless the context otherwise requires:

- (1) “**2020 AGM**” has the meaning attributed to that term in Section 1.4.
- (2) “**Acquisition Proposal**” means a proposal or offer, oral or written, relating to any of the following (other than the transactions contemplated by this Agreement): (a) any merger, amalgamation, arrangement, share exchange, take-over bid, tender offer, recapitalization, consolidation or other business combination directly or indirectly involving the Vendor or Regal USA, (b) any acquisition of any of the assets of the Vendor or Regal USA (or any lease, long-term supply agreement, exchange, mortgage, pledge or other arrangement having a similar economic effect), (c) any acquisition of beneficial ownership of the Purchased Shares or the Membership Interests, (d) any acquisition by the Vendor of any assets or capital stock of another person, (e) any transaction, the consummation of which would reasonably be expected to impede, interfere with, prevent or materially delay the consummation of the transaction contemplated in this Agreement, or (f) any bona fide proposal to, or public announcement of an intention to, do any of the foregoing;
- (3) “**Affiliate**” means an affiliated body corporate within the meaning of the following:
 - (a) one body corporate is affiliated with another body corporate if one of them is the subsidiary of the other or both are subsidiaries of the same body corporate or each of them is controlled by the same person; and
 - (b) if two bodies corporate are affiliated with the same body corporate at the same time, they are deemed to be affiliated with each other.

For purposes of this definition, a body corporate is controlled by a person or by two or more bodies corporate if (i) securities of the body corporate to which are attached more than 50% of the votes that may be cast to elect directors of the body corporate, are held, other than by way of security only, by or for the benefit of that person or by or for the benefit of those bodies corporate; and (ii) the votes attached to those securities are sufficient, if exercised, to elect a majority of the directors of the body corporate. For the purposes of this definition, a body corporate is a subsidiary of another body corporate if (i) it is controlled by (A) that other body corporate, (B) that other body corporate and one or more bodies corporate each of which is controlled by that other body corporate, or (C) two or more bodies corporate each of which is controlled by that other body corporate; or (ii) it is a subsidiary of a body corporate that is a subsidiary of that other body corporate.

- (4) “**Agreement**” means this share purchase agreement, including all Schedules, Appendices and Exhibits to this share purchase agreement, as amended, supplemented, restated and replaced from time to time in accordance with the terms hereof.
- (5) “**Applicable Law**” means:
 - (a) any domestic (federal, provincial or municipal) or foreign statute, law (including common and civil law), code, ordinance, rule, regulation, order-in-council, restriction or by-law (zoning or otherwise);

- (b) any judgment, order, writ, injunction, directive, decision, ruling, decree or award;
or
 - (c) any final or binding regulatory policy, practice, standard or guideline,
of any Governmental Authority, binding on or affecting the Person referred to in the
context in which the term is used or binding on or affecting the property of that Person.
- (6) **“Appurtenances”** means, with respect to any real property:
- (a) all buildings, structures, fixtures, improvements and appurtenances located on or
forming part of that real property, including those under construction; and
 - (b) all rights of way, licences, rights of occupation, easements or other similar rights
appurtenant to and for the benefit of that real property.
- (7) **“Arizona Standard”** means Arizona Standard (US) Corp., a corporation incorporated
under the laws of Nevada, authorized as a foreign corporation to do business in Arizona
and a wholly-owned subsidiary of the Purchaser.
- (8) **“Assets”** means all undertakings, property, assets, rights and interests of Regal USA,
including the following:
- (a) all of its right, title and interest to the Membership Interests;
 - (b) all rights and interests of Regal USA in and to all Contracts to which Regal USA
is a party or by which any of the Assets or the Business is bound or affected; and
 - (c) the Books and Records.
- (9) **“Bridge Loan Amount”** has the meaning attributed to that term in Section 4.1(1)(m).
- (10) **“Bridge Loan Amount”** has the meaning attributed to that term in Section 2.2(1)(d).
- (11) **“Board Recommendation”** has the meaning attributed to that term in Section 5.1(1).
- (12) **“Books and Records”** means all books, records, files and papers of Regal USA including
title documentation, financial and Tax books and records, personnel and employment
records, minute and share certificate books, all other documents and data (technical or
otherwise) relating to Regal USA, the Business or the Assets, and all copies and
recordings of the foregoing, to the extent that such exist.
- (13) **“Business”** means the business carried on currently and prior to the date of this
Agreement by Regal USA consisting of its indirect interest in certain mineral exploration
claims in the State of Arizona and represented by the Membership Interests.
- (14) **“Business Day”** means any day, except Saturdays and Sundays, on which banks are
generally open for non-automated business:

- (a) for purposes of Section 11.13, in the place specified in that Section; and
 - (b) for all other purposes in this Agreement, in Vancouver, British Columbia.
- (15) “**Change in Recommendation**” has the meaning attributed to that term in Section 8.1(1)(c)(i).
 - (16) “**Claim**” has the meaning attributed to that term in Section 10.1(1).
 - (17) “**Closing**” means the completion of the Transactions on the Closing Date in accordance with this Agreement.
 - (18) “**Closing Date**” means July 10, 2021 or such other date as may be agreed to by the Parties in writing.
 - (19) “**Constating Documents**” means, with respect to any Person, its articles or certificate of incorporation, amendment, amalgamation or continuance, memorandum and articles of association, letters patent, supplementary letters patent, by-laws, partnership agreement, limited liability company agreement or other similar document, and all unanimous shareholder agreements, other shareholder agreements, voting trusts, pooling agreements and similar Contracts, arrangements and understandings applicable to the Person’s Equity Interests, all as amended, supplemented, restated and replaced from time to time.
 - (20) “**Contract**” means any agreement, contract, indenture, lease, occupancy agreement, deed of trust, licence, option, undertaking, promise or any other commitment or obligation, whether oral or written, express or implied, other than a Permit.
 - (21) “**Contribution Agreement**” means the Contribution Agreement between Regal USA and Arizona Standard dated August 10, 2017.
 - (22) “**Denman Island Debt**” means a debt in the principal amount of \$1,000,000, together with accrued interest thereon in the amount of \$725,000, owed by the Vendor to Denman Island Chocolate Ltd. and represented by the Denman Island Debt Instruments.
 - (23) “**Denman Island Debt Amount**” has the meaning attributed to that term in Section 2.2(1)(b).
 - (24) “**Denman Island Debt Instruments**” means the loan agreements dated May 27, 2016 and August 25, 2016, and the forbearance agreement and general security agreement dated April 2, 2021, between the Vendor and Denman Island Chocolate Ltd.
 - (25) “**Dissent Rights**” means the rights of dissent granted in favour of Vendor Shareholders in respect of the Vendor Resolution, as required by the *Business Corporations Act* (British Columbia).
 - (26) “**Effective Time**” 12:01 a.m. on the Closing Date.

- (27) “**Encumbrance**” means any encumbrance, lien, charge, hypothec, pledge, mortgage, title retention agreement, security interest of any nature, prior claim, adverse claim, exception, reservation, restrictive covenant, agreement, easement, lease, licence, right of occupation, option, right of use, right of first refusal, right of pre-emption, privilege or any matter capable of registration against title or any Contract to create any of the foregoing.
- (28) “**Environmental Laws**” means all applicable federal, provincial, state, municipal and local laws, statutes, ordinances, and regulations and orders, directives and decisions rendered by any ministry, department or administrative or regulatory agency, domestic or foreign, including laws, ordinances, regulations or orders, relating to the protection of the environment, occupational and human health and safety or the treatment, use, processing, storage, disposal, discharge, transport or handling of any pollutants, contaminants, chemicals or industrial, toxic or hazardous wastes or substances.
- (29) “**Equity Interests**” means, with respect to any Person, any and all present and future shares, units, trust units, partnership or other interests, participations or other equivalent rights in that Person’s equity or capital, however designated and whether voting or non-voting.
- (30) “**Escrowed Shares**” means 3,850,000 common shares in the authorized share structure of the Purchaser registered in the name of the Vendor that are held in escrow pursuant to the Contribution Agreement.
- (31) “**ETA**” means the *Excise Tax Act* (Canada).
- (32) “**FIRPTA**” means the *Foreign Investment in Real Property Tax Act* (United States).
- (33) “**First Tranche Shares**” has the meaning attributed to that term in Section 2.4(1).
- (34) “**Gardner Debt**” means a debt owing by the Vendor to Erika Gardner having a principal amount of \$900,000 together with accrued interest thereon in the amount of \$535,000 and represented by a debenture and security agreement dated October 19, 2012;
- (35) “**GST/HST**” means all Taxes payable under Part IX of the ETA (including where applicable both the federal and provincial portion of those Taxes) or and under any provincial legislation imposing a similar value added or multi-staged tax.
- (36) “**Governmental Authority**” means any (i) domestic or foreign government, whether federal, provincial, state, territorial, local, regional, municipal, or other political jurisdiction, and any agency, authority, instrumentality, court, tribunal, board, commission, bureau, arbitrator, arbitration tribunal or other tribunal, or any quasi-governmental or other entity, body, organization or agency, insofar as it exercises a legislative, judicial, regulatory, administrative, expropriation or taxing power or function of or pertaining to government, or (ii) regulatory authority, including any securities commission, or stock exchange, including the TSXV.
- (37) “**IFRS**” means International Financial Reporting Standards, as issued by the International Accounting Standards Board and as adopted by the Chartered Professional

Accountants of Canada in Part I of The Chartered Professional Accountants Canada Handbook – Accounting, as amended from time to time.

- (38) “**Interim Period**” means the period from the date of this Agreement to the Closing Date.
- (39) “**IRS**” means the United States Internal Revenue Service.
- (40) “**Losses**” has the meaning attributed to that term in Section 10.1(7).
- (41) “**Material Adverse Change**” or “**Material Adverse Effect**” means, with respect to any event, matter or circumstance, any change or effect that:
 - (a) in respect of Regal USA or the Business:
 - (i) individually or when taken together with all other changes or effects that have occurred during any relevant period of time before the determination of the occurrence of that change or effect, is or is reasonably likely to be materially adverse to the Business, the Assets, and the operations, liabilities, capital, condition (financial or otherwise) or results of operation, of Regal USA; or
 - (ii) materially adversely affects the ability of Regal USA to conduct the Business after the Effective Time substantially as the Business has been conducted to the date of this Agreement; and
 - (b) in respect of the Purchaser:
 - (i) individually or when taken together with all other changes or effects that have occurred during any relevant period of time before the determination of the occurrence of that change or effect, is or is reasonably likely to be materially adverse to the Purchaser, the business currently contemplated to be conducted by the Purchaser, and the operations, liabilities, capital, condition (financial or otherwise) or results of operation, of the Purchaser; or
 - (ii) materially adversely affects the ability of the Purchaser to conduct the business of the Purchaser after the Effective Time substantially as the business of the Purchaser has been conducted to the date of this agreement.
- (42) “**Material Contract**” has the meaning attributed to that term in Section 5.2(14)(h).
- (43) “**Meeting Deadline**” has the meaning attributed to that term in Section 6.3(1).
- (44) “**Membership Interests**” means the membership interests of Arizona Standard LLC owned by Regal USA.

- (45) “**Mycroft Debt**” means a debt owing by the Vendor to Mycroft Holdings Ltd. having a principal amount of up to \$600,000 together with accrued interest thereon and represented by a loan agreement and general security agreement dated October 13, 2020 and a loan agreement dated March 24, 2021 (as may be amended, restated, modified, supplemented or replaced from time to time).
- (46) “**Mutual Confidentiality Agreement**” means the Mutual Confidentiality Agreement between the Vendor and the Purchaser dated February 10, 2021.
- (47) “**NI 43-101**” means National Instrument 43-101 - *Standards of Disclosure for Mineral Projects of the Canadian Securities Administrators*.
- (48) “**Ordinary Course**” means, with respect to an action taken by a Person, that the action is consistent with the past practices of the Person and is taken in the normal day-to-day operations of the Person.
- (49) “**Other Agreements**” has the meaning attributed to that term in Section 11.6.
- (50) “**Other Creditors**” means Brent Welke, George Steeves and Jason Chen.
- (51) “**Other Debt Amount**” has the meaning attributed to that term in Section 2.2(1)(e).
- (52) “**Other Debts**” means the debts in the principal amount plus accrued interest of \$75,000, owed by the Vendor to the Other Creditors.
- (53) “**Outside Date**” means September 7, 2021, or such later date as may be agreed to in writing by the Parties.
- (54) “**Parties**” means collectively, the Vendor, the Purchaser and Regal USA and “**Party**” means any of them.
- (55) “**Payment Shares**” means 18,150,000 common shares in the authorized share structure of the Purchaser.
- (56) “**Permits**” means franchises, licences, qualifications, authorizations, consents, certificates, certificates of authorization, decrees, orders-in-council, registrations, exemptions, consents, variances, waivers, grants, orders, permits and other approvals, obtained from, issued by or required by a Governmental Authority under Applicable Laws, including Environmental Laws.
- (57) “**Permitted Encumbrances**” means:
- (a) any Encumbrance related to the Mycroft Debt or the Denman Island Debt;
 - (b) 1.5% net smelter returns royalty over the Sunnyside project in favour of Minquest Inc.; and

- (c) 3.0% net smelter returns royalty over the Sunnyside project in favour of Russell Corn and Brian Corn.
- (58) **“Person”** is to be broadly interpreted and includes an individual, a corporation, a partnership, a joint venture, a trust, an association, a syndicate, an unincorporated organization, a Governmental Authority, an executor or administrator or other legal or personal representative, or any other juridical entity.
- (59) **“Proceeding”** means:
- (a) any suit, action, dispute, investigation, claim, arbitration, order, summons, citation, directive, charge, demand or prosecution, whether legal or administrative;
 - (b) any other proceeding; or
 - (c) any appeal or application for review;
 - (d) at law or in equity or before or by any Governmental Authority.
- (60) **“Properties”** means, collectively, the mineral properties and projects of the Purchaser and its Affiliates, including, without limitation, the mineral claims, leases, other forms of mineral tenure, and assets comprising:
- (a) the Sunnyside project located in the Patagonia Mountains, south of Tucson, Arizona;
 - (b) the San Antonio project located in the Patagonia Mountains, south of Tucson, Arizona;
 - (c) the Four Metals project located in the Patagonia Mountains, south of Tucson, Arizona; and
 - (d) the San Javier property located in central Sonora, Mexico, approximately 125 kilometres east of the city of Hermosillo,
- and any mineral claims, leases or other form of mineral tenure which may replace the same, and all renewals, extensions and amendments thereof or substitutions therefor, each as further described in the Public Disclosure Documents.
- (61) **“Public Disclosure Documents”** means, collectively, all of the documents which have been filed by or on behalf of the Purchaser subsequent to January 1, 2017 and prior to Closing with the relevant securities regulatory authorities pursuant to the requirements of Securities Laws, including all documents filed on SEDAR at www.sedar.com.
- (62) **“Purchase Price”** has the meaning attributed to that term in Section 2.2.
- (63) **“Purchased Shares”** means 25,000 common shares in the capital of Regal USA.

- (64) “**Purchaser**” means Barksdale Resources Corp., a corporation incorporated under the laws of British Columbia.
- (65) “**Purchaser Disclosure**” has the meaning attributed to that term in Section 6.3(3).
- (66) “**Purchaser’s Counsel**” means Borden Ladner Gervais LLP.
- (67) “**Regal USA**” means Regal Resources USA, Inc. a corporation incorporated under the laws of Nevada.
- (68) “**Representatives**” means, with respect to any Party, its Affiliates and, if applicable, its and their respective directors, officers, employees, agents and other representatives and advisors.
- (69) “**Response Period**” has the meaning attributed to that term in Section 7.3(1)(b).
- (70) “**Review Period**” has the meaning attributed to that term in Section 7.3(2).
- (71) “**Revised Denman Debt Terms**” means the amended terms of the Denman Island Debt, whereby the interest rate applicable thereunder will be reduced from 12% to 8% and the original period of forbearance will be extended by an additional three (3) months.
- (72) “**Second Tranche Shares**” has the meaning attributed to that term in Section 2.4(2).
- (73) “**Securities Laws**” means the securities legislation having application, the regulations and rules thereunder and all administrative policy statements, instruments, blanket orders, notices, directions and rulings issued or adopted by the applicable securities regulatory authority, all as amended.
- (74) “**Superior Proposal**” means any unsolicited *bona fide* written Acquisition Proposal from a person who is, as at the date of this Agreement, an arm’s length third party, that is made after the date of this Agreement, (and is not obtained in violation of this Agreement or any agreement between the person making such Acquisition Proposal and the Vendor or Regal USA) and that relates to all of the outstanding Vendor Common Shares, the Purchased Shares or all or substantially all of the consolidated assets of the Vendor and/or Regal USA, and (i) that is reasonably capable of being completed without undue delay, taking into account all financial, legal, regulatory and other aspects of such proposal and the person making such proposal; (ii) that is not subject to any financing condition and in respect of which it has been demonstrated to the satisfaction of the board of directors of the Vendor, acting in good faith (after receiving the advice of its outside legal advisors), that any financing required to complete such Acquisition Proposal has been obtained or been demonstrated to be reasonably likely to be obtained without undue delay; and (iii) in respect of which the board of directors of the Vendor determines, in its good faith judgment, after receiving the advice of its outside legal advisors, that (a) failure to recommend such Acquisition Proposal to the Vendor Shareholders would be inconsistent with its fiduciary duties under Applicable Law; and (b) having regard for all of the terms and conditions of the Acquisition Proposal, including all financial, legal, regulatory and other aspects of such proposal and the person making such proposal, such

Acquisition Proposal, will, if consummated in accordance with its terms (but not assuming away any risk of non-completion), result in a transaction more favourable to the Vendor Shareholders from a financial point of view than the transactions contemplated by this Agreement, after taking into account any change to the transactions contemplated by this Agreement proposed by the Purchaser pursuant to Section 7.3.

- (75) “**Tax Act**” or any reference to a specific provision thereof means the *Income Tax Act* (Canada) and, except as the context requires otherwise, legislation of any legislature of any province or territory of Canada (including the *Taxation Act* (Québec)) and any regulations thereunder in force of like or similar effect.
- (76) “**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 in respect thereof (including those levied on, or measured by, or referred to as, income, gross receipts, profits, capital, transfer, land transfer, gains, capital stock, production, gift, wealth, environment, net worth, utility, sales, goods and services, harmonized sales, use, consumption, valued-added, excise, stamp, withholding, premium, business, franchising, property, employer health, payroll, employment, health, social services, education and social security taxes, surtaxes, customs duties and import and export taxes, development, occupancy, social services, licence, franchise and registration fees and employment insurance, health insurance and Canada, Québec and other government pension plan premiums or contributions), and “**Tax**” has a corresponding meaning.
- (77) “**Tax Returns**” means all returns, declarations, designations, forms, schedules, reports, elections, notices, filings, statements (including withholding tax returns and reports and information returns and reports) and other documents of every nature whatsoever filed or required to be filed with any Governmental Authority with respect to any Taxes together with all amendments and supplements thereto.
- (78) “**Technical Report**” means the technical report entitled “Technical Report on the Sunnyside Project, Santa Cruz County, Arizona, USA” with an effective date of August 15, 2017, revised November 10, 2017, prepared for the Vendor and the Purchaser by APEX Geoscience Ltd. under the supervision Andrew J. Turner, B.Sc., P.Geol., in accordance with the requirements of NI 43-101.
- (79) “**Term**” means the period from the execution of this Agreement until the second anniversary of the Closing Date.
- (80) “**Third Party Claim**” has the meaning attributed to that term in Section 10.1(10).
- (81) “**Third Tranche Shares**” has the meaning attributed to that term in Section 2.4(3).
- (82) “**Transactions**” means the purchase and sale of the Purchased Shares and all other transactions contemplated by this Agreement.
- (83) “**Transmission**” has the meaning attributed to that term in Section 11.13(1).

- (84) “**TSXV**” means the TSX Venture Exchange.
- (85) “**US Tax Amount**” has the meaning attributed to that term in Section 2.2(1)(f).
- (86) “**Vendor**” means Regal Resources Inc., a corporation incorporated under the laws of British Columbia.
- (87) “**Vendor Circular**” means the notice of the Vendor Meeting and accompanying management information circular, including all schedules, appendices and exhibits to, and information incorporated by reference in, such management information circular, to be sent to the Vendor Shareholders in connection with the Vendor Meeting, if necessary, as amended, supplemented or otherwise modified from time to time in accordance with the terms of this Agreement.
- (88) “**Vendor Common Shares**” means common shares in the capital of the Vendor.
- (89) “**Vendor’s Counsel**” means MLT Aikins LLP.
- (90) “**Vendor Indemnitees**” has the meaning attributed to that term in Section 10.1(11).
- (91) “**Vendor Locked-up Shareholders**” means all of the directors and officers listed in Schedule 5.2(22) who are Vendor Shareholders and who have entered into Vendor Voting Agreements with the Purchaser pursuant to which they have agreed, subject to the terms of such Vendor Voting Agreements, to vote their Vendor Common Shares in favour of the Vendor Resolution.
- (92) “**Vendor Meeting**” means the special meeting of Vendor Shareholders held to consider and approve, among other things, the Vendor Resolution.
- (93) “**Vendor Representatives**” has the meaning attributed to that term in Section 1.4.
- (94) “**Vendor Resolution**” means the special resolution approving the Transactions to be considered at the Vendor Meeting.
- (95) “**Vendor Shareholder Approval**” the approval by the Vendor Shareholders of the Vendor Resolution at the Vendor Meeting.
- (96) “**Vendor Shareholders**” means, at any time, the registered holders of Vendor Common Shares.
- (97) “**Vendor Transaction Expenses**” has the meaning attributed to that term in Section 7.4(1).
- (98) “**Vendor Voting Agreements**” means the voting agreements (including all amendments thereto) between the Purchaser and each of the Vendor Locked-up Shareholders.

1.2 Construction. This Agreement has been negotiated by each Party with the benefit of legal representation, and any rule of construction to the effect that any ambiguities are to be

resolved against the drafting party does not apply to the construction or interpretation of this Agreement.

1.3 Certain Rules of Interpretation. In this Agreement:

- (1) the division into Articles and Sections and the insertion of headings and the Table of Contents are for convenience of reference only and do not affect the construction or interpretation of this Agreement;
- (2) the expressions “hereof”, “herein”, “hereto”, “hereunder”, “hereby” and similar expressions refer to this Agreement and not to any particular portion of this Agreement; and
- (3) unless specified otherwise or the context otherwise requires:
 - (a) references to any Article, Section or Schedule are references to the Article or Section of, or Schedule to, this Agreement;
 - (b) “including” or “includes” means “including (or includes) but is not limited to” and is not to be construed to limit any general statement preceding it to the specific or similar items or matters immediately following it;
 - (c) “the aggregate of”, “the total of”, “the sum of”, or a phrase of similar meaning means “the aggregate (or total or sum), without duplication, of”;
 - (d) references to Contracts are deemed to include all present amendments, supplements, restatements and replacements to those Contracts;
 - (e) references to any legislation, statutory instrument or regulation or a section thereof are references to the legislation, statutory instrument, regulation or section as amended, re-enacted, consolidated or replaced from time to time; and
 - (f) words in the singular include the plural and vice-versa and words in one gender include all genders.

1.4 Knowledge. In this Agreement, any reference to “the knowledge of the Vendor” means to the best of the knowledge, information and belief of Matthew Sauder and Martin Carsky (together, the “**Vendor Representatives**”), in their capacities as directors of the Vendor, since the date of their election as directors of the Vendor on August 6, 2020 (the “**2020 AGM**”) after reviewing relevant records and making due inquiries regarding the relevant matter of all relevant current Representatives of the Vendor. Any reference to “the knowledge of the Purchaser” means to the best of the knowledge, information and belief of Richard Trotman (Chief Executive Officer) and Michael Waldkirch (Chief Financial Officer) after reviewing all relevant records and making due inquiries regarding the relevant matter of all relevant current Representatives of the Purchaser.

1.5 Computation of Time. In this Agreement, unless specified otherwise or the context otherwise requires:

- (1) a reference to a period of days is deemed to begin on the first day after the event that started the period and to end at 5:00 p.m. on the last day of the period, but if the last day of the period does not fall on a Business Day, the period ends at 5:00 p.m. on the next succeeding Business Day;
- (2) all references to specific dates mean 11:59 p.m. on the dates;
- (3) all references to specific times are references to Vancouver time; and
- (4) with respect to the calculation of any period of time, references to “from” mean “from and excluding” and references to “to” or “until” mean “to and including”.

1.6 Performance on Business Days. If any action is required to be taken pursuant to this Agreement on or by a specified date that is not a Business Day, the action is valid if taken on or by the next succeeding Business Day.

1.7 Currency and Payment. In this Agreement, unless specified otherwise:

- (1) references to dollar amounts or “\$” are to Canadian dollars;
- (2) any payment is to be made by an official bank draft drawn on a Canadian chartered bank, wire transfer or any other method (other than cash payment) agreed by the Purchaser and the Vendor each acting reasonably, that provides immediately available funds; and
- (3) except in the case of any payment due on the Closing Date, any payment due on a particular day must be received and available by 2:00 p.m. on the due date and any payment received and available after that time is deemed to have been made and received on the next succeeding Business Day.

1.8 Accounting Terms. In this Agreement, unless specified otherwise, each accounting term has the meaning assigned to it under IFRS.

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

SCHEDULE 5.2(14)	MATERIAL CONTRACTS
SCHEDULE 5.2(22)	DIRECTORS AND OFFICERS

ARTICLE 2 PURCHASE AND SALE OF PURCHASED SHARES

2.1 Agreement to Purchase and Sell. Subject to the terms and conditions of this Agreement, as of the Effective Time the Vendor shall sell the Purchased Shares to the Purchaser and the Purchaser shall purchase the Purchased Shares from the Vendor, free and clear of all Encumbrances.

2.2 Purchase Price and Payment of Purchase Price

- (1) Subject to the terms and conditions of this Agreement, the purchase price for the Purchased Shares (the “**Purchase Price**”) shall consist of:
- (a) the Payment Shares, which shall have an agreed present value for the purposes of this Section of \$8,543,205, and shall be issued as and when specified in Section 2.5 below;
 - (b) an amount equal to the principal amount and accrued interest on the Denman Island Debt on the Closing Date (the “**Denman Island Debt Amount**”), which shall be payable by offset against such debt;
 - (c) an amount equal to the principal amount and accrued interest on the Mycroft Debt on the Closing Date (the “**Mycroft Debt Amount**”), which shall be payable by offset against such debt;
 - (d) an amount equal to the principal amount and accrued interest on the Bridge Loan (as defined below) on the Closing Date (the “**Bridge Loan Amount**”), which shall be payable by offset against such debt;
 - (e) an amount equal to the lesser of the principal amount and accrued interest on the Other Debts on the Closing Date and the amount by which \$4,000,000 exceeds the sum of the Denman Island Debt Amount, the Mycroft Debt Amount and the Bridge Loan Amount (the “**Other Debt Amount**”) which shall be payable directly to the Vendor; and
 - (f) an amount equal to the Federal FIRPTA tax payable by the Vendor on the amount by which the total of the agreed present value of the Payment Shares, the Denman Island Debt Amount, the Mycroft Debt Amount, the Bridge Loan Amount and the Other Debt Amount exceeds the total of \$3,900,000, plus an amount equal to the Federal FIRPTA tax payable thereon, which shall be payable by the remittance of such amounts directly to the IRS on behalf of the Vendor as and when required by Applicable Law (the “**US Tax Amount**”).

2.3 US Tax Amount. In all cases, the Vendor shall be entitled to the full benefit of the entire US Tax Amount as finally determined and no more. For greater certainty, the Vendor shall be entitled to any refund of Taxes arising if the US Tax Amount as finally determined exceeds the Vendor’s liability for Taxes as finally determined. If the amount remitted by the Purchaser to the IRS for the benefit of the Vendor exceeds the US Tax Amount as finally determined, the Vendor shall pay an amount equal to such excess to the Purchaser forthwith. All amounts remitted to the IRS shall be converted to US Dollars at the applicable bank rates on such remittance dates.

2.4 Issuance of Payment Shares. The Payment Shares will be issued by the Purchaser to the Vendor in three tranches, as follows:

- (1) 3,483,333 Payment Shares to be issued within 2 Business Days after Closing (the “**First Tranche Shares**”);

- (2) 7,333,333 Payment Shares to be issued 4 months after Closing (the “**Second Tranche Shares**”); and
- (3) 7,333,334 Payment Shares to be issued 8 months after Closing (the “**Third Tranche Shares**”).

The issuance of the Second Tranche Shares and the Third Tranche Shares will be conditional upon the Vendor and Regal USA, as applicable: (i) being in compliance with all of their obligations under this Agreement; and (ii) having distributed all of the First Tranche Shares and Escrowed Shares, by way of a dividend, a return of capital, or otherwise, to the Vendor Shareholders, in accordance with applicable securities laws and stock exchange rules, such that no Purchaser shareholder approval is required for the Transactions, and the Purchaser shall use their commercially reasonable efforts to assist the Vendor in coordinating such distribution.

2.5 Restrictions on Payment Shares. The Vendor acknowledges and agrees as follows:

- (1) the transfer of the Purchased Shares and the issuance of the Payment Shares, in exchange for the transfer of the Purchased Shares, will be made pursuant to Section 2.16 (Take-over bid and issuer bid) of *National Instrument 45-106 – Prospectus Exemptions*, which constitutes the exemption from the prospectus (or equivalent) requirements of the Securities Laws; and
- (2) the Vendor and the Vendor Shareholders, as applicable, are or will be made knowledgeable of, or have been independently advised or will be instructed to seek independent advice as to, the Applicable Laws of that jurisdiction which apply to the sale of the Purchased Shares and the issuance of the Payment Shares and which may impose restrictions on the resale of such Payment Shares in that jurisdiction and it is the responsibility of the Vendor to find out what those resale restrictions are and to disclose same in the Vendor Circular, and to comply with them before selling the Payment Shares or distributing the Payment Shares to the Vendor Shareholders.

ARTICLE 3 CLOSING ARRANGEMENTS

3.1 Closing. Subject to the satisfaction or waiver by the applicable Party of the conditions set out in Article 4, the Parties shall hold the Closing on the Closing Date, at such time as agreed to by the Vendor and the Purchaser and at the offices of the Purchaser’s Counsel in Vancouver, British Columbia or at such other place as agreed to by the Vendor and the Purchaser.

3.2 Vendor’s Closing Deliveries. At Closing, the Vendor and Regal USA, as applicable, shall deliver or cause to be delivered to the Purchaser all certificates, agreements, documents and instruments as required under Section 4.1(1)(o).

3.3 Purchaser’s Closing Deliveries. At Closing, the Purchaser shall deliver or cause to be delivered to the Vendor all payments, certificates, agreements, documents and instruments as required under Section 4.2(1)(h).

ARTICLE 4
CONDITIONS OF CLOSING

4.1 Conditions for the Benefit of the Purchaser

- (1) The Purchaser shall be obliged to complete the Transactions only if each of the following conditions precedent has been satisfied in full, or waived by the Purchaser, at or before the time of Closing on the Closing Date:
 - (a) all of the representations and warranties of the Vendor and Regal USA made in this Agreement shall have been true and correct as of the date hereof and shall be true and correct as at the Closing Date with the same effect as if made on and as of the Closing Date (except as contemplated or permitted by this Agreement and except as those representations and warranties may be affected by events or transactions: (i) resulting from the entering of this Agreement; or (ii) approved in writing by the Purchaser);
 - (b) the Vendor and Regal USA have complied with or performed all of the obligations, covenants and agreements under this Agreement to be complied with or performed by the Vendor and Regal USA on or before the Closing Date;
 - (c) all corporate proceedings required to be taken by the Vendor and Regal USA in connection with the Transactions are satisfactory in form and substance to the Purchaser, and the Purchaser has received copies of all instruments and other evidence as it may reasonably request in order to establish the consummation of the Transactions and the taking of all necessary corporate proceedings in connection therewith;
 - (d) the Vendor Voting Agreements shall have been executed and delivered by the Vendor Locked-up Shareholders;
 - (e) the Vendor shall have received the Vendor Shareholder Approval and all other approvals required under Applicable Law;
 - (f) there is no injunction or restraining order issued preventing, and no pending or threatened Proceeding, against any Party, for the purpose of enjoining or preventing, the completion of the Transactions or otherwise claiming that this Agreement or the completion of the Transactions is improper or would give rise to a Proceeding, under any Applicable Law or under any Contract;
 - (g) in the opinion of the Purchaser, since the date of this Agreement there has not occurred any event which may have a Material Adverse Effect in respect of Regal USA or the Business;
 - (h) in the opinion of the Purchaser, no Applicable Law has been enacted, introduced or announced which may have a Material Adverse Effect in respect of Regal USA or of the Business

- (i) the Purchaser shall be satisfied with the results of its due diligence investigations relating to the Vendor and Regal USA, acting reasonably;
- (j) all consents, waivers, permits, orders and approvals of all Governmental Authorities or other persons necessary to permit the completion of the Transactions shall have been obtained;
- (k) the Purchaser shall have purchased the Denman Island Debt from Denman Island Chocolate Ltd. following the execution of this Agreement and concurrently with such purchase enter an amending agreement with the Vendor to amend the terms of the Denman Island Debt to reflect the Revised Denman Debt Terms;
- (l) the Purchaser shall have purchased the Mycroft Debt from Mycroft Holdings Ltd. following the execution of this Agreement;
- (m) the Purchaser shall have entered into a loan and general security agreement with the Vendor, whereby the Purchaser will loan an amount equal to the principal amount and accrued interest on the Gardner Debt as at the date hereof (the “**Bridge Loan**”) to the Vendor;
- (n) the Vendor shall use the funds from the Bridge Loan to repay the Gardner Debt, and shall provide evidence, satisfactory to the Purchaser, of such repayment;
- (o) the Vendor or Regal USA, as applicable, have caused to be delivered to the Purchaser the following:
 - (i) certificates representing the Purchased Shares, accompanied by stock transfer powers duly executed in blank or duly executed instruments of transfer, and all such other assurances, consents and other documents as the Purchaser reasonably requests to effectively transfer to the Purchaser title to the Purchased Shares free and clear of all Encumbrances;
 - (ii) original share registers, share transfer ledgers, minute books and corporate seals (if any) of Regal USA;
 - (iii) all other Books and Records;
 - (iv) a certified copy of a resolution of the board of directors of Regal USA consenting to the transfer of the Purchased Shares from the Vendor to the Purchaser as contemplated by this Agreement and authorizing the execution, delivery and performance of all contracts, agreements, instruments, certificates and other documents required by this Agreement to be delivered by Regal USA;
 - (v) release by the Vendor as the sole shareholder of Regal USA, in form and substance satisfactory to the Purchaser and the Purchaser’s Counsel;

- (vi) written resignations of those directors and officers of Regal USA specified by the Purchaser, in each case with effect from the Effective Time, together with releases in favor of Regal USA and the Purchaser by those Persons, in form and substance satisfactory to the Purchaser and the Purchaser's Counsel;
 - (vii) in respect of the Vendor:
 - (1) a certificate of good standing; and
 - (2) a certificate of a senior officer certifying:
 - (a) the Constatting Documents of the Vendor;
 - (b) the resolutions of the board of directors and shareholders of the Vendor authorizing the execution, delivery and performance of this Agreement and of all contracts, agreements, instruments, certificates and other documents required by this Agreement to be delivered by the Vendor; and
 - (c) the incumbency and signatures of the officers of the Vendor executing this Agreement and any other document relating to the Transactions;
 - (3) a certificate of the Vendor in respect of its representations and warranties set out in Section 5.1, in respect of the representations and warranties set out in Section 5.2 and in respect of its covenants and other obligations set out in this Agreement;
 - (viii) evidence, satisfactory to the Purchaser of the release and discharge of all Encumbrances affecting any of the Assets;
 - (ix) a favourable opinion of applicable counsel to the Vendor, addressed to the Purchaser and dated the Closing Date, in form and substance satisfactory to the Purchaser and the Purchaser's Counsel as to those matters relating to the Transactions as the Purchaser and the Purchaser's Counsel may reasonably request, including as to ownership and existence of Regal USA; and
 - (x) such other documentation as the Purchaser reasonably requests on a timely basis in order to establish the completion of the Transactions and the taking of all corporate proceedings in connection with the Transactions (as to certification and otherwise), in each case in form and substance satisfactory to the Purchaser acting reasonably.
- (2) Each of the conditions set out in Section 4.1(1) is for the exclusive benefit of the Purchaser and the Purchaser may waive compliance with any such condition in whole or

in part by notice in writing to the Vendor, except that no such waiver operates as a waiver of any other condition.

4.2 Conditions for the Benefit of the Vendor

- (1) The Vendor shall be obliged to complete the Transactions only if each of the following conditions precedent has been satisfied in full at or before the time of Closing on the Closing Date:
 - (a) all of the representations and warranties of the Purchaser made in or pursuant to this Agreement shall have been true and correct as of the date hereof and shall be true and correct as of the Closing Date with the same effect as if made on and as of the Closing Date (except as those representations and warranties may be affected by events or transactions expressly permitted by or resulting from the entering of this Agreement);
 - (b) the Purchaser has complied with or performed all of the obligations, covenants and agreements under this Agreement to be complied with or performed by the Purchaser or before the Closing Date to the satisfaction of the Vendor, acting reasonably;
 - (c) there is no injunction or restraining order issued preventing, and no pending or threatened Proceeding, against any Party, for the purpose of enjoining or preventing, the completion of the Transactions or otherwise claiming that this Agreement or the completion of the Transactions is improper or would give rise to a Proceeding, under any Applicable Law;
 - (d) in the opinion of the Vendor, since the date of this Agreement there has not occurred any event which may have a Material Adverse Effect or the occurrence of a Material Adverse Change in respect of the Purchaser;
 - (e) the Payment Shares will have been approved for issuance by the directors of the Purchaser and conditionally approved for listing by the TSXV;
 - (f) the Purchaser shall have released to the Vendor the Escrowed Shares from the escrow imposed pursuant to the Contribution Agreement;
 - (g) the Purchaser shall have used commercially reasonable efforts to purchase the Denman Island Debt and the Mycroft Debt, with such purchase to have occurred on or before the Closing Date;
 - (h) the Purchaser has caused to be delivered to the Vendor the following:
 - (i) a certificate of good standing of the Purchaser;
 - (ii) a certificate of a senior officer of the Purchaser certifying the Constatting Documents of the Purchaser, certifying the resolutions of the board of directors authorizing the execution, delivery and performance of this

Agreement and of all contracts, agreements, instruments, certificates and other documents required by this Agreement to be delivered by the Purchaser, and certifying the incumbency and signatures of the officers of the Purchaser executing this Agreement and any other document relating to the Transactions;

- (iii) a certificate of the Purchaser in respect of its representations and warranties set out in Section 5.3 and in respect of its covenants and other obligations set out in this Agreement;
 - (iv) share certificates representing the First Tranche Shares and the Escrowed Shares;
 - (v) a favourable opinion of applicable counsel to the Purchaser, addressed to the Vendor and dated the Closing Date, in form and substance satisfactory to the Vendor and the Vendor's Counsel as to those matters relating to the Transactions as the Vendor and the Vendor's Counsel may reasonably request, including as to existence of the Purchaser; and
 - (vi) such other documentation as the Vendor reasonably requests on a timely basis in order to establish the completion of the Transactions and the taking of all corporate proceedings in connection with the Transactions (as to certification and otherwise), in each case in form and substance satisfactory to the Vendor, acting reasonably.
- (i) the Vendor shall have received Vendor Shareholder Approval and all other approvals required under Applicable Law;
 - (j) all corporate proceedings required to be taken by the Purchaser in connection with the Transactions are satisfactory in form and substance to the Vendor, and the Vendor has received copies of all instruments and other evidence as it may reasonably request in order to establish the consummation of the Transactions and the taking of all necessary corporate proceedings in connection therewith.
- (2) Each of the conditions set out in Section 4.2(1) is for the exclusive benefit of the Vendor and the Vendor may waive compliance with any such condition in whole or in part by notice in writing to the Purchaser, except that no such waiver operates as a waiver of any other condition.

4.3 Waiver of Conditions of Closing. If any of the conditions set forth in Section 4.1 has not been satisfied, the Purchaser may elect in writing to waive the condition and proceed with the completion of the Transactions and, if any of the conditions in Section 4.2 has not been satisfied, the Vendor may elect in writing to waive the condition and proceed with the completion of the Transactions. Any such waiver and election by the Purchaser or the Vendor, as the case may be, will only serve as a waiver of the specific closing condition and the other Party or Parties, as the case may be, will have no liability with respect to the specific waived condition.

ARTICLE 5
REPRESENTATIONS AND WARRANTIES

5.1 Representations and Warranties of the Vendor. The Vendor represents and warrants to the Purchaser as to itself as follows and acknowledges that the Purchaser is relying on these representations and warranties in connection with the Purchaser's purchase of the Purchased Shares and that the Purchaser would not purchase the Purchased Shares without these representations and warranties:

- (1) Board Recommendation. The board of directors of the Vendor, after consultation with its financial and legal advisors, has determined that the Transactions are in the best interests of the Vendor and has resolved to recommend to the Vendor Shareholders that they vote in favour of the Vendor Resolution (the "**Board Recommendation**").
- (2) Organization and Status. It is a corporation validly subsisting, under the laws of British Columbia and is up-to-date in the filing of all corporate and similar returns under the laws of that jurisdiction.
- (3) Corporate Power. It has all necessary corporate power and authority to own or lease or, subject to receipt and approval of the Vendor Resolution, dispose of its undertakings, property and assets (including the Purchased Shares), to enter into this Agreement and the contracts, agreements and instruments required by this Agreement to be delivered by it, and to perform its obligations hereunder and thereunder.
- (4) Authorized and Issued Capital. The authorized capital of the Vendor consists of an unlimited number of common shares and an unlimited number of preferred shares of which, as of the date hereof, 48,521,959 common shares are issued and outstanding as fully paid and non-assessable and no preferred shares are issued and outstanding.
- (5) Authorization. Subject to receipt and approval of the Vendor Resolution, all necessary corporate action has been taken by it or on its part to authorize its execution and delivery of this Agreement and the contracts, agreements and instruments required by this Agreement to be delivered by it and the performance of its obligations hereunder and thereunder.
- (6) Enforceability. This Agreement has been duly executed and delivered by it and (assuming due execution and delivery by the other Parties) is a legal, valid and binding obligation of it enforceable against it in accordance with its terms, except as that enforcement may be limited by bankruptcy, insolvency and other similar laws affecting the rights of creditors generally and except that equitable remedies may be granted only in the discretion of an arbitrator appointed under Section 11.12. Each of the contracts, agreements and instruments required by this Agreement to be delivered by it will at the Closing have been duly executed and delivered by it and (assuming due execution and delivery by the other parties thereto) will at Closing be enforceable against it in accordance with its terms, except as that enforcement may be limited by bankruptcy, insolvency and other laws affecting the rights of creditors generally and except that

equitable remedies may be granted only in the discretion of an arbitrator appointed under Section 11.12.

- (7) Ownership of Purchased Shares. It is the registered and beneficial owner of the Purchased Shares, with good and marketable title thereto, free and clear of all Encumbrances, other than Permitted Encumbrances, and has the exclusive right to dispose of the Purchased Shares as provided in this Agreement. None of the Purchased Shares are subject to (i) any Contract or restriction which in any way limits or restricts the transfer to the Purchaser of the Purchased Shares other than the transfer restrictions in Regal USA's Constatng Documents, and (ii) any voting trust, pooling agreement, shareholder agreement, voting agreement or other Contract, arrangement or understanding with respect to the voting of the Purchased Shares (or any of them). True, and accurate and complete copies of the Constatng Documents and other organizational documents of the Vendor, or where those Contracts, arrangements or understandings are oral, true, accurate and complete written summaries of their terms, have been provided to the Purchaser. On completion of the Transactions, it will have no ownership interest in Regal USA, whether direct or indirect, actual or contingent, and the Purchaser shall have good title to the Purchased Shares, free and clear of all Encumbrances other than Encumbrances granted by the Purchaser.
- (8) No Other Agreements to Purchase. No Person other than the Purchaser has any Contract or any right or privilege capable of becoming a Contract for the purchase or acquisition of any of the Purchased Shares.
- (9) Bankruptcy. It is not an insolvent Person within the meaning of the *Bankruptcy and Insolvency Act* (Canada) and has not made an assignment in favour of its creditors or a proposal in bankruptcy to its creditors or any class thereof, and no petition for a receiving order has been presented in respect of it. It has not initiated proceedings with respect to a compromise or arrangement with its creditors or for its winding up, liquidation or dissolution. No receiver or interim receiver has been appointed in respect of it or any of its undertakings, property or assets (including any of the Purchased Shares) and no execution or distress has been levied on any of its undertakings, property or assets (including any of the Purchased Shares), nor have any proceedings been commenced in connection with any of the foregoing.
- (10) Consents and Approvals. There is no requirement for the Vendor to make any filing with or give any notice to any Governmental Authority as a condition to the lawful completion of the Transactions.
- (11) Absence of Conflict. Subject to receipt of consent under the Denman Island Debt Instruments and the general security agreement underlying the Mycroft Debt, the execution, delivery and performance by it of this Agreement and the completion of the Transactions will not (whether after the passage of time or notice or both) result in:
 - (a) the breach or violation of any of the provisions of, or constitute a default under, or give any Person the right to seek or cause a termination, cancellation, amendment

or renegotiation of any Material Contract to which it is a party or by which any of its undertakings, property or assets is bound or affected;

- (b) the breach or violation of any of the provisions of, or constitute a default under, or conflict with any of its obligations under:
 - (i) any provision of its Constatng Documents or resolutions of its board of directors (or any committee thereof) or shareholders;
 - (ii) any judgment, decree, order or award of any Governmental Authority having jurisdiction over it;
 - (iii) any Applicable Law; or
 - (iv) any Securities Laws;
 - (c) the creation or imposition of any Encumbrance over any of the Purchased Shares; or
 - (d) the requirement of any approval from any of its shareholders or creditors, except as contemplated herein.
- (12) Litigation. Other than any Proceeding that may be brought forward in relation to the Gardner Debt, there are no Proceedings (whether or not purportedly on its behalf) pending or outstanding or, to its knowledge, threatened against it which could affect the Purchased Shares or its ability to perform its obligations under this Agreement. To its knowledge there is not any factual or legal basis on which any such Proceeding might be commenced with any reasonable likelihood of success.
- (13) Residence. It is not a non-resident of Canada for the purposes of the Tax Act.
- (14) Cost of Purchased Shares: The cost of the Purchased Shares for the purposes of FIRPTA is not less than \$3,900,000.
- (15) Liabilities. The Vendor does not have any liabilities except for the Gardner Debt, the Denman Island Debt, the Mycroft Debt, the Other Debts, and current liabilities incurred in the ordinary course of business after the date of the Vendor's most recent financial statements.

5.2 Representations and Warranties of the Vendor and Regal USA Relating to Regal USA. The Vendor and Regal USA, jointly and severally, represent and warrant to the Purchaser as follows and acknowledge that the Purchaser is relying on these representations and warranties in connection with the Purchaser's purchase of the Purchased Shares and that the Purchaser would not purchase the Purchased Shares without these representations and warranties:

- (1) Organization and Status. Regal USA is incorporated and organized under the laws of Nevada and is up-to-date in the filing of all corporate and similar returns under the laws of that jurisdiction. There are no other jurisdictions where Regal USA carries on their

Business or where they either own or operate any Assets or in which the nature of the Business or the Assets makes the registration, licensing or qualification as an extra-provincial or foreign corporation necessary.

- (2) Corporate Power. Regal USA has all necessary corporate power and authority to own or lease the Assets and to carry on the Business as now being conducted by Regal USA and as previously having been conducted by Regal USA.
- (3) Authorized and Issued Capital. The authorized capital of Regal USA consists of 25,000 common shares of which, as of the date hereof, 25,000 common shares are issued and outstanding as fully paid and non-assessable. There are no issued and outstanding shares of Regal USA other than the Purchased Shares. All of the shares have been validly issued and are outstanding as fully paid and non-assessable shares, and were not issued in violation of the pre-emptive rights of any Person or any Contract or Applicable Law by which Regal USA was bound as the time of the issuance. There are no shareholders agreements, voting trusts, pooling agreements or other Contracts, arrangements or understandings in respect of the voting of any of the shares of Regal USA. True, and accurate and complete copies of the Constating Documents and other organizational documents of Regal USA, or where those Contracts, arrangements or understandings are oral, true, accurate and complete written summaries of their terms, have been provided to the Purchaser.
- (4) Options. No Person has any Contract or any right or privilege capable of becoming a Contract, including convertible securities, warrants or convertible obligations of any nature, for the purchase, subscription, allotment or issuance of any issued or un-issued shares or other securities of Regal USA.
- (5) Dividends. No dividends have been declared or paid on or in respect of the Purchased Shares and no other distribution on any of Regal USA's securities has been made by Regal USA.
- (6) Absence of Conflict. To the knowledge of the Vendor, the completion of the Transactions will not (whether after the passage of time or notice or both) result in:
 - (a) the breach or violation of any of the provisions of, or constitute a default under, or give any Person the right to seek or cause a termination, cancellation, amendment or renegotiation of any Material Contract to which Regal USA is a party or by which any of the Assets is bound or affected;
 - (b) the breach or violation of any of the provisions of, or constitute a default under, or conflict with any of the obligations of Regal USA under:
 - (i) any provision of the Constating Documents or resolutions of the board of directors (or any committee thereof) or shareholders of Regal USA;
 - (ii) any judgment, decree, order or award of any Governmental Authority having jurisdiction over Regal USA;

- (iii) any Applicable Law; or
 - (iv) any Securities Laws;
 - (c) the creation or imposition of any Encumbrance over any of the Assets; or
 - (d) the requirement of any approval from any of the creditors of the Vendor or Regal USA, except as contemplated herein.
- (7) Conduct of Business. To the knowledge of the Vendor, Regal USA has complied with, and has conducted the Business in compliance with, all Applicable Laws. The Business is the only business operation carried on by Regal USA.
- (8) No Subsidiaries. To the knowledge of the Vendor, Regal USA has not owned and does not own and does not have any Contracts of any nature to acquire, directly or indirectly, any Equity Interests in any Person other than the Membership Interests, and Regal USA does not have any Contracts to acquire by any manner whatsoever or lease any other business operations.
- (9) Bankruptcy. Regal USA is not insolvent within the meaning of the *U.S. Bankruptcy Code* and has not made an assignment in favour of any of their creditors or a proposal in bankruptcy to any of their creditors or any class thereof, and no petition for a receiving order has been presented in respect of Regal USA. Regal USA has not initiated proceedings with respect to a compromise or arrangement with their creditors or for any of their winding up, liquidation or dissolution. No receiver or interim receiver has been appointed in respect of Regal USA or any of the Assets and no execution or distress has been levied on any of the Assets, nor have proceedings been commenced in connection with any of the foregoing.
- (10) Real Property and Leased Property. To the knowledge of the Vendor, Regal USA is not, and has never been, the beneficial or registered owner of, and has not agreed to acquire, any real property or Appurtenances or any interest in, any real property or Appurtenances.
- (11) Real Property Leases. To the knowledge of the Vendor, Regal USA is not a party to, and has not agreed to enter into, any lease or agreement in the nature of a lease in respect of any real property or Appurtenances, whether as lessor or lessee.
- (12) Title to Other Property. Regal USA has good and marketable title to all the Assets free and clear of any and all Encumbrances, other than Permitted Encumbrances.
- (13) Employees. Regal USA does not currently have, and to the knowledge of the Vendor, has never had, any employees or independent contractors.
- (14) Material Contracts and Other Contracts. Except as set out in Schedule 5.2(14) and except as disclosed in any other Schedule to this Agreement, Regal USA is not, to the knowledge of the Vendor, a party to or bound by:

- (a) any continuing Contract for the purchase of materials, supplies, equipment or services which involves payment under that Contract of more than \$5,000;
- (b) any employment or consulting Contract or any other written Contract with any officer, employee or consultant (other than oral Contracts of indefinite hire terminable by the employer without cause on reasonable notice);
- (c) any trust indenture, mortgage, hypothec, promissory note, debenture, loan agreement, guarantee or other Contract for the borrowing of money or a leasing transaction of the type required to be capitalized in accordance with IFRS;
- (d) any agreement of guarantee, support, indemnification, assumption or endorsement of, or any other similar commitment with respect to, the liabilities, obligations, indebtedness, or commitments (whether accrued, absolute, contingent or otherwise) of any other Person (except for cheques endorsed for collection);
- (e) any Contract for charitable contributions or gifts of any of the Assets;
- (f) any Contract for capital expenditures in excess of \$10,000 in the aggregate;
- (g) any Contract for the sale of any of the Assets or any part of the Business;
- (h) any Contract to which Regal USA is a party or by which Regal USA is bound or by which any of the Assets is subject, made in the Ordinary Course, which involves or may reasonably involve the payment to or by Regal USA in excess of \$5,000 over the term of the Contract (a “**Material Contract**”);
- (i) any Contract that expires, or may expire if it is not renewed or extended at the option of any Person other Regal USA, more than one year after the date of this Agreement, other than the Contribution Agreement and the Limited Liability Company Operating Agreement of Arizona Standard LLC between Regal USA and Arizona Standard dated August 10, 2017;
- (j) any Contract which has or which could have a Material Adverse Effect or is or could be materially burdensome to the Business or any of the Assets; or
- (k) any Contract entered into by Regal USA other than in the Ordinary Course.

True, accurate and complete copies of all Contracts set out in Schedule 5.2(14) or where those Contracts are oral, true, accurate and complete summaries of their terms, have been provided to the Purchaser.

- (15) No Default Under Contracts. To the knowledge of the Vendor, Regal USA has performed all of the obligations required to be performed by it and is entitled to all benefits under, and is not in default or alleged to be in default in respect of, any Contract relating to the Business, the Assets, to which Regal USA is a party or by which Regal USA is bound or affected. To the knowledge of the Vendor, all such Contracts are in good standing and in full force and effect, and no event, condition or occurrence exists

that, after notice or lapse of time or both, would constitute a default under any such Contract. To the knowledge of the Vendor, there is no dispute between Regal USA and any other party under any such Contract. Except as disclosed in the Schedules to this Agreement, none of those Contracts contain terms under which the execution or performance of this Agreement would give any other contracting party the right to terminate or adversely change the terms of that Contract or would otherwise require the consent of any other Person. None of those Contracts have been assigned by Regal USA or, to the knowledge of the Vendor, by the other party to the Contract, in whole or in part.

- (16) Permits. There are no Permits necessary to conduct the Business or to own, lease or operate any of the Assets.
- (17) Books and Records. The Vendor has disclosed the existence of and made available for review by the Purchaser all Books and Records.
- (18) Corporate Records. To the knowledge of the Vendor, the minute books of Regal USA contain true, accurate and complete records of their Constatng Documents and of every meeting, resolution and corporate action taken by the shareholders, the board of directors and every committee of each of them. To the knowledge of the Vendor, no meeting of shareholders or the board of directors has been held for which true, accurate and complete minutes have not been prepared and are not contained in those minute books. To the knowledge of the Vendor, the share certificate book, register of shareholders, register of directors and officers, securities register and register of transfer of Regal USA are true, accurate and complete.
- (19) Undisclosed Liabilities. To the knowledge of the Vendor and other than as disclosed to the Purchaser, Regal USA has no liabilities, obligations, indebtedness or commitments, whether accrued, absolute, contingent or otherwise, and is not a party to or bound by any agreement of guarantee, support, indemnification, assumption or endorsement of, or any other similar commitment with respect to the liabilities, obligations, indebtedness or commitments (whether accrued, absolute, contingent or otherwise) of any Person.
- (20) Absence of Changes. Since the date of the 2020 AGM, Regal USA has carried on the Business and conducted each of their operations and affairs only in the Ordinary Course and Regal USA has not:
 - (a) made or suffered any Material Adverse Change;
 - (b) suffered any damage, destruction or loss (whether or not covered by insurance) affecting the Assets;
 - (c) incurred any liability, obligation, indebtedness or commitment (whether accrued, absolute, contingent or otherwise, and whether due or to become due), other than unsecured current liabilities, obligations, indebtedness and commitments incurred in the Ordinary Course;
 - (d) paid, discharged or satisfied any Encumbrance, liability, obligation, indebtedness or commitment of Regal USA (whether accrued, absolute, contingent or

otherwise, and whether due or to become due) other than payment of accounts payable and Tax liabilities incurred in the Ordinary Course;

- (e) issued or sold or entered into any Contract for the issuance or sale of any shares in the capital of or securities convertible into or exercisable for shares in the capital of Regal USA;
 - (f) made or granted, or entered into any agreement to make or grant, any licence, sale, assignment, transfer, disposition, pledge, mortgage, hypothec or security interest or other Encumbrance of, on or over any of the Assets;
 - (g) cancelled any debts or claims or made any amendment, termination or waiver of any rights of value to Regal USA in amounts exceeding \$5,000 in each instance or \$10,000 in the aggregate;
 - (h) made any capital expenditures or commitments of Regal USA in excess of \$5,000 in the aggregate;
 - (i) made any change in the accounting, costing or tax practices followed by Regal USA;
 - (j) made any change adopted by Regal USA in its depreciation or amortization policies or rates;
 - (k) terminated, cancelled or modified or received any notice of a request for termination, cancellation or modification of any Material Contract; or
 - (l) authorized or agreed to or otherwise committed to do any of the foregoing.
- (21) Litigation. There are no Proceedings (whether or not purportedly on behalf of Regal USA) pending or, other than related to the Gardner Debt, to the knowledge of the Vendor, threatened against or affecting, Regal USA or the Assets. To the knowledge of the Vendor, there is not any factual or legal basis on which any such Proceeding might be commenced with any reasonable likelihood of success.
- (22) Directors and Officers. Schedule 5.2(22) is a true, accurate and complete list of the names and titles of all the officers and directors of Regal USA.
- (23) Ethical Practices. To the knowledge of the Vendor, no Representative of the Vendor or of Regal USA or any other Person associated with the Vendor, Regal USA or any Representative of any of them, has directly or indirectly:
- (a) made or received any contribution, gift, bribe, rebate, payoff, influence payment, kickback, or other payment to or from any Person, private or public, regardless of form, whether in money, property or services (i) to obtain favourable treatment in securing business, (ii) to pay for favourable treatment in business secured, (iii) to obtain special concessions or for special concessions already obtained, for or in respect of Regal USA, or (iv) in violation of any Applicable Law; or

- (b) established or maintained any fund or asset in connection with the Business that has not been recorded in the Books and Records.
- (24) No Finder's Fees. Each of the Vendor and Regal USA have not taken and will not take any action that, to the knowledge of the Vendor, would cause the Purchaser to become liable to any claim for a brokerage commission, finder's fee or other similar arrangement in respect of the Transaction.

5.3 Representations and Warranties of the Purchaser. The Purchaser represents and warrants to the Vendor as follows and acknowledge that the Vendor is relying on these representations and warranties in connection with the sale by the Vendor of the Purchased Shares:

- (1) Organization and Corporate Power. The Purchaser is a corporation duly incorporated and organized, are validly subsisting, under the laws of British Columbia and is up-to-date in the filing of all corporate and similar returns under the laws of that jurisdiction. The Purchaser has all necessary corporate power and authority to enter into this Agreement and to perform its obligations hereunder, including the Purchaser's acquisition of the Purchased Shares.
- (2) Authorization. All necessary corporate actions have been taken by or on the part of the Purchaser to authorize the execution and delivery of this Agreement and the contracts, agreements and instruments required by this Agreement to be delivered by it and the performance of their obligations hereunder and thereunder.
- (3) Enforceability. This Agreement has been duly executed and delivered by the Purchaser and (assuming due execution and delivery by the other Parties) is a legal, valid and binding obligation of the Purchaser enforceable against the Purchaser in accordance with its terms, except as that enforcement may be limited by bankruptcy, insolvency and other laws affecting the rights of creditors generally and except that equitable remedies may be granted only in the discretion of an arbitrator appointed under section 11.12. Each of the contracts, agreements and instruments required by this Agreement to be delivered by the Purchaser will at the Closing have been duly executed and delivered by it and (assuming due execution and delivery by the other parties thereto) will be enforceable against each of the Purchaser in accordance with its terms, except as that enforcement may be limited by bankruptcy, insolvency and other laws affecting the rights of creditors generally and except that equitable remedies may be granted only in the discretion of an arbitrator appointed under section 11.12.
- (4) Reporting Issuer. The Purchaser is a “**reporting issuer**” in the provinces of British Columbia and Alberta and is not included in a list of defaulting reporting issuers maintained by the securities regulatory authorities under Securities Laws in the provinces of British Columbia and Alberta, and in particular, without limiting the foregoing, the Purchaser has, in all material respects, complied with its obligations to make timely disclosure of all material changes and material facts relating to it and there is no material change or material fact relating to the Purchaser which has occurred and with respect to which the requisite news release has not been disseminated or material change report, as

applicable, has not been filed with the securities regulatory authorities under Securities Laws in the provinces of British Columbia and Alberta.

- (5) Continuous Disclosure. The Purchaser is in compliance in all material respects with its continuous disclosure obligations under applicable Securities Laws and, without limiting the generality of the foregoing, there has not occurred a Material Adverse Change, financial or otherwise, in the assets, liabilities (contingent or otherwise), business, financial condition or capital of the Purchaser which has not been publicly disclosed and the information and statements in the Public Disclosure Documents were true and correct as of the respective dates of such information and statements and at the time such documents were filed on SEDAR, do not contain any misrepresentations and no material facts have been omitted therefrom which would make such information materially misleading.
- (6) Listing. The common shares in the capital of the Purchaser are listed for trading on the TSXV and the Purchaser has not taken any action which would be reasonably expected to result in the delisting or suspension of the common shares of the Purchaser on or from the TSXV and the Purchaser is currently in compliance, in all material respects, with the rules and policies of the TSXV.
- (7) Authorized and Issued Capital. The authorized capital of the Purchaser consists of an unlimited number of common shares, of which, as of the date hereof, 63,264,918 common shares and no preferred shares are issued and outstanding as fully paid and non-assessable. As of the date hereof, the Purchaser has 8,777,357 share purchase warrants outstanding and 6,091,028 stock options outstanding, which represent all rights or privileges capable of becoming a Contract, including convertible securities, warrants or convertible obligations of any nature, for the purchase, subscription, allotment or issuance of any issued or un-issued shares or other securities of the Purchaser.

All of the securities referenced in this Section 5.3(7) have been validly issued and are outstanding as fully paid and non-assessable shares, and were not issued in violation of the pre-emptive rights of any Person or any Contract or Applicable Law by which the Purchaser was bound as the time of issuance. There are no shareholders agreements, voting trusts, pooling agreements or other Contracts, arrangements or understandings in respect of the voting of any of the shares of the Purchaser. True, accurate and complete copies of the Constating Documents and other organizational documents of the Purchaser, or where those Contracts, arrangements or understandings are oral, true, accurate and complete written summaries of their terms, have been provided to the Vendor.

- (8) Options. Except as disclosed in Section 5.3(7), pursuant to the Transactions contemplated hereby or as disclosed to the Vendor, no Person has any Contract or any right or privilege capable of becoming a Contract, including convertible securities, warrants or convertible obligations of any nature, for the purchase, subscription, allotment or issuance of any issued or un-issued shares or other securities of the Purchaser.

- (9) Payment Shares. When issued in accordance with the terms hereof, the Payment Shares will be validly issued as fully paid and non-assessable common shares in the capital of the Purchaser.
- (10) Escrowed Shares. The Escrowed Shares are validly issued as fully paid and non-assessable common shares in the capital of the Purchaser.
- (11) Carrying on Business. The Purchaser is, in all material respects, conducting its business in compliance with all Applicable Laws of each jurisdiction in which its business is carried on and is licensed, registered or qualified in all jurisdictions in which it owns, leases or operates its Properties and other assets or carries on business to enable its business to be carried on as now conducted, except where any failure to be so licensed, registered or qualified would not reasonably be expected to have a Material Adverse Effect, and it has not received a notice of non-compliance, nor knows of, nor has reasonable grounds to know of, any facts that could give rise to a notice of non-compliance, with any such laws, regulations or permits, except where such non-compliance would not reasonably be expected to have a Material Adverse Effect.
- (12) Bankruptcy. The Purchaser is not an insolvent person within the meaning of the *Bankruptcy and Insolvency Act* (Canada) and have not made an assignment in favour of their creditors or a proposal in bankruptcy to any of their creditors or any class thereof, and no petition for a receiving order has been presented in respect of it. The Purchaser has not initiated proceedings with respect to a compromise or arrangement with any of its creditors or for any of their winding up, liquidation or dissolution. No receiver or interim receiver has been appointed in respect of it or any of its undertakings, property or assets and no execution or distress has been levied on any of its undertakings, property or assets, nor have any proceedings been commenced in connection with any of the foregoing.
- (13) Consents and Approvals. All consents, approvals, permits, authorizations or filings as may be required under Securities Laws necessary for: (i) the execution and delivery by the Purchaser of this Agreement, (ii) the issuance of the Payment Shares, and (iii) the consummation of the Transactions contemplated hereby and thereby, have been made or obtained, as applicable, or will be made or obtained prior to Closing, other than filings required to be submitted within the applicable time frame pursuant to applicable Securities Laws.
- (14) Absence of Conflict. The execution, delivery and performance by the Purchaser of this Agreement and the completion of the Transactions will not, (whether after the passage of time or notice or both), result in:
- (a) the breach or violation of any of the provisions of, or constitute a default under, or conflict with or cause the acceleration of any of its obligations, under:
 - (i) any provision of its Constatting Documents or resolutions of the board of directors (or any committee thereof) or shareholders;
 - (ii) any Applicable Law; or

- (b) the requirement for any approval from any creditor of the Purchaser.
- (15) No Finder's Fees. The Purchaser have not taken, and will not take, any action that would cause the Vendor to become liable to any claim for a brokerage commission, finder's fee or other similar arrangement in respect of the Transaction.
- (16) Corporate Records. To the knowledge of the Purchaser, the minute books of the Purchaser contain true, accurate and complete records of all of its Constatting Documents and of every meeting, resolution and corporate action taken by the shareholders, the board of directors and every committee. To the knowledge of the Purchaser, no meeting of shareholders or the boards of directors has been held for which true, accurate and complete minutes have not been prepared and are not contained in those minute books. The share certificate book, register of shareholders, register of directors and officers, securities register and register of transfer of the Purchaser are true, accurate and complete.
- (17) Absence of Changes. Since December 31, 2020, the Purchaser has carried on its business and conducted its operations and affairs only in the Ordinary Course and the Purchaser has not:
- (a) made or suffered any Material Adverse Change;
 - (b) incurred any liability, obligation, indebtedness or commitment (whether accrued, absolute, contingent or otherwise, and whether due or to become due), other than unsecured current liabilities, obligations, indebtedness and commitments incurred in the Ordinary Course;
 - (c) paid, discharged or satisfied any Encumbrance, liability, obligation, indebtedness or commitment (whether accrued, absolute, contingent or otherwise, and whether due or to become due) other than payment of accounts payable and Tax liabilities incurred in the Ordinary Course;
 - (d) cancelled any debts or claims or made any amendment, termination or waiver of any rights of value to the Purchaser in amounts exceeding \$50,000 in each instance or \$100,000 in the aggregate;
 - (e) made any change in the accounting, costing or tax practices followed by the Purchaser;
 - (f) made any change adopted by the Purchaser in its depreciation or amortization policies or rates; or
 - (g) authorized or agreed to or otherwise committed to do any of the foregoing.
- (18) Litigation. There are no Proceedings (whether or not purportedly on behalf of the Purchaser) pending or, to the knowledge of the Purchaser, threatened against or affecting, the Purchaser. To the knowledge of the Purchaser, there is not any factual or legal basis

on which any such Proceeding might be commenced with any reasonable likelihood of success.

- (19) Ethical Practices. No Representative of the Purchaser or any other Person associated with the Purchaser or any Representative, has directly or indirectly made or received any contribution, gift, bribe, rebate, payoff, influence payment, kickback, or other payment to or from any Person, private or public, regardless of form, whether in money, property or services (i) to obtain favourable treatment in securing business, (ii) to pay for favourable treatment in business secured, (iii) to obtain special concessions or for special concessions already obtained, or (iv) in violation of any Applicable Law.
- (20) Full Disclosure. Neither this Agreement nor any other contract, agreement, instrument, certificate or other document required to be delivered by or otherwise to be delivered pursuant to this Agreement by the Purchaser nor any certificate, report, statement or other document furnished by the Purchaser in connection with the negotiation of this Agreement contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary to make the statements contained herein or therein not misleading. There has been no event, transaction or information that has come to the attention of the Purchaser that has not been disclosed to the Vendor in writing that could reasonably be expected to have a Material Adverse Effect.
- (21) Taxes.
- (a) The Purchaser has filed in the prescribed manner and within the prescribed times all Tax Returns required to be filed by it in all applicable jurisdictions before the Closing Date. All Tax Returns that have been filed by, or with respect to the Purchaser are true, complete and correct, report all income and all other amounts and information required to be reported thereon and disclose all Taxes required to be paid for the periods covered thereby. The Purchaser has duly and timely paid all Taxes due and payable by it, including all instalments on account of Taxes that are due and payable before the Closing Date, whether or not assessed by the appropriate Governmental Authority, and has duly and timely paid all assessments and reassessments they have received in respect of all Taxes.
- (b) There are no audits, reassessments or other proceedings in progress or, to the knowledge of the Purchaser, threatened against the Purchaser, in respect of any Taxes and, in particular, there are no currently outstanding reassessments or written enquiries which have been issued or raised by any Governmental Authority relating to any such Taxes. The Purchaser is not aware of any contingent liability of the Purchaser for Taxes or any grounds that could prompt an assessment or reassessment for Taxes, and the Purchaser has not received any indication from any Governmental Authority that any assessment or reassessment is proposed.
- (c) The Purchaser has deducted, withheld or collected and remitted in a timely manner to the relevant Governmental Authority all Taxes or other amounts required to be deducted, withheld or collected and remitted by it.

- (22) Properties and Assets. The Purchaser is the absolute legal and beneficial owner of, and has good and marketable title to, all of its Properties and assets as described in the Public Disclosure Documents, such Properties and assets are free of all mortgages, liens, charges, pledges, security interests, encumbrances, claims or demands whatsoever except as disclosed in the Public Disclosure Documents or any mortgages, liens, charges, pledges, security interests, encumbrances, claims or demands which would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, and no other property rights (including surface or access rights) are necessary for the conduct of the business of the Purchaser as currently conducted or contemplated to be conducted; the Purchaser does not know of any claim or basis for any claim that might or could adversely affect the right of the Purchaser to use, transfer, access or otherwise exploit such property rights; and the Purchaser does not have a responsibility or obligation to pay any commission, royalty, licence fee or similar payment to any person with respect to the property rights thereof, except as disclosed in the Public Disclosure Documents or any commission, royalty, licence fee or similar payment which would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.
- (23) Material Property and Mining Rights. The Purchaser holds either freehold title, mining leases, mining concessions, mining claims or other conventional property, proprietary or contractual interests or rights, including access and surface rights, recognized in the jurisdiction in which the Properties are located, in respect of the ore bodies and specified minerals located in the Properties in which the Purchaser has an interest as described in the Public Disclosure Documents under valid, subsisting and enforceable title documents or other recognized and enforceable agreements or instruments, sufficient to permit the Purchaser to access the Properties and explore and exploit the minerals relating thereto as are appropriate in view of their respective rights and interests therein, and all such properties, leases, concessions or claims in which the Purchaser has any interests or rights have been validly located and recorded in accordance with all Applicable Laws and are valid, subsisting and in good standing.
- (24) Valid Title Documents. Any and all of the agreements and other documents and instruments pursuant to which the Purchaser holds its Properties and assets (including any option agreement or any interest in, or right to earn an interest in, any Properties) are valid and subsisting agreements, documents or instruments in full force and effect, enforceable in accordance with the terms thereof, and the Purchaser is not in default of any of the material provisions of any such agreements, documents or instruments, nor has any such default been alleged. Other than as disclosed in the Public Disclosure Documents, the Properties (and any option agreement or any interest in, or right to earn an interest in, such Properties) are not subject to any right of first refusal or purchase or acquisition rights.
- (25) Possession of Permits and Authorizations. Other than as disclosed in the Public Disclosure Documents, the Purchaser has obtained all Permits necessary to carry on the business of the Purchaser as it is currently conducted. The Purchaser is in compliance with the terms and conditions of all Permits except where non-compliance would not reasonably be expected to have a Material Adverse Effect. All of the Permits issued to

date are valid, subsisting, in good standing and in full force and effect and the Purchaser has not received any notice of proceedings relating to the revocation or modification of any such Permits nor any notice advising of the refusal to grant any Permit that has been applied for or is in process of being granted.

- (26) No Expropriation. No part of the Properties or the mining rights or Permits of the Purchaser have been removed from mineral entry, taken, revoked, condemned or expropriated by any Governmental Authority nor has any written notice or proceedings in respect thereof been given or, to the knowledge of the Purchaser, been commenced, threatened, or is pending, nor does the Purchaser have any knowledge of the intent or proposal to give such notice or commence any such proceedings.
- (27) No Indigenous Claims. There are no claims or actions with respect to Native American rights currently outstanding, or, to the knowledge of the Purchaser, threatened or pending, with respect to the Properties. No land entitlement claims have been asserted and no legal actions relating to Native American issues have been instituted with respect to the Properties, and no material dispute in respect of the Properties with any local or Native American group exists or, to the knowledge of the Purchaser, is threatened or imminent.
- (28) Environmental Matters.
- (a) The Purchaser is in material compliance with all Environmental Laws and all operations on the Properties carried on by or on behalf of the Purchaser and, to the knowledge of the Purchaser, any predecessor company of the Purchaser, have been conducted in all respects in accordance with good mining and engineering practices;
 - (b) the Purchaser has not used, except in material compliance with all Environmental Laws and Permits, any properties or facilities which it owns or leases or previously owned or leased to generate, manufacture, process, distribute, use, treat, store, dispose of, transport or handle any hazardous substance;
 - (c) the Purchaser has not, nor, to the knowledge of the Purchaser, has any predecessor company of the Purchaser, received any notice of, or been prosecuted for an offence alleging, material non-compliance with any laws, ordinances, regulations and orders, including Environmental Laws, relating to the Properties, and the Purchaser has not, nor, to the knowledge of the Purchaser, has any predecessor company of the Purchaser, settled any allegation of material non-compliance short of prosecution relating to the Properties. There are no orders or directions relating to environmental matters requiring any material work, repairs, construction or capital expenditures to be made with respect to any of the assets of the Purchaser nor has the Purchaser received notice of any of the same;
 - (d) there have been no past unresolved claims, complaints, notices or requests for information received by the Purchaser or, to the knowledge of the Purchaser, by any predecessor company of the Purchaser, with respect to any alleged material violation of any Environmental Laws, and, to the knowledge of the Purchaser,

none that are threatened or pending; and no conditions exist at, on or under any properties now or previously owned, operated or leased by the Purchaser which, with the passage of time, or the giving of notice or both, would give rise to liability under any law, statute, order, regulation, ordinance or decree that, individually or in the aggregate, has or would have a Material Adverse Effect;

- (e) except as ordinarily or customarily required by applicable Permit, the Purchaser has not received any notice wherein it is alleged or stated that it is potentially responsible for a federal, provincial, state, municipal or local clean-up site or corrective action under any law including any Environmental Laws. The Purchaser has not received any request for information in connection with any federal, state, municipal or local inquiries as to disposal sites;
 - (f) to the knowledge of the Purchaser, there are no environmental audits, evaluations, assessments, studies or tests relating to the Purchaser except for ongoing assessments conducted by or on behalf of the Purchaser in the ordinary course; and
 - (g) to the knowledge of the Purchaser, there are currently no pending or threatened administrative, regulatory or judicial actions, suits, demands, demand letters, claims, liens, notices of non-compliance or violation, investigation or proceedings relating to any Environmental Laws against the Purchaser.
- (29) Scientific and Technical Information. The Purchaser is in compliance, in all material respects, with the provisions of NI 43-101 and has filed all technical reports in respect of its material properties required thereby, which remain current as at the date hereof. The Technical Report complies, in all material respects, with the requirements of NI 43-101 and there is no new material scientific or technical information concerning the property addressed in the Technical Report since the date thereof that would require a new technical report in respect of such property to be issued under NI 43-101. The Purchaser made available to the authors of the Technical Report, prior to the issuance thereof, for the purpose of preparing such report, all information requested by such authors and none of such information contained any misrepresentation at the time such information was provided. The information set forth in the Public Disclosure Documents relating to scientific and technical information, including the estimates of the mineral resources of the Properties, have been prepared in accordance with Canadian industry standards set forth in NI 43-101 and in compliance with applicable Securities Laws. The method of estimating any mineral resources has been verified by mining experts who are “qualified persons” (within the meaning of NI 43-101), all material assumptions underlying the mineral resource estimates are reasonable and appropriate, the information upon which the estimates of mineral resources were based was, at the time of delivery thereof, complete and accurate in all material respects and there have been no material changes to such information since the date of delivery or preparation thereof.

5.4 Survival of Representations, Warranties and Covenants of the Vendor.

- (1) The representations and warranties of the Vendor and Regal USA and, to the extent that they have not been fully performed or waived at or prior to the Effective Time, the covenants and other obligations of the Vendor and Regal USA, in each case contained in this Agreement and in any contract, agreement, instrument, certificate or other document executed or delivered pursuant to this Agreement (other than the covenants of the Vendor and Regal USA in Section 6.5) survive Closing and continue for the benefit of the Purchaser notwithstanding the Closing until, but not beyond, the date on which all of the Third Tranche Shares are distributed to the Vendor Shareholders in accordance with the terms of this Agreement and the expiry of any restricted or seasoning period applicable to such shares.
- (2) The covenants of the Vendor and Regal USA in Section 6.5 survive Closing and continue for the benefit of the Purchaser notwithstanding the Closing until, but not beyond, the second anniversary of the Closing Date.
- (3) Notwithstanding the foregoing, a claim for any breach by the Vendor or Regal USA of any of the representations, warranties and covenants contained in this Agreement or in any contract, agreement, instrument, certificate or other document executed or delivered pursuant hereto involving fraud, fraudulent misrepresentation, intentional misrepresentation or deliberate or wilful breach may be made at any time following the Closing Date, subject only to applicable limitation periods imposed by Applicable Law.

5.5 Survival of the Representations, Warranties and Covenants of the Purchaser. The representations and warranties of the Purchaser and, to the extent that they have not been fully performed or waived at or prior to Closing, the covenants and other obligations of the Purchaser, contained in this Agreement and in any contract, agreement, instrument, certificate or other document executed or delivered pursuant to this Agreement survive Closing and continue for the benefit of the Vendor notwithstanding the Closing, any investigation made by or on behalf of the Vendor or any knowledge of the Vendor, provided that:

- (1) the representations and warranties set out in Section 5.3 survive Closing and continue in full force and effect, but not beyond, the date on which all of the Third Tranche Shares are distributed to the Vendor Shareholders in accordance with the terms of this Agreement and the expiry of any restricted or seasoning period applicable to such shares; and
- (2) notwithstanding Section 5.5(1), a claim for any breach by the Purchaser of any of their representations, warranties and covenants contained in this Agreement or in any contract, agreement, instrument, certificate or other document executed or delivered pursuant hereto involving fraud, fraudulent misrepresentation, intentional misrepresentation or deliberate or wilful breach may be made at any time following the Closing Date, subject only to applicable limitation periods imposed by Applicable Law.

5.6 Termination of Liability. No Party or other Person is entitled to indemnification pursuant to this Agreement unless the Party or other Person has given written notice of its Claim for indemnification pursuant to Section 9.3 or Article 10, as the case may be, prior to the expiry of the relevant survival period prescribed by Sections 5.4 and 5.5 and in that event, only on and

subject to the terms and conditions of and to the extent provided for in Section 9.3 and Article 10.

ARTICLE 6 COVENANTS

6.1 Transfer of Documentation

On the Closing Date, the Vendor or Regal USA, as applicable shall deliver, and shall cause to be delivered, to the Purchaser or make available to it at Regal USA's premises the Books and Records and all documents (except, in the case of those required by Applicable Law to be retained by the Vendor, copies thereof) and other data, technical or otherwise, which are owned by the Vendor at the Closing Date, relating to Regal USA, the Business or the Assets. The Purchaser shall preserve all those documents delivered to it in accordance with the Purchaser's document retention procedures, or for such longer period as is required by Applicable Law. The Purchaser shall permit the Vendor or their authorized Representatives reasonable access to those documents while they are in the Purchaser's possession or control solely to the extent that access is required by the Vendor to perform their obligations under this Agreement or under Applicable Law, but the Purchaser shall not be responsible or liable to the Vendor for, or as a result of, any loss or destruction of or damage to any such documents and other data unless that destruction, loss or damage is caused by the Purchaser's negligence or wilful misconduct. The Vendor shall be responsible for all reasonable out-of-pocket costs and expenses incurred, directly or indirectly, by the Purchaser in connection with any access contemplated by this Section 6.1.

6.2 Risk of Loss. If, before the Closing, any of the Assets or part of the Business is lost, damaged or destroyed or is appropriated, expropriated or seized by any Governmental Authority, and the loss, damage, destruction, appropriation, expropriation or seizure constitutes a Material Adverse Change, then the Purchaser at its sole discretion may either:

- (1) terminate this Agreement in accordance with the provisions of Section 8.1(1)(c)(v); or
- (2) complete the Transactions without reduction of the Purchase Price, in which event all proceeds of insurance or compensation for appropriation, expropriation or seizure, less the aggregate of all deductibles paid by the Purchaser and for which the Purchaser has not been reimbursed, shall be paid to Regal USA and form part of the Assets.

6.3 Vendor Meeting

- (1) The Vendor will convene and hold the Vendor Meeting as soon as possible for the purpose of obtaining Vendor Shareholder Approval of the Vendor Resolution and in any event no later than the date that is 35 days from the date of this Agreement (the "**Meeting Deadline**"). Except as otherwise provided in this Agreement, the Vendor shall not adjourn or otherwise change the timing of the Vendor Meeting without the prior written consent of the Purchaser, such consent not to be unreasonably withheld. In connection with the Vendor Meeting, as promptly as reasonably practicable and subject to receipt and review of the Purchaser Disclosure (as defined below), the Vendor shall prepare the Vendor Circular together with any other documents required by Applicable Law in connection with the approval of the Vendor Resolution and the Vendor shall give the

Purchaser the opportunity to review and comment on the Vendor Circular and all such other documents and the Vendor Circular and all such other documents shall be reasonably satisfactory to the Purchaser, acting reasonably, before they are filed or distributed to the Vendor Shareholders, subject to any disclosure obligations imposed on the Vendor by any Governmental Authority.

- (2) Other than the Purchaser Disclosure, for which the Vendor shall take no responsibility, the Vendor shall ensure that the Vendor Circular complies with all Applicable Law, including all applicable Securities Laws and, without limiting the generality of the foregoing, shall ensure that the Vendor Circular does not contain any misrepresentation or any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements contained therein not misleading in light of the circumstances in which they are made (other than with respect to the Purchaser Disclosure).
- (3) The Purchaser shall promptly furnish to the Vendor all information concerning the Purchaser and the common shares of the Purchaser as may be required for the preparation of the Vendor Circular (collectively, the “**Purchaser Disclosure**”) and hereby covenants that no information furnished by the Purchaser in connection therewith or otherwise in connection with the consummation of the Transactions will comply with Applicable Laws, with specific reference to the requirements pertaining to technical and scientific information in accordance with NI 43-101, and will not contain any misrepresentation or any untrue statement of a material fact or omit to state a material fact required to be stated therein in order to make any information so furnished for use in any such document not misleading in the light of the circumstances in which it is provided.
- (4) The Vendor shall solicit proxies in favour of the approval of the Vendor Resolution and take all other action reasonably necessary or desirable to secure the approval of the Vendor Resolution and all other matters to be brought before the Vendor Meeting intended to facilitate and complete the Transactions, including, if so requested by the Purchaser, using proxy solicitation services.
- (5) The Vendor shall give notice to the Purchaser of the Vendor Meeting and allow the Purchaser and their Representatives (including the Purchaser’s Counsel) to attend the Vendor Meeting.
- (6) The Vendor shall advise the Purchaser, as Purchaser may reasonably request, and at least on a daily basis on each of the last ten (10) Business Days prior to the date of the Vendor Meeting, as to the aggregate tally of the proxies received by the Vendor in respect of the Vendor Resolution and any other matters properly brought before the Vendor Meeting.
- (7) The Vendor shall, upon the reasonable request from time to time by the Purchaser, deliver to the Purchaser (i) basic lists of all registered Vendor Shareholders and other security holders of the Vendor, showing the name and address of each holder and the number of shares, all as shown on the records of the Vendor or its transfer agent, as of the most recent practicable date and a list of participants in book-based clearing systems, nominee registered Vendor Shareholders or other securities of the Vendor and non-

registered beneficial owner lists that are available to the Vendor (provided that such list may only be used in the manner prescribed in section 49(3) of the *Business Corporations Act* (British Columbia) and section 7.1 of National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer*), and securities positions, and (ii) from time to time, at the request of the Purchaser, updated or supplemental lists setting out any changes from the list(s) referred to in clause (i) of this Section 6.3(7).

- (8) The Vendor shall provide the Purchaser with a copy of any purported exercise of the Dissent Rights and written communications with such Vendor Shareholder purportedly exercising such Dissent Rights, and shall not settle or compromise any action brought by any present, former or purported holder of any of its securities in connection with the transactions contemplated by this Agreement, including the Transactions, without the prior consent of the Purchaser.
- (9) In a timely and expeditious manner, the Vendor shall prepare, in consultation with the Purchaser, and file any mutually agreed (or as otherwise required by Applicable Law) amendments or supplements to the Vendor Circular (which amendments or supplements shall be in a form satisfactory to the Purchaser, acting reasonably) with respect to the Vendor Meeting and mail such amendments or supplements, as required by and in accordance with all Applicable Law, in and to all jurisdictions where such amendments or supplements are required to be mailed, complying in all material respects with all Applicable Law on the date of the mailing thereof.
- (10) Except for proxies and other non-substantive communications, the Vendor shall furnish promptly to the Purchaser a copy of each notice, report, schedule or other document or communication delivered, filed or received by the Vendor in connection with this Agreement, the Transactions or the Vendor Meeting or any other meeting at which all the Vendor Shareholders are entitled to attend relating to special business, any filings made under any Applicable Law and any dealings or communications with any Governmental Authority in connection with, or in any way affecting, the transactions contemplated by this Agreement.

6.4 Conduct Prior to Closing. Without in any way limiting any other obligations of the Vendor hereunder, during the Interim Period, the Vendor shall:

- (1) cause Regal USA to conduct the Business and the operations and affairs of Regal USA only in the Ordinary Course, and Regal USA shall not, without the prior written consent of the Purchaser, enter into any transaction or refrain from doing any action that, if effected before the date of this Agreement, would constitute a breach of any representation, warranty, covenant or other obligation of the Vendor in this Agreement and, without limiting the generality of the foregoing, the Vendor shall cause Regal USA not to:
 - (a) amend any terms or conditions of existing contract of any of Regal USA prior to the Closing Date, without the written agreement of the Purchaser;

- (b) amalgamate, merge or consolidate with or acquire or agree to acquire all or substantially all of the shares or assets of any Person, not to acquire or lease or agree to acquire or lease any business operations or any Equity Interests in any other Person, acquire or agree to acquire any legal or beneficial interest in any real property, and occupy, lease, manage or control or agree to occupy, lease or manage or control any facility or property that is not an Asset;
- (c) do any act or thing of the kind described in Sections 5.2(20) (Absence of Changes);
- (d) enter into any compromise or settlement of any litigation, proceeding or government investigation relating to the Business or any of the Assets;
- (e) enter into any Contract of the kind described in Section 5.2(14) (Material Contracts and Other Contracts);
- (f) make any change to its Constatting Documents;
- (g) declare, set aside or pay any dividend on or make any distribution or payment or return of capital in respect of the Purchased Shares in cash, shares, property or assets or otherwise;
- (h) split, divide, consolidate, combine, exchange or reclassify any of their shares or other equity securities or issue or authorize the issuance of any other securities in lieu of or in substitution for, any of their shares or other equity securities;
- (i) issue, grant, sell, pledge or encumber or agree to issue, grant, sell, pledge or encumber any securities of Regal USA, or securities convertible into or exchangeable or exercisable for, or otherwise evidencing a right to acquire, securities of Regal USA;
- (j) redeem, purchase or otherwise acquire or subject to an encumbrance any of their outstanding shares or other equity securities or securities convertible or exchangeable into or exercisable for any such securities;
- (k) amend or modify any of their shares or other equity securities or any securities convertible or exchangeable into or exercisable for any such securities or any of the instruments or agreements governing such securities;
- (l) adopt a plan or agreement of, or resolutions providing for or authorizing, complete or partial liquidation, dissolution, arrangement, amalgamation, consolidation, restructuring, recapitalization or other reorganization of Regal USA;
- (m) change its taxation year; or
- (n) change its methods of accounting in effect except as required by changes in IFRS;

- (2) cause Regal USA not to change any method of Tax accounting, make or change any material Tax election, file any materially amended Tax Return, settle or compromise any material Tax liability, agree to an extension or waiver of the statute of limitations with respect to the assessment or determination of Taxes, enter into any agreement with respect to any Tax or surrender any right to claim a material Tax refund, except in each case in the Ordinary Course;
- (3) cause Regal USA to take out, and Regal USA shall, at the expense of the Purchaser, such additional insurance as may be reasonably requested by the Purchaser;
- (4) use its commercially reasonable efforts to obtain the Vendor Shareholder Approval;
- (5) cause Regal USA to, and Regal USA shall, preserve intact, the Business, the Assets, and the operations and affairs of Regal USA and to carry on the Business and the affairs of Regal USA as currently conducted;
- (6) take all necessary corporate action, steps and proceedings to approve or authorize, validly and effectively, the execution and delivery of this Agreement and the other agreements and documents contemplated hereby and to complete the transfer of the Purchased Shares to the Purchaser and to cause all necessary meetings of directors and Vendor Shareholders to be held for that purpose;
- (7) to take all necessary corporate action, steps and proceedings to, upon Closing, distribute all of the First Tranche Shares and Escrowed Shares, by way of a dividend, a return of capital, or otherwise, to the Vendor Shareholders, in accordance with applicable securities laws and stock exchange rules, such that no Purchaser shareholder approval is required for the Transactions;
- (8) cause Regal USA to, and Regal USA shall, take all necessary corporate action, steps and proceedings to authorize, consent and otherwise complete the transfer of the Purchased Shares to the Purchaser and to cause all necessary meetings of directors and shareholders of Regal USA to be held for that purpose;
- (9) to take all necessary corporate action, steps and proceedings, and to cause Regal USA to, and Regal USA shall, take all necessary corporate action, steps and proceedings in order to facilitate the Transactions in a tax efficient manner, as and when requested by the Purchaser; and
- (10) use its commercially reasonable efforts to satisfy the conditions contained in Section 4.1.

6.5 Covenants Applicable During Interim Period and After Closing

- (1) The Vendor and Regal USA shall, during the Interim Period and at any time following the Closing as necessary:
 - (a) cause Regal USA to, and Regal USA shall, pay and discharge the liabilities and Taxes of Regal USA in the Ordinary Course in accordance and consistent with the

previous practice of Regal USA, except those contested in good faith by Regal USA;

- (b) cooperate with the Purchaser to comply with all FIRPTA and other U.S. tax filing and reporting obligations arising in connection with the Transactions; and
 - (c) elect out of the installment method in computing its U.S. tax payable in respect of the Transactions by reporting the total amount of gain on the sale for the taxable year of the Vendor that includes the Closing Date; and
- (2) The Purchaser hereby covenants to the Vendor and its permitted assigns, and acknowledges that the Vendor is relying on such covenants in connection with the issuance of the Payment Shares, as follows:
- (a) for a period of at least one year after the Closing Date, the Purchaser shall use its commercially reasonable efforts to remain a corporation validly subsisting under the laws of its jurisdiction of incorporation, licensed, registered or qualified as an extra-provincial or foreign corporation in all jurisdictions where the character of its Properties and other assets owned or leased or the nature of the activities conducted by it make such licensing, registration or qualification necessary and shall carry on its business in the Ordinary Course and in compliance in all material respects with all Applicable Laws of each such jurisdiction, provided that this covenant shall not prevent the Purchaser from completing any transaction which would result in the Purchaser no longer validly subsisting under the laws of its jurisdiction of incorporation;
 - (b) the Purchaser will use its commercially reasonable efforts to maintain its status as a “reporting issuer” (or the equivalent thereof) not in default of the requirements of the Securities Laws in each of the provinces of British Columbia and Alberta until the date that is one year following the Closing Date, provided that this covenant shall not prevent the Purchaser from completing any transaction which would result in the Purchaser ceasing to be a “reporting issuer”;
 - (c) the Purchaser will use its commercially reasonable efforts to maintain the listing of its common shares for trading on the TSXV or another recognized stock exchange in Canada for a period of one year following the Closing Date, provided that this covenant shall not prevent the Purchaser from completing any transaction which would result in the common shares of the Purchaser ceasing to be listed;
 - (d) the Purchaser will have made or obtained, as applicable, at or prior to Closing, all consents, approvals, permits, authorizations or filings as may be required by the Purchaser under Securities Laws, including the conditional acceptance of the TSXV for the issuance of the Payment Shares, necessary for the consummation of the Transactions contemplated herein, other than customary post-Closing filings required to be submitted within the applicable time frame pursuant to Securities Laws and the rules and policies of the TSXV; and

- (e) the Purchaser will execute and file with the securities regulatory authorities under applicable Securities Laws and the TSXV all forms, notices and certificates required to be filed by the Purchaser pursuant to the Securities Laws and the rules and policies of the TSXV in the time required by the applicable Securities Laws and the rules and policies of the TSXV.

6.6 Notification of Certain Matters

- (1) During the Interim Period, the Vendor shall give prompt notice in writing to the Purchaser, including full particulars and any documentation evidencing, of:
 - (a) the occurrence, or failure to occur, of any event, which occurrence or failure would be likely to cause any of the representations or warranties of the Vendor contained in this Agreement to be untrue or inaccurate during the Interim Period;
 - (b) any notice or communication from any Person alleging that the consent of such Person is or may be required in connection with the Transactions;
 - (c) any notice or communication from any Governmental Authority in connection with the Transactions;
 - (d) any Proceeding commenced or threatened against Regal USA or the Vendor or relating to or involving or otherwise affecting either of them, or which relates to the consummation of the Transactions;
 - (e) any variations to, or revocations of, any cease trade orders applicable to the Vendor;
 - (f) the issuance of any securities of the Vendor; and
 - (g) any failure by the Vendor to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied under this Agreement.
- (2) During the Interim Period, the Purchaser shall give prompt notice in writing to the Vendor of:
 - (a) the occurrence, or failure to occur, of any event, which occurrence or failure would be likely to cause any of the representations or warranties of the Purchaser contained in this Agreement to be untrue or inaccurate during the Interim Period;
 - (b) any notice or communication from any Person alleging that the consent of such Person is or may be required in connection with the Transactions;
 - (c) any notice or communication from any Governmental Authority in connection with the Transactions;

- (d) any Proceeding commenced or threatened against the Purchaser, or relating to or involving or otherwise affecting either of them, or which relates to the consummation of the Transactions; and
 - (e) any failure by the Purchaser to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied under this Agreement.
- (3) The giving of any notice under this Section 6.6 does not in any way change or modify the representations and warranties of the Vendor, or the conditions to the obligations of the Purchaser, contained in this Agreement or otherwise affect the remedies available to the Purchaser under this Agreement.

6.7 Regulatory Approvals

- (1) The Purchaser shall:
- (a) make an application to the TSXV immediately following execution of this Agreement and diligently pursue the approval of the Transactions (including the obligation of the Purchaser to issue the Payment Shares); and
 - (b) prepare and file with all applicable securities commissions such notifications and fees necessary to permit, or that are required in connection with, the issuance of the Payment Shares to the Vendor on a basis exempt from the prospectus requirements of the applicable Securities Laws of British Columbia.

6.8 Vendor Distribution of Payment Shares. The Purchaser understands that the Vendor intends to distribute, by way of an *in specie* dividend or distribution out of earnings or surplus, all of the Payment Shares issued to the Vendor pursuant to Section 2.2 and all of the Escrowed Shares to the Vendor Shareholders; provided, however, that with respect to Vendor Shareholders resident in jurisdictions where the foregoing would require the filing of a prospectus, registration statement (or similar document) by either the Vendor or Purchaser or is prohibited by applicable securities laws, the Vendor shall be entitled, upon receiving Purchaser's consent, such consent not to be unreasonably withheld, to arrange for the sale of the applicable portion of such Payment Shares in an orderly fashion and the distribution or payment of the cash proceeds thereof to such Vendor Shareholders.

ARTICLE 7 ADDITIONAL AGREEMENTS

7.1 Notice and Cure Provisions.

- (1) Each Party shall give prompt notice to the other of the occurrence, or failure to occur, at any time from the date of this Agreement, until the earlier to occur of the termination of this Agreement and the Effective Time of any event or state of facts which occurrence or failure would, or would be likely to:

- (a) cause any of the representations or warranties of any Party contained herein to be untrue or inaccurate in any respect on the date of this Agreement, or at the Effective Time;
 - (b) result in the failure to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by any Party hereunder prior to the Effective Time; or
 - (c) result in the failure to satisfy any of the conditions precedent in favour of the other Party contained in Section 4.1 or Section 4.2, as the case may be.
- (2) The Purchaser may not exercise its right to terminate this Agreement pursuant to Section 8.1(1)(c) and the Vendor may not exercise its right to terminate this Agreement pursuant to Section 8.1(1)(d) unless the Party intending to rely thereon has delivered a written notice to the other Party specifying in reasonable detail all breaches of covenants, representations and warranties or other matters which the Party delivering such notice is asserting as the basis for the non-fulfilment or the applicable condition or termination right, as the case may be. If any such notice is delivered, provided that a Party is proceeding diligently to cure such matter and such matter is capable of being cured, no Party may terminate this Agreement until the expiration of a period of ten (10) Business Days from such notice, and then only if such matter has not been cured by such date. For greater certainty, in the event that such matter is cured within the time period referred to herein without a Material Adverse Effect of either of the Vendor or the Purchaser, this Agreement may not be terminated as a result of the cured breach.

7.2 Non-Solicitation

- (1) Except as otherwise expressly provided in this Section 7.2, the Vendor shall not, directly or indirectly, through any officer, director, employee, representative (including any financial or other advisor) or agent of the Vendor (collectively, the “**Representatives**”) (and the Vendor shall cause its Representatives not to),
- (a) solicit, initiate, facilitate or encourage (including by way of furnishing information (including any site visit) or entering into any form of agreement, arrangement or understanding) any inquiries or proposals regarding an Acquisition Proposal;
 - (b) participate in any discussions or negotiations with any person (other than the Purchaser or any of its affiliates) regarding an Acquisition Proposal;
 - (c) approve, accept, endorse or recommend, or propose publicly to accept, approve, endorse or recommend any Acquisition Proposal;
 - (d) accept or enter into or publicly propose to accept or enter into, any agreement, understanding or arrangement in respect of an Acquisition Proposal; or
 - (e) make a Change in Recommendation.

- (2) Except as otherwise provided in this Section 7.2, the Vendor shall, and shall cause Regal USA and its Representatives to, immediately cease and cause to be terminated any solicitation, encouragement, discussion or negotiation with any persons conducted heretofore by the Vendor, Regal USA or any Representatives with respect to any Acquisition Proposal, and, in connection therewith, the Vendor shall discontinue access to any of its confidential information (and not establish or allow access to any of its confidential information, or any data room, virtual or otherwise) and shall as soon as possible, and in any event no later than two (2) Business Days following the date of the Agreement, request, to the extent that it is entitled to do so (and exercise all rights it has to require) the return or destruction of all confidential information regarding the Vendor and Regal USA previously provided to any such person or any other person and shall request (and exercise all rights it has to require) the destruction of all material including or incorporating or otherwise reflecting any confidential information regarding the Vendor and Regal USA. The Vendor agrees that neither it nor Regal USA shall terminate, waive, amend or modify any provision of any existing confidentiality agreement or any standstill agreement to which it or any of its subsidiaries is a party (it being acknowledged and agreed that the automatic termination of any standstill provisions thereof, or permission to make a take-over bid for the Vendor Common Shares or the Purchased Shares, pursuant to the express terms of any such agreement, or any standstill provisions thereof as a result of the entering into, or the announcement of, this Agreement by the Vendor shall not be a violation of this Section 7.2(2)). The Vendor shall enforce all standstill, non-disclosure, non-disturbance, non-solicitation, use, business purpose and similar covenants to which it or any of its subsidiaries is party.
- (3) Notwithstanding Sections 7.2 and 7.2(2) and any other provision of this Agreement, if at any time following the date of this Agreement, and prior to the Vendor Meeting, provided that the Vendor is then in compliance with all of its obligations under this Agreement (including under Sections 7.2 and 7.2(2)), the Vendor receives a *bona fide* unsolicited written Acquisition Proposal that the board of directors of the Vendor determines in good faith, after consultation with outside legal counsel, constitutes or could reasonably be expected to result in a Superior Proposal, then the Vendor may, provided it has first complied with Section 7.2(4) and has first entered into, and provided to the Purchaser an executed copy of, a confidentiality and standstill agreement with such person (the terms of which shall no more favourable than the Confidentiality Agreement):
- (a) furnish information with respect to the Vendor and its subsidiaries to the person making such Acquisition Proposal; and/or
 - (b) enter into, participate, facilitate and undertake discussions or negotiations with, and otherwise cooperate with or assist, the person making such Acquisition Proposal,

provided that the Vendor shall not, and shall not allow its Representatives to, disclose any non-public information to such person if such non-public information has not been previously provided to, or is not concurrently provided to, the Purchaser.

- (4) The Vendor shall promptly (and in any event within twenty-four (24) hours of receipt by the Vendor, Regal USA or any Representative) notify the Purchaser, at first orally and then in writing, of (i) any offer, proposal, expression of interest, or inquiry (orally or in writing) relating to or constituting an Acquisition Proposal, (ii) any request for discussions or negotiations relating to an Acquisition Proposal, and (iii) any request for non-public information relating to the Vendor or Regal USA or for access to the properties, books or records of the Vendor or Regal USA in connection with any actual or potential Acquisition Proposal, in each case with respect to (i) through (iii) received on or after the date of this Agreement, of which the Vendor or any of its subsidiaries, or any of its or their Representatives, is or becomes aware, or any amendments to any of the foregoing. Such notice shall include a description of the terms and conditions of any such Acquisition Proposal or offer, proposal, expression of interest, inquiry or request, the identity of the person making such Acquisition Proposal or such offer, proposal, expression of interest, inquiry or request, a copy of such offer, proposal, expression of interest, inquiry or request and all written communications related thereto and provide such other details of such Acquisition Proposal or offer, proposal, expression of interest, inquiry or request which are known to the Vendor as the Purchaser may reasonably request. The Vendor shall keep the Purchaser fully informed on a prompt basis of the status, including any change to the terms, of any such Acquisition Proposal or offer, proposal, expression of interest, inquiry or request and shall respond promptly to all inquiries by the Purchaser with respect thereto.
- (5) Notwithstanding anything in this Agreement to the contrary, but subject to Section 7.3, if at any time following the date of this Agreement, and prior to the Vendor Meeting, provided that the Vendor is then in compliance with all of its obligations under this Agreement (including under Section 7.2), the Vendor receives an Acquisition Proposal which the board of directors of the Vendor determines in good faith, after consultation with its outside legal counsel, constitutes a Superior Proposal, the board of directors of the Vendor may, subject to compliance with the procedures set forth in Section 7.3 and Section Article 8, terminate this Agreement in order to enter into a definitive agreement with respect to such Superior Proposal.
- (6) Subject to the provisions of Sections 7.2 and 7.3, nothing contained in this Agreement shall prevent the Vendor or the board of directors of the Vendor from calling and holding a meeting of Vendor Shareholders, or any of them, requisitioned by the Vendor Shareholders, or any of them, in accordance with the *Business Corporations Act* (British Columbia) or ordered to be held by a court in accordance with Applicable Laws.

7.3 Right to Match

- (1) The Vendor covenants that it shall not approve, accept, endorse, recommend or enter into any agreement, understanding or arrangement in respect of a Superior Proposal (other than a confidentiality and standstill agreement permitted by Section 7.2(3)) unless:
- (a) The Vendor has complied with its obligations under Section 7.2 and Section 7.3 and has provided the Purchaser with a copy of the Superior Proposal (and, if the consideration proposed under the Superior Proposal includes non-cash

consideration, a written notice from the board of directors of the Vendor setting out the value in financial terms that the board of directors of the Vendor determined in good faith should be ascribed to such non-cash consideration);

- (b) a period (the “**Response Period**”) of five (5) Business Days has elapsed from the date that is the later of (x) the date on which the Purchaser receives written notice from the board of directors of the Vendor that the board of directors of the Vendor has determined, subject only to compliance with this Section 7.3, to approve, accept, endorse, recommend or enter into a binding written agreement to proceed with the Superior Proposal, and (y) the date the Purchaser receives a copy of the Superior Proposal (and, if the consideration proposed under the Superior Proposal includes non-cash consideration, a written notice from the board of directors of the Vendor setting out the value in financial terms that the board of directors of the Vendor determined in good faith should be ascribed to such non-cash consideration) from the board of directors of the Vendor that the board of directors of the Vendor determined, subject only to compliance with this Section 7.3, to approve, accept, endorse, recommend or enter into a binding agreement to proceed with the Superior Proposal;
 - (c) if the Purchaser has proposed to amend the terms of this Agreement in accordance with Section (2), then, as required by Section (2), the board of directors of the Vendor shall have determined in good faith, after consultation with outside counsel, that the Acquisition Proposal continues to constitute a Superior Proposal after taking into account such amendments;
 - (d) the Vendor shall have terminated this Agreement pursuant to Section 8.1(1)(d)(i); and
 - (e) the Vendor shall have previously paid or caused to be paid, or concurrently pays or causes to be paid, to the Purchaser (or as the Purchaser may direct by notice in writing) the Termination Fee, in each case by way of set-off against amounts payable by Arizona Standard to Regal USA pursuant to Article III of the Contribution Agreement.
- (2) During the Response Period, the Purchaser shall have the right, but not the obligation, to offer to amend the terms of this Agreement. During the Response Period, the Vendor shall negotiate in good faith with the Purchaser to enable the Purchaser to make such amendments to the terms of this Agreement and the Transactions as would enable the Vendor and the Purchaser to proceed with the transactions contemplated by this Agreement on such amended terms. Within five (5) Business Days (the “**Review Period**”) of any such offer by the Purchaser to amend the terms of this Agreement, including an increase in, or modification of, the Purchase Price, the board of directors of the Vendor shall review and determine whether the Acquisition Proposal to which the Purchaser is responding would continue to be a Superior Proposal when assessed against this Agreement as they are proposed by the Purchaser to be amended. Such determination to be made by the board of directors of the Vendor shall be communicated to the Purchaser by the end of the Review Period. If the board of directors of the Vendor

determines that the Acquisition Proposal to which the Purchaser is responding would not continue to be a Superior Proposal when assessed against this Agreement as they are proposed by the Purchaser to be amended, the Vendor shall enter into an amendment to this Agreement to give effect to such amendments and the board of directors of the Vendor shall promptly reaffirm its recommendation of the Transactions on the same basis as described in Section 5.1(1) by the prompt issuance of a press release to that effect.

- (3) Where the Vendor has provided the Purchaser notice pursuant to Section 7.3(1)(b) less than seven (7) calendar days prior to the Vendor Meeting, if requested to do so by the Purchaser, the Vendor shall postpone or adjourn the Vendor Meeting to a date that is not less than seven (7) calendar days and not more than ten (10) calendar days after the date of such notice; provided, however, that in the event that the Vendor Meeting is so adjourned, the Meeting Deadline and the Outside Date shall be extended by the same number of days as the Vendor Meeting has been adjourned.
- (4) Each successive amendment to any Acquisition Proposal shall constitute a new Acquisition Proposal for the purposes of this Section 7.3 and the Purchaser shall be afforded a new Response Period and the rights afforded in paragraph 7.3(2) in respect of each such Acquisition Proposal.

7.4 Expenses and Termination Fees

- (1) Each of the Vendor and the Purchaser will be responsible for its own expenses incurred in connection with its evaluation and pursuit of the Transaction; *provided, however*, that (a) the Purchaser shall reimburse the Vendor for reasonable and documented out-of-pocket expenses related to the Transaction, subject to a maximum amount of \$150,000 (the “**Vendor Transaction Expenses**”); (b) if the Vendor Resolution is not approved by the Vendor Shareholders at the Vendor Meeting (and the failure to obtain such approval is not due to a Material Adverse Change in respect of the Purchaser), then the Vendor shall reimburse the Purchaser for all of its out-of-pocket expenses incurred in connection with the pursuit of the Transactions, subject to a maximum amount of \$150,000 and, for greater certainty, the Purchaser shall not be required to reimburse the Vendor for the Vendor Transaction Expenses as contemplated by (a) above and, at the Vendor’s and Regal USA’s discretion, such amounts may be instead set-off against amounts payable by Arizona Standard to Regal USA pursuant to Article III of the Contribution Agreement; (c) if the Vendor Resolution is not approved by the Vendor Shareholders at the Vendor Meeting, and the volume weighted average price of the Purchaser’s common shares on the Exchange for the five (5) trading days immediately prior to the date of the Vendor Meeting has decreased by 25% or more from the closing price of the Purchaser’s common shares on the Exchange on the date hereof, then each of the Vendor and the Purchaser will be responsible for its own expenses and the Purchaser shall not be required to reimburse the Vendor for the Vendor Transaction Expenses as contemplated by (a) above; and (d) (A) if the Gardner Debt is converted into common shares in the capital of the Vendor and the Vendor Resolution is not approved by the Vendor Shareholders at the Vendor Meeting, or (B) an injunction or other proceeding has commenced or been granted that in either case prevents the completion of the Transaction by the Outside Date, then each of the Vendor and the Purchaser will be responsible for its own expenses

and the Purchaser shall not be required to reimburse the Vendor for the Vendor Transaction Expenses as contemplated by (a) above. Further, if the parties agree subsequent to entering into this Agreement that the Purchaser shall subsidize certain of the Vendor's additional expenses incurred in connection with seeking approval of the Vendor Resolution from the Vendor Shareholders at the Vendor Meeting (including marketing, retention of a proxy solicitation agent, etc.), and the Vendor Resolution is not approved by the Vendor Shareholders at the Vendor Meeting, the Vendor shall reimburse the Purchaser for any and all such expenses plus a mark-up of 100%, or as otherwise agreed by the parties, and at the Vendor's and Regal USA's discretion, such amounts may be instead set-off against amounts payable by Arizona Standard to Regal USA pursuant to Article III of the Contribution Agreement.

- (2) If a Termination Fee Event occurs, the Vendor cause the Termination Fee to be set-off against amounts payable by Arizona Standard to Regal USA pursuant to Article III of the Contribution Agreement in accordance with Section 7.4(5).
- (3) For the purposes of this Agreement, "**Termination Fee**" means \$250,000.
- (4) For the purposes of this Agreement, "**Termination Fee Event**" means the termination of this Agreement:
 - (a) by the Purchaser pursuant to Section 8.1(1)(c)(i) or Section 8.1(1)(c)(iv);
 - (b) by the Vendor pursuant to Section 8.1(1)(d)(i); or
 - (c) by either Party pursuant to Section 8.1(1)(b)(i), or by the Vendor pursuant to Section 8.1(1)(c)(iii) or 8.1(1)(c)(vi).
- (5) If a Termination Fee Event occurs pursuant to Section 7.4(4)(a), the Termination Fee shall be payable to the Purchaser within two (2) Business Days following such Termination Fee Event. If a Termination Fee Event occurs pursuant to Section 7.4(4)(b), the Termination Fee shall be paid to the Purchaser in accordance with Section 7.3(1)(e). If a Termination Fee Event occurs in the circumstances set out in 7.4(4)(c), the Termination Fee shall be payable to the Purchaser within two (2) Business Days following the closing of the applicable transaction referred to therein. It is expressly understood that the payment of any Termination Fee upon the occurrence of a Termination Fee Event shall be made by way of set-off against amounts payable by Arizona Standard to Regal USA pursuant to Article III of the Contribution Agreement.
- (6) Each of the Parties acknowledges that the agreements contained in this Section 7.4 are an integral part of the transactions contemplated in this Agreement and that, without those agreements, the Parties would not enter into this Agreement. Each Party acknowledges that all of the payment amounts set out in this Section 7.4 are payments of liquidated damages which are a genuine pre-estimate of the damages, which the Party entitled to such damages will suffer or incur as a result of the event giving rise to such damages and the resultant termination of this Agreement and are not penalties. The Vendor irrevocably waives any right it may have to raise as a defense that any such liquidated damages are excessive or punitive. For greater certainty, each Party agrees that, upon

any termination of this Agreement under circumstances where the Purchaser is entitled to the Termination Fee and such Termination Fee is paid in full, the Purchaser shall be precluded from any other remedy against the Vendor at law or in equity or otherwise (including an order for specific performance), and shall not seek to obtain any recovery, judgment, or damages of any kind, including consequential, indirect, or punitive damages, against the Vendor or Regal USA or any of their respective directors, officers, employees, partners, managers, members, shareholders or affiliates in connection with this Agreement or the transactions contemplated hereby.

- (7) Nothing in this Section 7.4 shall relieve or have the effect of relieving any Party in any way from liability for damages incurred or suffered by a Party as a result of an intentional or wilful breach of this Agreement.
- (8) Nothing in this Section 7.4 shall preclude a Party from seeking injunctive relief to restrain any breach or threatened breach of the covenants or agreements set forth in this Agreement or otherwise to obtain specific performance of any such covenants or agreements, without the necessity of posting bond or security in connection therewith.
- (9) For greater certainty, the Parties agree that the Vendor shall not be obligated to make more than one payment pursuant to this Section 7.4.

ARTICLE 8 TERMINATION, AMENDMENT AND WAIVER

8.1 Termination

- (1) This Agreement may be terminated and the Transactions may be abandoned at any time prior to the Effective Time (notwithstanding any approval of this Agreement or the Vendor Resolution by the Vendor Shareholders):
 - (a) by mutual written agreement of the Vendor and the Purchaser; or
 - (b) by either the Vendor or the Purchaser, if:
 - (i) the Effective Time shall not have occurred on or before the Outside Date, except that the right to terminate this Agreement under this Section 8.1(1)(b)(i) shall not be available to any Party whose failure to fulfill any of its obligations or breach of any of its representations and warranties under this Agreement has been the cause of, or resulted in, the failure of the Effective Time to occur by such Outside Date;
 - (ii) after the date of this Agreement, there shall be enacted or made any Applicable Law that makes consummation of the Transactions illegal or otherwise prohibited or enjoins the Vendor, Regal USA or the Purchaser from consummating the Transactions and such Applicable Law or injunction shall have become final and non-appealable;

- (iii) the Vendor Resolution shall have failed to receive the requisite vote for approval from Vendor Shareholders at the Vendor Meeting (including any adjournment or postponement thereof), provided that a Party may not terminate this Agreement pursuant to this Section 8.1(1)(b)(iii) if the failure to receive the approval from the Vendor Shareholders has been caused by, or is a result of, a breach by such Party of any of its representations or warranties or the failure of such Party to perform any of its covenants or agreements under this Agreement;
- (c) by the Purchaser, if:
- (i) the board of directors of the Vendor (A) fails to provide the Board Recommendation, (B) withdraws, withholds, amends, modifies or qualifies, or proposes publicly to withdraw, withhold, amend, modify or qualify the Board Recommendation, (C) approves, accepts, endorses, or recommends or proposes publicly to approve, accept, endorse or recommend, any Acquisition Proposal, or (D) fails to reaffirm the Board Recommendation within five (5) Business Days (and in any case prior to the Vendor Meeting) after having been requested in writing by the Purchaser to do so (it being understood that the taking of a neutral position or no position with respect to an Acquisition Proposal beyond a period of five (5) Business Days (or beyond the time of the Vendor Meeting, if sooner) shall be considered a failure of the board of directors of the Vendor to reaffirm its recommendation within the requisite time period) (each of the foregoing being referred to as a “**Change in Recommendation**”);
 - (ii) any of the conditions set forth in Section 4.1 is not satisfied, and such condition is incapable of being satisfied by the Outside Date;
 - (iii) subject to Section 7.1, a breach of any representation or warranty or failure to perform any covenant or agreement on the part of Vendor or Regal USA set forth in this Agreement shall have occurred that would cause the conditions set forth in Section 4.1 not to be satisfied, and such conditions are incapable of being satisfied by the Outside Date; provided that the Purchaser is not then in breach of this Agreement so as to cause any of the conditions set forth in Section 4.1 not to be satisfied;
 - (iv) without limiting the provisions of subparagraph (iii) above, the Vendor or Regal USA is in breach or in default of any of its obligations or covenants set forth in Section 7.2;
 - (v) upon the occurrence of a Material Adverse Change or a Material Adverse Effect in respect of Regal USA or the Business; and
 - (vi) the Vendor Meeting has not occurred on or before the Meeting Deadline; *provided* that the right to terminate this Agreement pursuant to this

Section 8.1(1)(c)(vi) shall not be available to the Purchaser if the failure by the Purchaser to fulfil any obligation hereunder, including the delivery of the Purchaser Disclosure in a timely manner, is the cause of, or results in, the failure of the Vendor Meeting to occur on or before such date.

- (d) by the Vendor, if:
 - (i) the board of directors of the Vendor authorizes the Vendor, subject to complying with the terms of this Agreement, to enter into a binding written agreement relating to a Superior Proposal; *provided that* concurrent with such termination, the Vendor pays, or causes to be paid, the Termination Fee payable pursuant to Section 7.4;
 - (ii) any of the conditions set forth in Section 4.2 is not satisfied, and such condition is incapable of being satisfied by the Outside Date;
 - (iii) upon the occurrence of a Material Adverse Change or a Material Adverse Effect in respect of the Purchaser; and
 - (iv) subject to Section 7.1, a breach of any representation or warranty or failure to perform any covenant or agreement on the part of the Purchaser set forth in this Agreement shall have occurred that would cause the conditions set forth in Section 4.2 not to be satisfied, and such conditions are incapable of being satisfied by the Outside Date; provided that the Vendor or Regal USA is not then in breach of this Agreement so as to cause any of the conditions set forth in Section 4.2 not to be satisfied.
- (2) The Party desiring to terminate this Agreement pursuant to this Article 8 (other than pursuant to Section 8.1(1)(a)) shall give written notice of such termination to the other Parties.
- (3) If this Agreement is terminated pursuant to this Article 8, this Agreement shall become void and of no effect without liability of any Party (or any shareholder, director, officer, employee, agent, consultant or representative of such Party) to any other Party hereto, except as otherwise expressly contemplated hereby, and provided that the provisions of this Section 8.1(3) and Sections 7.4, 11.3, 11.6, 11.16, as well as the Mutual Confidentiality Agreement, shall survive any termination hereof pursuant to this Article 8; *provided further* that neither the termination of this Agreement nor anything contained in this Article 8 shall relieve a Party from any liability arising prior to such termination.

8.2 Amendment. This Agreement may, at any time and from time to time before or after the holding of the Vendor Meeting but not later than the Effective Time, be amended by mutual written agreement of the Parties and any such amendment may, subject to Applicable Law, without limitation:

- (a) change the time for performance of any of the obligations or acts of the Parties;

- (b) waive any inaccuracies or modify any representation or warranty contained herein or in any document delivered pursuant hereto;
- (c) waive compliance with or modify any of the covenants herein contained and waive or modify performance of any of the obligations of the Parties; and/or
- (d) waive compliance with or modify any mutual conditions precedent herein contained.

ARTICLE 9 TAX MATTERS

9.1 Preparation and Filing of Tax Returns. The Purchaser shall cause to be prepared all Tax Returns of Regal USA that relate to taxation periods commencing before the Closing Date. The Vendor shall co-operate fully with the Purchaser in, and make available to the Purchaser in a timely fashion all information reasonably required for, the preparation of those Tax Returns.

9.2 Books and Records Relating to Taxes. Within ten Business Days after the Closing Date, the Vendor shall deliver to the Purchaser copies of all documents relating to the Taxes of Regal USA in respect of the any tax period that begins prior to the Closing Date and all working papers, correspondence and other documents prepared after the Closing Date which relate to Taxes for all tax periods that begin prior to the Closing Date.

9.3 Vendor Indemnification. From and after the Closing Date, the Vendor shall indemnify and save harmless the Purchaser and shall pay to the Purchaser on demand, the amount of any and all Losses attributable to any claim made by a Governmental Authority against the Purchaser for Taxes imposed on the Vendor in respect of the Purchased Shares, include amounts for which the Purchaser may be jointly and severally liable. For the purposes of this Section, "Losses" shall be deemed to arise when a demand for a payment of such amounts is made by a Governmental Authority.

9.4 Purchaser's Contest Rights. Subject to Section 9.5, the Purchaser shall have the sole right to control, defend, settle, compromise, or prosecute in any manner an audit, examination, investigation, and other proceeding with respect to any Tax Return of Regal USA. The Purchaser shall keep the Vendor duly informed of any proceedings in connection with any matter for which any party may have a right to indemnification pursuant to this Article 9 and promptly provide the Vendor with copies of all correspondence and documents relating to those proceedings. The Vendor shall execute or cause to be executed such documents and shall take such action as reasonably requested by the Purchaser to enable the Purchaser to take any action the Purchaser deems appropriate with respect to any proceedings in respect of which the Purchaser has contest rights under this Agreement.

9.5 Vendor's Contest Rights

- (1) The Vendor may at any time by written notice to the Purchaser elect to control, defend, settle, compromise or prosecute in any manner an audit, examination, investigation, or other proceeding with respect to Taxes or Tax issues related to any matter in respect of

which any party may have a right of indemnification pursuant to this Article 9, except that:

- (a) the Vendor shall deliver to the Purchaser a written agreement that the Purchaser is entitled to indemnification for all Losses arising out of that audit, examination or other proceeding and that the Vendor shall be liable for the entire amount of those Losses;
 - (b) the Vendor may not, without the written consent of the Purchaser, settle or compromise Taxes or Tax issues related to any matter which may affect Tax liabilities of the Purchaser or Regal USA for a Post-Closing Period; and
 - (c) the Vendor shall pay to the Purchaser the amount of all Taxes (including, for greater certainty, interest and penalties) specified in the notice of assessment or other claim from the Governmental Authority to which the indemnity Claim relates within 10 Business Days before the amount is required to be paid to the Governmental Authority or within 10 Business Days after the delivery of notice of the Claim.
- (2) The Purchaser and/or Regal USA, as applicable, shall execute or cause to be executed such documents or take such action as reasonably requested by the Vendor to enable the Vendor to take any action it deems appropriate with respect to any proceedings in respect of which the Vendor has contest rights under this Agreement. In addition:
- (a) the Vendor shall keep the Purchaser duly informed of any proceedings in connection with any matter which may affect the Taxes payable by the Purchaser or Regal USA or the Vendor; and
 - (b) the Purchaser shall be promptly provided with copies of all correspondence and documents relating to those proceedings and may, at its option and its own expense, participate in those proceedings through counsel of its choice.

9.6 Indemnification Procedures. Except to the extent expressly provided to the contrary in this Article 9, the general procedures regarding notice and pursuit of indemnification Claims set forth in Article 10 apply to all Claims for indemnification made under this Article 9, except that notwithstanding any provision of Article 10 to the contrary, if a Claim for indemnification involves any matter covered in this Article 9, then the contest provisions of Section 9.4 control the defence and handling of any such Third Party Claim that could give rise to an indemnification obligation on the part of the Vendor or the Purchaser. Except as provided in Section 5.4, there is no limit on the time period during which a Claim for indemnification may be made under this Article 9.

ARTICLE 10 INDEMNIFICATION

10.1 Definitions. In this Article 10:

- (1) **“Claim”** means any act, omission or state of facts and any demand, action, investigation, inquiry, suit, proceeding, claim, assessment, judgment or settlement or compromise relating thereto which gives rise to a right of indemnification under this Agreement.
- (2) **“Direct Claim”** means any Claim by an Indemnitee against an Indemnitor which does not result from a Third Party Claim.
- (3) **“Indemnification Notice”** means written notice by an Indemnitee to the applicable Indemnitor or Indemnitors of a Third Party Claim or Direct Claim, as the case may be.
- (4) **“Indemnitee”** means any Person entitled to indemnification under this Agreement.
- (5) **“Indemnitees Representative”** means:
 - (a) in respect of the Purchaser Indemnitees, the Purchaser; and
 - (b) in respect of the Vendor Indemnitees, the Vendor.
- (6) **“Indemnitor”** means any Party obligated to provide indemnification under this Agreement.
- (7) **“Losses”** means any and all loss, liability, obligation, damage, cost, expense, charge, fine, penalty or assessment, suffered, incurred, sustained or required to be paid by the Person seeking indemnification (including reasonable out-of-pocket lawyers’, experts’ and consultants’ fees and expenses), directly resulting from or arising out of any Claim, including the costs and expenses of any action, suit, proceeding, investigation, inquiry, arbitration award, grievance, demand, assessment, judgment, settlement or compromise relating thereto, but: (i) excluding any contingent liability until it becomes actual; (ii) reduced by any net Tax benefit; and (iii) reduced by any recovery, settlement or otherwise under or pursuant to any insurance coverage, or pursuant to any claim, recovery, settlement or payment by or against any other Persons.
- (8) **“Payment”** has the meaning attributed to that term in Section 10.10(3).
- (9) **“Purchaser Indemnitees”** means the shareholders and Representatives of the Purchaser, and related Persons.
- (10) **“Third Party Claim”** means any Claim asserted against an Indemnitee by any Person who is not a Party or an Affiliate of a Party.
- (11) **“Vendor Indemnitees”** means the shareholders and the Representatives of the Vendor, and related Persons.

10.2 Indemnification by the Vendor. In addition to any other indemnification provided by the Vendor contained in this Agreement and subject to this Article 10, the Vendor shall indemnify and save harmless the Purchaser, and, to the extent named or involved in any Third Party Claim, the Purchaser Indemnitees from, and shall pay to the Purchaser and the Purchaser

Indemnitees, on demand, the amount of any and all Losses, as a result of or arising in connection with:

- (1) any inaccuracy of or any breach of any representation or warranty made by the Vendor or Regal USA in this Agreement or in any contract, agreement, instrument, certificate or other document delivered pursuant to this Agreement, whether or not the Purchaser relied on or had knowledge of it;
- (2) to the extent not performed or waived prior to Closing any breach or non-performance by the Vendor or Regal USA of any covenant or other obligation contained in this Agreement or in any contract, agreement, instrument, certificate or other document delivered pursuant to this Agreement; and
- (3) any Claim by any Person for brokerage or finder's fees, commission or similar payments based on any agreement or understanding made or alleged to have been made by any such Person with the Vendor or Regal USA (or any Person acting on their behalf) in connection with the Transaction.

10.3 Indemnification by the Purchaser. In addition to any other indemnification provided by the Purchaser contained in this Agreement and subject to this Article 10, the Purchaser shall indemnify and save harmless the Vendor and, to the extent named or involved in any Third Party Claim, the Vendor Indemnitees from, and shall pay to the Vendor and the Vendor Indemnitees, on demand, the amount of any and all Losses as a result of or arising in connection with:

- (1) any inaccuracy of or any breach of any representation or warranty made by the Purchaser in this Agreement or in any contract, agreement, instrument, certificate or other document delivered pursuant to this Agreement, whether or not the Vendor relied on or had knowledge of it;
- (2) to the extent not performed or waived prior to Closing any breach or non-performance by the Purchaser of any covenant or other obligation contained in this Agreement or in any contract, agreement, instrument, certificate or other document delivered pursuant to this Agreement; and
- (3) any Claim by any Person for brokerage or finder's fees, commission or similar payments based on any agreement or understanding made or alleged to have been made by any such Person with the Purchaser (or any Person acting on their behalf) in connection with the Transaction.

10.4 Thresholds and Limitations

- (1) Subject to Section 10.4(5), the obligation of the Vendor to indemnify the Purchaser and the Purchaser Indemnitees pursuant to Section 10.2 and the Purchaser obligations to indemnify the Vendor and the Vendor Indemnitees pursuant to Section 10.3 are applicable only if the aggregate of all those Losses suffered or incurred by the Purchaser and the Purchaser Indemnitees, on the one hand, or by the Vendor and the Vendor Indemnitees, on the other hand, as applicable, is in excess of \$50,000. Subject to Section 10.4(2), if the aggregate of all those Losses incurred by the Purchaser and the

Purchaser Indemnitees exceeds that amount, the Vendor shall be obliged to indemnify the Purchaser and the Purchaser Indemnitees for all of those Losses, including the Losses up to and including that amount. Subject to Section 10.4(4), if the aggregate of all those Losses incurred by the Vendor and the Vendor Indemnitees exceeds that amount, the Purchaser shall be obliged to indemnify the Vendor and the Vendor Indemnitees for all of those Losses, including the Losses up to and including that amount.

- (2) The maximum aggregate liability of the Vendor for Losses pursuant to Section 10.2, other than for a breach of the representations and warranties contained in Sections 5.2(3) to 5.2(5), is not to exceed the lesser of \$3,000,000 and the value of the Payment Shares less the value of any Payment Shares already distributed by the Vendor.
- (3) The maximum aggregate liability of the Vendor for Losses pursuant to Section 10.2 relating to a breach of the representations and warranties contained in Sections 5.2(3) to 5.2(5) is not to exceed the value of the Payment Shares less the value of the Escrowed Shares and less the value of any Payment Shares already distributed by the Vendor.
- (4) The maximum aggregate liability of the Purchaser for Losses pursuant to Section 10.3 is not to exceed the lesser of \$3,000,000 and the value of the Payment Shares less the value of any Payment Shares already distributed by the Vendor.
- (5) The provisions of Section 10.4(1) do not apply in respect of:
 - (a) any inaccuracy or breach of a representation or warranty involving fraud, fraudulent misrepresentation or intentional misrepresentation;
 - (b) to the extent not performed or waived prior to Closing any breach or non-performance by the Vendor or Regal USA of any covenant or other obligation to be performed by them that is contained in this Agreement or in any contract, agreement, instrument, certificate or other document delivered pursuant to this Agreement; and
 - (c) the indemnifications contained in Section 9.3.

10.5 Notice of Claim

- (1) An Indemnitee, promptly on becoming aware of any circumstances that have given or could give rise to a Third Party Claim or a Direct Claim, shall give an Indemnification Notice of those circumstances to its Indemnitees Representative and to the applicable Indemnitor or Indemnitors. The Indemnification Notice will specify whether the Losses arise as a result of a Third Party Claim or a Direct Claim, and will also specify with reasonable particularity (to the extent the information is available) the factual basis for the Claim and the amount of the Losses, if known.
- (2) The failure to give, or delay in giving, an Indemnification Notice does not relieve the Indemnitor of its obligations except and only to the extent of any prejudice caused to the Indemnitor by that failure or delay.

- (3) Provided that the Indemnitee gives an Indemnification Notice of the Claim to the Indemnitor on or prior to the expiry of the applicable time period related to that representation and warranty or covenant, as the case may be, set out in Sections 5.4 and 5.5, liability of the Indemnitor for that representation, warranty or covenant will continue in full force and effect until the final determination of that Claim.
- (4) The Indemnitee, from the time it receives notice of the Third Party Claim, and its Indemnitees Representative, from the earlier of the time it receives notice of the Third Party Claim and the time it receives the Indemnification Notice, must use its commercially reasonable efforts to protect its rights and the rights of the Indemnitor with respect to that Third Party Claim.

10.6 Third Party Claims

- (1) The Indemnitor has the right, by notice to the applicable Indemnitees Representative given not later than 30 days after receipt of the Indemnification Notice, to assume control of the defence, compromise or settlement of the Third Party Claim provided that:
 - (a) the Third Party Claim involves only money damages and does not seek any injunctive or other equitable relief;
 - (b) if the named parties in any Third Party Claim include both the Indemnitor and the Indemnitee, representation by the same counsel would, in the judgment of the Indemnitee, still be appropriate notwithstanding any actual or potential differing interests between them (including the availability of different defences);
 - (c) settlement of, or an adverse judgment with respect to, the Third Party Claim is not, in the judgment of the Indemnitee, likely to establish a precedent, custom or practice adverse to the continuing business interest of the Indemnitee; and
 - (d) the Indemnitor, from time to time, at the request of the Indemnitees Representative, gives security satisfactory to the Indemnitees Representative against any costs and other liabilities to which the Indemnitee may be or become exposed as a result of that Third Party Claim.
- (2) On the assumption of control by the Indemnitor, it is conclusively established for purposes of this Agreement that the Third Party Claim is within the scope of, and is subject to, the indemnification pursuant to this Article 10, and:
 - (a) the Indemnitor will actively and diligently proceed with the defence, compromise or settlement of the Third Party Claim at the Indemnitor's sole cost and expense, including the retaining of counsel reasonably satisfactory to the Indemnitees Representative;
 - (b) the Indemnitor will keep the Indemnitees Representative fully advised with respect to the defence, compromise or settlement of the Third Party Claim (including supplying copies of all relevant documents promptly as they become

available) and will arrange for its counsel to inform the Indemnitees Representative on a regular basis of the status of the Third Party Claim;

- (c) the Indemnitee may retain separate co-counsel at its sole cost and expense and participate in the defence of the Third Party Claim (provided the Indemnitor shall continue to control that defence); and
 - (d) the Indemnitor will not consent to the entry of any judgment or enter into any settlement with respect to the Third Party Claim unless consented to by the Indemnitees Representative (which consent may not be unreasonably or arbitrarily withheld, delayed or conditioned).
- (3) Provided all the conditions set forth in Section 10.6(1) are satisfied and the Indemnitor is not in breach of any of its obligations under Section 10.6(2), each of the Indemnitee and its Indemnitees Representative will, at the expense of the Indemnitor, co-operate with the Indemnitor and use its commercially reasonable efforts to make available to the Indemnitor all relevant information in its possession or under its control (provided that it does not cause the Indemnitee or its Indemnitees Representative to breach any confidentiality obligations) and will take such other steps as are, in the reasonable opinion of counsel for the Indemnitor, necessary to enable the Indemnitor to conduct that defence, provided always that:
- (a) no admission of fault may be made by or on behalf of the Purchaser or any Purchaser Indemnitee without the prior written consent of the Purchaser, as applicable;
 - (b) no admission of fault may be made by or on behalf of the Vendor or any Vendor Indemnitee without the prior written consent of the Vendor; and
 - (c) the Indemnitee and its Indemnitees Representative are not obligated to take any measures which, in the reasonable opinion of the Indemnitee's legal counsel, could be prejudicial or unfavourable to the Indemnitee.
- (4) If (i) the Indemnitor does not give the relevant Indemnitees Representative the notice provided in Section 10.6(1), (ii) any of the conditions in Section 10.6(1) are unsatisfied, or (iii) the Indemnitor breaches any of its obligations under Sections 10.6(2) or 10.6(3), the applicable Indemnitees Representative may assume control of the defence, compromise or settlement of the Third Party Claim as in its sole discretion may appear advisable, and is entitled to retain counsel as in its sole discretion may appear advisable, the whole at the Indemnitor's sole cost and expense. Any settlement or other final determination of the Third Party Claim will be binding on the Indemnitor. The Indemnitor will, at its sole cost and expense, cooperate fully with the Indemnitee and its Indemnitees Representative and use its commercially reasonable efforts to make available to the Indemnitee and its Indemnitees Representative all relevant information in its possession or under its control and take such other steps as are, in the reasonable opinion of counsel for the Indemnitee, necessary to enable the Indemnitee to conduct the defence. The Indemnitor will reimburse the Indemnitee and its Indemnitees Representative

promptly and periodically for the costs of defending against the Third Party Claim (including legal fees and expenses), and will remain responsible for any Losses the Indemnitee and its Indemnitees Representative may suffer resulting from, arising out of or relating to the Third Party Claim to the fullest extent provided in this Article 10.

10.7 Direct Claims. Following receipt of an Indemnification Notice in respect of a Direct Claim, the Indemnitor has 60 days to make such investigation of the Direct Claim as is considered necessary or desirable. For the purpose of that investigation, the Indemnitee shall make available to the Indemnitor the information relied on by the Indemnitee to substantiate the Direct Claim, together with such information as the Indemnitor may reasonably request. If the Parties agree at or prior to the expiry of this 60 day period (or prior to the expiry of any extension of this period agreed to by the Parties) as to the validity and amount of that Direct Claim, the Indemnitor shall immediately pay to the Indemnitee the full amount as agreed to by the Parties of the Direct Claim, failing which the matter shall be referred to binding arbitration in accordance with Section 11.12. For clarity, the Purchaser is deemed to have incurred or suffered Losses as of and from the Closing Date as a consequence of any reduction in the value of the Assets resulting from an inaccuracy or breach of any representation or warranty by the Vendor or Regal USA or any breach or non-fulfillment by the Vendor or Regal USA of any of their covenants or obligations under this Agreement.

10.8 Waiver. The Indemnitor waives any right it may have to require an Indemnitee to proceed against or enforce any other right, power, remedy or security or to claim payment from any other Person before claiming under the indemnity provided for in this Article 10. It is not necessary for an Indemnitee to incur expense or make payment before enforcing that indemnity.

10.9 Duty to Mitigate and Subrogation

- (1) Nothing in this Agreement in any way restricts or limits the general obligation under Applicable Law of an Indemnitee to mitigate any loss which it may suffer or incur by reason of a breach by an Indemnitor of any representation, warranty, covenant or obligation of the Indemnitor under this Agreement or in any contract, agreement, instrument, certificate or other document delivered pursuant to this Agreement.
- (2) The Indemnitee shall, to the extent permitted by Applicable Law, subrogate its rights relating to any Third Party Claim to the Indemnitor and shall make all counterclaims and implead all third Persons as may be reasonably required by the Indemnitor, the whole at the cost and expense of the Indemnitor.

10.10 Obligation to Reimburse

- (1) The Indemnitor shall reimburse to the Indemnitee the amount of any Losses as of the later of (i) the date that the Indemnitee incurs any such Losses and (ii) the date of demand by the Indemnitee, together with interest thereon from that date until payment in full, at the rate per annum equal to the prime lending rate of Royal Bank of Canada from time to time plus 3%, that payment being made without prejudice to the Indemnitor's right to contest the basis of the Indemnitee's Claim for indemnification.

- (2) The amount of any and all Losses under this Article 10 are to be determined net of any amounts recovered or recoverable by the Indemnitee under insurance policies, indemnities, reimbursement arrangements or similar contracts with respect to those Losses. The Indemnitee shall take all appropriate steps to enforce that recovery. Each Party waives, to the extent permitted under its applicable insurance policies, any subrogation rights that its insurer may have with respect to any indemnifiable Losses.
- (3) If any payment (the “**Payment**”) made pursuant to this Article 10 is subject to GST/HST or is deemed by the ETA or any similar provision of any Applicable Law to be inclusive of GST/HST, the Indemnitor will pay to the Indemnitee, in addition to the Payment, an amount equal to the GST/HST in connection with that Payment and that additional amount.

10.11 Exclusivity. Unless otherwise provided in this Agreement or any contract, agreement, instrument, certificate or other document delivered pursuant to this Agreement, the provisions of this Article 10 constitute the sole remedy available to the Vendor and the Purchaser to any Claim for breach of covenants, representation, warranty or other obligation or provision of this Agreement or any contract, agreement, instrument, certificate or other document delivered pursuant to this Agreement (other than a Claim for specific performance or injunctive relief) and to any and all other indemnities provided in this Agreement or in any contract, agreement, instrument, certificate or other document delivered pursuant to this Agreement.

10.12 Set-Off. A Party is entitled to set-off any Losses subject to Indemnification under this Agreement or in any contract, agreement, instrument, certificate or other document delivered pursuant to this Agreement against any other amounts payable by the Party to another party whether under this Agreement or otherwise.

10.13 Trust and Agency. The Purchaser accepts each indemnity in favour of any of the Purchaser Indemnitees that is not a Party as agent and trustee of that Purchaser Indemnitee and may enforce any such indemnity in favour of that Purchaser Indemnitee on behalf of that Purchaser Indemnitee. The Vendor accepts each indemnity in favour of any of the Vendor Indemnitees as agent and trustee of that Vendor Indemnitee and may enforce any such indemnity in favour of that Vendor Indemnitee on behalf of that Vendor Indemnitee.

ARTICLE 11 GENERAL

11.1 Public Announcements. No Party shall make any public statement or issue any press release concerning the Transactions except as agreed by the Parties acting reasonably or as may be necessary, in the opinion of counsel to the Party making that disclosure, to comply with the requirements of all Applicable Law or as required by any Governmental Authority. If any public statement or release is so required, the Party making the disclosure shall consult with the other Parties before making that statement or release, and the Parties shall use all reasonable efforts, acting in good faith, to agree on a text for the statement or release that is satisfactory to the Parties.

11.2 Disclosure and Consultation. Before any public statement or press release concerning the Transactions, no Party shall disclose this Agreement or any aspect of the Transactions except to its board of directors, its senior management, its legal, accounting, financial or other professional advisors, any financial institution contacted by it with respect to any financing required in connection with the Transactions and counsel to that institution, or as may be required by any Applicable Law, any Governmental Authority or as agreed by the Parties.

11.3 Injunctive Relief. Subject to Section Article 8, the Parties agree that irreparable harm would occur for which money damages would not be an adequate remedy at law in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the Parties shall be entitled to an injunction or injunctions and other equitable relief (including specific performance) to prevent breaches of this Agreement, any requirement for the securing or posting of any bond in connection with the obtaining of any such injunctive or other equitable relief (including specific performance) hereby being waived.

11.4 Commercially Reasonable Efforts. In this Agreement, unless specified otherwise, an obligation of any Party to use its commercially reasonable efforts to obtain any approval does not require the Party to make any payment to any Person for the purpose of procuring the approval, except for payments for amounts due and payable to that Person, payments for incidental expenses incurred by that Person and payments required by any Applicable Law or any Governmental Authority.

11.5 No Third Party Beneficiary. Except as provided for in Section 10.13, this Agreement is solely for the benefit of the Parties and no third party accrues any benefit, claim or right of any kind pursuant to, under, by or through this Agreement.

11.6 Entire Agreement. This Agreement, together with the other agreements to be entered into as contemplated by this Agreement, including the Vendor Voting Agreements and the Mutual Confidentiality Agreement (the “**Other Agreements**”) constitute the entire agreement among the Parties pertaining to the subject matter of this Agreement and the Other Agreements and supersede all prior correspondence, agreements, negotiations, discussions and understandings, written or oral. Except as specifically set out in this Agreement or the Other Agreements, there are no representations, warranties, conditions or other agreements or acknowledgements, whether direct or collateral, express or implied, written or oral, statutory or otherwise, that form part of or affect this Agreement or the Other Agreements or which induced any Party to enter into this Agreement or the Other Agreements. No reliance is placed on any representation, warranty, opinion, advice or assertion of fact made either prior to, concurrently with, or after entering into, this Agreement or any Other Agreement, or any amendment or supplement hereto or thereto, by any Party to this Agreement or any Other Agreement or its Representatives, to any other Party or its Representatives, except to the extent the representation, warranty, opinion, advice or assertion of fact has been reduced to writing and included as a term in this Agreement or that Other Agreement, and none of the parties to this Agreement or any Other Agreement has been induced to enter into this Agreement or any Other Agreement or any amendment or supplement by reason of any such representation, warranty, opinion, advice or assertion of fact. There is no liability, either in tort or in contract, assessed in relation to the

representation, warranty, opinion, advice or assertion of fact, except as contemplated in this Section.

11.7 Non-Merger. Except as otherwise provided in this Agreement, the covenants, representations and warranties set out in this Agreement do not merge but survive Closing and, notwithstanding such Closing or any investigation by or on behalf of a Party, continue in full force and effect. Closing does not prejudice any right of one Party against another Party in respect of any remedy in connection with anything done or omitted to be done under this Agreement.

11.8 Time of Essence. Time is of the essence of this Agreement.

11.9 Amendment. This Agreement may be supplemented, amended, restated or replaced only by written agreement signed by each Party.

11.10 Waiver of Rights. Any waiver of, or consent to depart from, the requirements of any provision of this Agreement is effective only if it is in writing and signed by the Party giving it, and only in the specific instance and for the specific purpose for which it has been given. No failure on the part of any Party to exercise, and no delay in exercising, any right under this Agreement operates as a waiver of that right. No single or partial exercise of any such right precludes any other or further exercise of that right or the exercise of any other right.

11.11 Arbitration. All disputes arising out of, or in connection with, this Agreement, or in respect of any legal relationship associated with it or derived from it, will be finally resolved by arbitration administered by ICDR Canada under its Canadian Arbitration Rules. The seat of arbitration will be Vancouver, British Columbia. The language of the arbitration will be English.

11.12 Governing Law. This Agreement is governed by, and interpreted and enforced in accordance with, the laws of the Province of British Columbia and the federal laws of Canada applicable in that province, excluding the choice of law rules of that province.

11.13 Notices.

(1) Any notice, direction, certificate, consent, determination or other communication required or permitted to be given or made under this Agreement (in this Section 11.13, a “notice”) shall be in writing and shall be effectively given and made if (i) delivered personally, (ii) sent by prepaid courier service or mail, or (iii) sent by fax or other means of recorded electronic communication, including e-mail (a “**Transmission**”), in each case to the applicable address set out below (provided that any of the Parties may change the address designated from time to time, by notice in writing to the other Parties and new Parties that become Parties from time to time shall provide notice in writing to the other Parties with their contact information):

in the case of a notice to the Vendor, addressed to it at:

Regal Resources Inc.
203 – 2780 Granville Street
Vancouver, British Columbia V6H 3J3

Attention: Matthew Sauder
Email: [redacted]

with a copy (not constituting notice) to:

MLT Aikins LLP
2600 – 1066 West Hastings Street
Vancouver, British Columbia V6E 3X1

Attention: Jonathan O'Connor
Email: [redacted]

and in the case of a notice to the Purchaser, addressed to it at:

Barksdale Resources Corp.
615 – 800 West Pender Street
Vancouver, British Columbia V6C 2V6

Attention: Richard Trotman
Email: [redacted]

with a copy (not constituting notice) to:

Borden Ladner Gervais LLP
1200 Waterfront Center, 200 Burrard Street
Vancouver, British Columbia V7Z 1T2

Attention: Graeme D. Martindale
Email: [redacted]

- (2) Any notice sent in accordance with this Section 11.13 is deemed to have been received:
- (a) if delivered prior to or during normal business hours on a Business Day in the place where the notice is received, on the date of delivery;
 - (b) if sent by mail, on the fifth Business Day after mailing in the place where the notice is received, or, in the case of disruption of postal service, on the fifth Business Day after cessation of that disruption;
 - (c) if sent by facsimile during normal business hours on a Business Day in the place where the Transmission is received, on the same day that it was received by Transmission, on production of a Transmission report from the machine from which the facsimile was sent which indicates that the facsimile was sent in its entirety to the relevant facsimile number of the recipient; or
 - (d) if sent in any other manner, on the date of actual receipt;

except that any notice delivered in person or sent by Transmission not on a Business Day or after normal business hours on a Business Day, in each case in the place where the notice is received, is deemed to have been received on the next succeeding Business Day in the place where the notice is received.

- (3) Any Party may change its address for notice by giving notice to the other Parties.

11.14 Assignment.

- (1) Subject to (2) below, no Party may assign or transfer, whether absolutely, by way of security or otherwise, all or any part of its rights or obligations under this Agreement to any Person.
- (2) The Purchaser may assign all of its rights and obligations under this Agreement to an affiliate of the Purchaser, except that such assignment shall not relieve the Purchaser of any of its obligations under the Agreement.

11.15 Further Assurances. Each Party shall promptly do, execute, deliver or cause to be done, executed or delivered all further acts, documents and matters in connection with this Agreement that any other Party may reasonably require, for the purposes of giving effect to this Agreement.

11.16 Severability. If, in any jurisdiction, any provision of this Agreement or its application to any Party or circumstance is restricted, prohibited or unenforceable, that provision will, as to that jurisdiction, be ineffective only to the extent of that restriction, prohibition or unenforceability without invalidating the remaining provisions of this Agreement, without affecting the validity or enforceability of that provision in any other jurisdiction and, if applicable, without affecting its application to the other Parties or circumstances. The Parties shall engage in good faith negotiations to replace any provision which is so restricted, prohibited or unenforceable with an unrestricted and enforceable provision, the economic effect of which comes as close as possible to that of the restricted, prohibited or unenforceable provision which it replaces.

11.17 Successors. This Agreement is binding on, and enures to the benefit of, the Parties and their respective successors.

11.18 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which taken together constitute one agreement. Delivery of an executed counterpart of this Agreement by facsimile or transmitted electronically in legible form, including in a tagged image format file (TIFF) or portable document format (PDF), shall be equally effective as delivery of a manually executed counterpart of this Agreement.

[Signature page follows]

IN WITNESS WHEREOF, the Parties have duly executed this Agreement on the date first above written.

REGAL RESOURCES INC.

By: “Matthew Sauder”
Name: Matthew Sauder
Title: Director

REGAL RESOURCES USA, INC.

By: “Derek Daly”
Name: Derek Daly
Title: President

BARKSDALE RESOURCES CORP.

By: “Richard Trotman”
Name: Richard Trotman
Title: Chief Executive Officer

SCHEDULE 5.2(14)

MATERIAL CONTRACTS

1. Contribution Agreement.
2. Limited Liability Company Operating Agreement of Arizona Standard LLC dated August 10, 2017.
3. Denman Island Debt Instruments.
4. Instruments representing the Mycroft Debt.
5. Instruments representing the Gardner Debt.

SCHEDULE 5.2(22)

DIRECTORS AND OFFICERS

1. Derek Daly is the President, Treasurer and Secretary, and sole director of Regal USA.