

**ARRANGEMENT AGREEMENT**

**BETWEEN**

**51ST PARALLEL INC.**

**AND**

**TARGET CAPITAL INC.**

**MADE AS OF**

**July 23, 2018**

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## ARRANGEMENT AGREEMENT

**THIS AGREEMENT** is made as of the 23<sup>rd</sup> day of July, 2018,

**BETWEEN:**

**51ST PARALLEL INC.**, a corporation existing under the laws of the Province of Alberta,  
("51st Parallel"),

- and -

**TARGET CAPITAL INC.**, a corporation existing under the laws of the Province of Alberta,

("Target"),

(each a "**Party**" and together, the "**Parties**"),

**WHEREAS** Target is a public corporation, with its common shares listed on the TSXV and the CSE under the symbol "TCI";

**AND WHEREAS** the Parties propose to carry out an arrangement under the ABCA on the terms set forth in the Plan of Arrangement;

**AND WHEREAS** the Plan of Arrangement will constitute a Reverse Takeover of Target, as such term is defined in TSXV Policy 5.2 and CSE Policy 8;

**AND WHEREAS** the Parties have entered into this Agreement to provide for the matters referred to in the foregoing recitals and for other matters relating to the transactions contemplated herein;

**NOW THEREFORE**, in consideration of the covenants and agreements herein contained, the Parties agree as follows:

### ARTICLE 1 INTERPRETATION

#### Section 1.1 Defined Terms.

As used in this Agreement, the following terms have the following meanings:

"**51st Parallel**" has the meaning ascribed thereto in the recitals.

"**51st Parallel Arrangement Resolution**" means the special resolution of 51st Parallel Shareholders in respect of the Arrangement to be considered at the 51st Parallel Meeting substantially in the form set forth in Schedule A.

"**51st Parallel Disclosure Letter**" means the disclosure letter dated the date of this Agreement and delivered by 51st Parallel to Target with this Agreement.

**“51st Parallel Employee Obligations”** means the obligations of 51st Parallel to pay any amount to or on behalf of its officers, directors, employees or consultants, other than salary and benefits (or retainer in the case of directors) and vacation pay in the ordinary course of business and in each case in amounts consistent with historic practices, pursuant to all employment, consulting services and change of control agreements (including the 51st Parallel Employment Agreements), termination, severance and retention plans or policies for severance, termination or bonus payments and any payments or compensation pursuant to any other incentive plans (excluding the outstanding 51st Parallel Options and 51st Parallel Performance Warrants) in each case in effect on the date hereof and disclosed in writing or otherwise required pursuant to Law.

**“51st Parallel Employees”** means the officers and other employees of 51st Parallel.

**“51st Parallel Employment Agreements”** means the employment agreements entered into between 51st Parallel and certain officers and employees of 51st Parallel.

**“51st Parallel Exchange Ratio”** means such number of Target Shares for each 51st Parallel Share outstanding at the Effective Time as will be determined in the context of the market and pursuant to negotiations between 51st Parallel and the Agents;

**“51st Parallel Financial Statements”** means:

- (a) the unaudited statements of income, retained earnings and cash flows for 51st Parallel, on a consolidated basis, for the year ended December 31, 2017 and an unaudited balance sheet of 51st Parallel, on a consolidated basis, as at December 31, 2017; and
- (b) the unaudited statements of income, retained earnings and cash flows for 51st Parallel, on a consolidated basis, for the three months ended March 31, 2018 and an unaudited balance sheet of 51st Parallel, on a consolidated basis, as at March 31, 2018,

copies of which have been made available in 51st Parallel Data Site.

**“51st Parallel Information”** means all information to be included in the Information Circular (including in documents incorporated by reference) describing 51st Parallel, the business, operations and affairs of 51st Parallel, including, without limitation, the 51st Parallel Financial Statements, and the matters to be considered at the 51st Parallel Meeting.

**“51st Parallel License Applications”** has the meaning ascribed thereto in Section 3.1(w) of the 51st Parallel Disclosure Letter.

**“51st Parallel Lock-up Agreement”** means an agreement to be entered into between Target, and each of the directors and officers of 51st Parallel and each associate and affiliate of such directors and officers that own 51st Parallel Shares and certain 51st Parallel Shareholders, in form satisfactory to each of 51st Parallel and Target, acting reasonably, pursuant to which such directors, officers and associate and affiliates of such directors and officers agree with Target, among other things, to vote in favour of the 51st Parallel Arrangement Resolution and otherwise support the transactions contemplated by this Agreement.

**“51st Parallel Meeting”** means the special meeting of the 51st Parallel Shareholders to be held to consider the 51st Parallel Arrangement Resolution and related matters, and any adjournment(s) thereof.

**“51st Parallel Options”** means stock options issued by 51st Parallel, each such option entitling the holder thereof to acquire one 51st Parallel Share for the exercise price set forth therein.

**“51st Parallel Performance Warrants”** means common share performance warrants issued by 51st Parallel, each such performance warrant entitling the holder thereof to acquire one 51st Parallel Share for the exercise price set forth therein upon the occurrence of the vesting conditions set forth therein.

**“51st Parallel Shareholders”** means the holders of 51st Parallel Shares.

**“51st Parallel Shares”** means the common shares in the capital of 51st Parallel.

**“51st Parallel Subsidiaries”** means 51st Parallel Life Sciences Ltd., Pineapple Shop Inc. and 51st Parallel Holdings Inc. and **“51st Parallel Subsidiary”** means any one of them.

**“51st Parallel Warrants”** means common share purchase warrants issued by 51st Parallel, each such warrant entitling the holder thereof to acquire one 51st Parallel Share for the exercise price set forth therein.

**“ABCA”** means the *Business Corporations Act* (Alberta), R.S.A. 2000, c. B-9, as amended, including the regulations promulgated thereunder.

**“ACMPR”** means the *Access to Cannabis for Medical Purposes Regulations* (Canada) issued pursuant to the CDSA.

**“Acquisition Proposal”** means, other than the Arrangement, any offer, proposal or inquiry (written or oral) from any Person or group of Persons other than the Parties (or any affiliate thereof) after the date of this Agreement relating to: (a) any sale, disposition, alliance or joint venture (or any lease, long-term supply agreement or other arrangement having the same economic effect as the foregoing), direct or indirect, in a single transaction or a series of related transactions, of assets representing 20% or more of the consolidated assets or contributing 20% or more of the consolidated revenue of a Party or of 20% or more of the voting or equity securities of a Party (or rights or interests in such voting or equity securities); (b) any direct or indirect take-over bid, exchange offer, treasury issuance or other transaction that, if consummated, would result in such Person or group of Persons beneficially owning 20% or more of any class of voting, equity or other securities of a Party (including securities convertible or exercisable or exchangeable for voting, equity or other securities of a Party); (c) any plan of arrangement, merger, amalgamation, consolidation, share exchange, business combination, reorganization, recapitalization, liquidation, dissolution, winding up or exclusive license involving a Party; or (d) any other similar transaction or series of transactions involving a Party.

**“affiliate”** has the meaning ascribed thereto in National Instrument 45-106 – *Prospectus Exemptions*.

**“Agency Agreement”** means the agency agreement to be entered into between 51st Parallel and the Agents in respect of the Subscription Receipt Financing.

**“Agents”** means the agents to be engaged in connection with the Subscription Receipt Financing pursuant to the terms of the Financing Agreements.

**“Agreement”** means this arrangement agreement including its recitals and schedules, as amended from time to time.

**“Arrangement”** means an arrangement under section 193 of the ABCA on the terms and subject to the conditions set out in the Plan of Arrangement, subject to any amendments or variations to the Plan of Arrangement made in accordance with the terms of this Agreement, the Plan of Arrangement or made at the direction of the Court in the Final Order with the prior written consent of the Parties, each acting reasonably.

**“Articles of Arrangement”** means the articles of arrangement of 51st Parallel in respect of the Arrangement required by the ABCA to be sent to the Registrar after the Final Order is made, which shall include the Plan of Arrangement and otherwise be in a form and content satisfactory to the Parties, each acting reasonably.

**“Assets”** means all of the assets, properties, facilities, Authorizations, rights or other privileges (whether contractual or otherwise) of either Party

**“associate”** has the meaning ascribed thereto the *Securities Act* (Alberta).

**“Authorization”** means, with respect to any Person, any order, permit, approval, consent, waiver, licence or similar authorization of any Governmental Entity having jurisdiction over the Person.

**“Board”** means the board of directors of 51st Parallel or Target, as applicable, as constituted from time to time.

**“Business Day”** means any day of the year, other than a Saturday, Sunday or any day on which major banks are generally closed for business in Calgary, Alberta.

**“cannabis”** has the meaning ascribed thereto in the ACMPR.

**“Cannabis Act”** means Bill C-45 “An Act respecting cannabis and to amend the Controlled Drugs and Substances Act, the Criminal Code and other Acts” (Canada), as amended from time to time and as the same may come into force.

**“CDSA”** means the *Controlled Drugs and Substances Act* (Canada).

**“Collective Agreement”** means a collective bargaining agreement or union agreement.

**“Confidentiality Agreement”** means the confidentiality and non-disclosure agreement between Target and 51st Parallel.

**“Constating Documents”** means articles of incorporation, amalgamation, or continuation, as applicable, by-laws and all amendments to such articles or by-laws.

**“Contract”** means any legally binding agreement, commitment, engagement, contract, franchise, licence, obligation or undertaking (written or oral) to which a Party is a party or by which it is bound or affected or to which any of their respective properties or assets is subject,

including, without limitation, all patient referral agreements, wholesale agreements, arrangements for genetics or foreign legal sources of starting materials or cannabis and arrangements with other licensed producers or dealers.

“**Court**” means the Alberta Court of Queen’s Bench.

“**CSE**” means the Canadian Securities Exchange.

“**Depository**” means AST Trust Company (Canada), or any other depository or trust company, bank or financial institution as the Parties may appoint to act as depository with the approval of Target, acting reasonably, for the purpose of, among other things, exchanging certificates representing 51st Parallel Shares for Target Shares in connection with the Arrangement.

“**Dissent Rights**” means the rights of dissent in respect of the Arrangement described in the Plan of Arrangement.

“**Effective Date**” means the date the Arrangement becomes effective under the ABCA.

“**Effective Time**” means the time at which the Articles of Arrangement and Plan of Arrangement are filed with the Registrar on the Effective Date.

“**Employee Plans**” means all health, welfare, supplemental unemployment benefit, change of control, bonus, profit sharing, option, insurance, compensation, incentive, incentive compensation, deferred compensation, share purchase, share compensation, disability, pension, vacation, severance or termination pay, retirement or retirement savings plans, or other employee benefit plans, policies, trusts, funds, agreements, or arrangements for the benefit of employees, former employees, directors or former directors of a Party, which are maintained by or binding upon such Party or in respect of which such Party has an actual or contingent liability excluding all obligations for severance and termination pursuant to a statute.

“**Engagement Letter**” means the engagement letter to be entered into between 51st Parallel and the Agents in respect of the Subscription Receipt Financing.

“**Environmental Laws**” means all Laws and agreements with Governmental Entities and all other statutory requirements relating to public health or the protection of the environment and all Authorizations issued pursuant to such Laws, agreements or other statutory requirements.

“**Exchange Approval**” means the approval by the TSXV and the CSE of the Arrangement, including, without limitation: (a) the Reverse Takeover of Target; (b) the Information Circular; and (c) the listing of the Resulting Issuer Shares on the TSXV and the CSE.

“**Final Order**” means the order of the Court in a form acceptable to Target and 51st Parallel, each acting reasonably, approving the Arrangement pursuant to subsection 193(9)(a) of the ABCA, as such order may be affirmed, amended or modified by any court of competent jurisdiction (with the consent of the Parties, each acting reasonably) at any time prior to the Effective Time.

“**Financing Agreements**” means the Engagement Letter and the Agency Agreement.

“**GAAP**” means generally accepted accounting principles as set-out in the *CPA Canada Handbook – Accounting* for an entity that prepares its financial statements in accordance with IFRS, at the relevant time, applied on a consistent basis.

“**GCH**” means GCH, Inc., a Colorado corporation.

“**GCH Agreement**” means the investment agreement dated effective as of July 23, 2018 between 51st Parallel and GCH in respect of the GCH Transaction.

“**GCH Transaction**” means: (a) the subscription for US\$20,000,000 of Series B Preferred Stock of GCH pursuant to an investment agreement between GCH and 51st Parallel; (b) the execution of an investor rights agreement between GCH and 51st Parallel; and (c) the execution of an exclusive use agreement between GCH and 51st Parallel, to be completed prior to the Effective Time.

“**Governmental Entity**” means: (a) any international, multinational, national, federal, provincial, state, regional, municipal, local or other government, governmental or public department, central bank, court, tribunal, arbitral body, commission, commissioner, board, bureau, ministry, agency or instrumentality, domestic or foreign, including, for greater certainty, Health Canada and other applicable regulatory authorities with oversight of the cannabis industry and any business or operations within the cannabis industry generally; (b) any subdivision or authority of any of the above; (c) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing; or (d) any stock exchange, including, for greater certainty the TSXV and the CSE.

“**IFRS**” means International Financing Reporting Standards applicable as at the date on which such calculation is made or required to be made in accordance with GAAP.

“**Information Circular**” means the notice of 51st Parallel Meeting, the notice of Target Meeting and the accompanying joint management information circular of 51st Parallel and Target, together with all appendices thereto, to be mailed or otherwise distributed by 51st Parallel to the 51st Parallel Shareholders and Target to the Target Shareholders or such other securityholders of 51st Parallel or Target as may be required pursuant to the Interim Order in connection with the 51st Parallel Meeting and the Target Meeting pursuant to Law.

“**Intellectual Property**” means, in any jurisdiction:

- (a) (i) patent applications and issued patents therefor and equivalent rights under the *Patent Act* (Canada), including (A) utility models, originals, provisionals, divisionals, reissues, renewals, re-examinations, continuations, continuations-inpart, continuing prosecution applications, requests for continuing examinations and extensions and applications for the foregoing and (B) patent applications and issued patents for plant patents;
- (ii) applications and issued registrations for plant varieties, including applications and registrations under the *Plant Breeders' Rights Act* (Canada);
- (iii) national and multinational counterparts of such patent and plant varietal applications and issued patents or registrations applied for or registered in any and all countries of the world;

- (iv) all rights to apply in any or all countries of the world for such applications and issued patents or registrations including all rights provided by multinational treaties or conventions for any of the foregoing; and
- (v) inventions and plant varieties described in any such applications and issued patents or registrations, including those that are included in any claim, capable of being reduced to a claim or could have been included as a claim in any such pending patent applications and issued patents;
- (b) proprietary and non-public business information, including inventions (whether patentable or not), invention disclosures, improvements, discoveries, trade secrets, confidential information, know-how, methods, processes, designs, technology, technical data, schematics, formulae and customer lists, and documentation relating to any of the foregoing;
- (c) copyrights, copyright registrations and applications for copyright registration;
- (d) mask works, mask work registrations and applications for mask work registrations;
- (e) designs, design registrations, design registration applications and integrated circuit topographies;
- (f) trade names, business names, corporate names, domain names, website names and world wide web addresses, common law trade-marks, trade-mark registrations, trade mark applications, trade dress and logos, and the goodwill associated with any of the foregoing;
- (g) computer software and programs (both source code and object code form), all proprietary rights in the computer software and programs and all documentation and other materials related to the computer software and programs; and
- (h) any other intellectual property and industrial property.

**“Interim Order”** means the interim order of the Court, providing for, among other things, the calling and holding of the 51st Parallel Meeting, as such order may be amended by the Court with the consent of the Parties, each acting reasonably.

**“Investments”** means the assets and investments of Target, all of which are set forth and described in the Target Disclosure Letter.

**“Law”** means, with respect to any Person, any and all applicable law (statutory, common or otherwise), constitution, treaty, convention, ordinance, code, rule, regulation, order, injunction, judgment, decree, ruling or other similar requirement, whether domestic or foreign, enacted, adopted, promulgated or applied by a Governmental Entity that is binding upon or applicable to such Person or its business, undertaking, property or securities, and to the extent that they have the force of law, tariffs, directives, policies, guidelines, notices and protocols of any Governmental Entity, as amended, including, without limitation, all applicable federal, provincial, state, municipal, and local zoning, environmental, controlled substance laws and regulations and other lawful requirements of any governmental or regulatory body, including, but not limited, to relevant permits and licenses.

**“Lien”** means any mortgage, charge, pledge, hypothec, security interest, prior claim, encroachments, option, right of first refusal or first offer, occupancy right, covenant, assignment, lien (statutory or otherwise), defect of title, or restriction or adverse right or claim, or other third party interest or encumbrance of any kind, in each case, whether contingent or absolute.

**“Material Adverse Effect”** means any change, event, occurrence, effect, state of facts or circumstance that, individually or in the aggregate with other such changes, events, occurrences, effects, state of facts or circumstances is or could reasonably be expected to be material and adverse to the current and future business, operations, results of operations, assets, properties, capitalization, condition (financial or otherwise) or liabilities (contingent or otherwise) of a Party, except any such change, event, occurrence, effect, state of facts or circumstance resulting from:

- (a) any change affecting the cannabis industry as a whole;
- (b) any change in global, national or regional political conditions (including the outbreak or escalation of war or acts of terrorism) or in general economic, business, regulatory, political or market conditions or in national or global financial or capital markets;
- (c) any adoption, proposal, implementation or change in Law or any interpretation of Law by any Governmental Entity;
- (d) any change in GAAP applicable to such Party;
- (e) the failure by such Party to meet any internal projections, forecasts, guidance or estimates of revenues or earnings (it being understood that the cause underlying any such failure may be taken into account in determining whether a Material Adverse Effect has occurred);
- (f) the announcement of this Agreement, including any loss or threatened loss of, or adverse change or threatened adverse change in, the relationship of such Party with the its employees, customers, suppliers partners and other Persons with which such Party has business relations;
- (g) any action taken (or omitted to be taken) by such Party upon the written request of the other Party or that is consented to by the other Party expressly in writing;  
or
- (h) any matter which has been disclosed by 51st Parallel in 51st Parallel Disclosure Letter,

provided, however, that with respect to clauses (a) through to and including (d), such matter does not have a materially disproportionate effect on such Party, relative to other comparable companies and entities operating in the industry in which such Party operates.

**“Material Contract”** means any Contract material to the business, affairs or operations of 51st Parallel or Target, as applicable, including, without limitation, any Contract that:

- (a) if terminated or modified or if it ceased to be in effect, would reasonably be expected to have a Material Adverse Effect with respect to such Party;
- (b) relates directly or indirectly to the guarantee of any material liabilities or material obligations or to indebtedness for borrowed money;
- (c) requires payment by or to such Party in excess of \$25,000 during the calendar year ended December 31, 2017 or under which such Party is obligated to make or expects to pay or receive payments in excess of \$50,000 over the remaining term;
- (d) provides for the establishment, investment in, organization or formation of any joint venture, limited liability company, partnership or similar entity; or
- (e) creates an exclusive dealing arrangement or right of first offer or refusal that materially limits such Party's business.

**"Misrepresentation"** means an untrue statement of a material fact or an omission to state a material fact required or necessary to make the statements contained therein not misleading in light of the circumstances in which they are made.

**"MI 61-101"** means Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*.

**"officer"** has the meaning ascribed thereto the *Securities Act (Alberta)*.

**"Ordinary Course"** means, with respect to an action taken by a Party, that such action is consistent with the past practices of such Party and is taken in the ordinary course of the normal day-to-day operations of the business of such Party.

**"Outside Date"** means October 31, 2018 or such later date as may be agreed to in writing by the Parties.

**"Parties"** and **"Party"** have the meanings ascribed thereto in the preamble.

**"Permitted Liens"** means, in respect of a Party, any one or more of the following:

- (a) Liens for Taxes which are not yet due or delinquent or that are being properly contested in good faith by appropriate proceedings;
- (b) inchoate or statutory Liens of contractors, subcontractors, mechanics, workers, suppliers, materialmen, carriers and others in respect of the construction, maintenance, repair or operation of assets, provided that such Liens are related to obligations not due or delinquent, are not registered against title to any assets and in respect of which adequate holdbacks are being maintained as required by applicable Law;
- (c) the right reserved to or vested in any Governmental Entity by any statutory provision or by the terms of any lease, licence, franchise, grant or permit of a Party or any of its subsidiaries, to terminate any such lease, licence, franchise,

grant or permit, or to require annual or other payments as a condition of their continuance;

- (d) easements, servitudes, restrictions, restrictive covenants, rights of way, licenses, permits and other similar rights in real or immovable property that in each case do not materially detract from the value or materially interfere with the use of the real or immovable property subject thereto;
- (e) zoning and building by-laws and ordinances, regulations made by public authorities that in each case do not materially detract from the value or materially interfere with the use of the real or immovable property subject thereto;
- (f) such other imperfections or irregularities of title or Lien that, in each case, do not materially adversely affect the use of the properties or assets subject thereto or otherwise materially adversely impair business operations of such properties or assets; and
- (g) agreements with any Governmental Entity and any public utilities or private suppliers of services that in each case do not materially detract from the value or materially interfere with the use of the real or immovable property subject thereto.

**“Person”** includes any individual, partnership, association, body corporate, organization, trust, estate, trustee, executor, administrator, legal representative, government (including Governmental Entity), syndicate or other entity, whether or not having legal status.

**“Plan of Arrangement”** means the plan of arrangement, substantially in the form of Schedule B, subject to any amendments or variations to such plan made in accordance with the terms of this Agreement, the Plan of Arrangement itself or made at the direction of the Court in the Final Order with the prior written consent of the Parties, each acting reasonably.

**“Public Record”** means all information filed by or on behalf of Target and available for public viewing on the System for Electronic Data Analysis and Retrieval with the Securities Authority in compliance, or intended compliance, with any applicable Law.

**“Registrar”** means the Registrar of Corporations for the Province of Alberta duly appointed under the ABCA.

**“Regulatory Approval”** means any consent, waiver, permit, exemption, review, order, decision or approval of, or any registration and filing with, any Governmental Entity, or the expiry, waiver or termination of any waiting period imposed by Law or a Governmental Entity.

**“Representative”** has the meaning ascribed thereto Section 5.1(1).

**“Resulting Issuer”** means the entity resulting from the amalgamation of 51st Parallel and Target pursuant to the Plan of Arrangement.

**“Reverse Takeover”** has the meaning ascribed thereto in the policies of the TSXV and the CSE.

**“Securities Authority”** means the Alberta Securities Commission and any other applicable securities commissions or securities regulatory authority of a province or territory of Canada.

“**Securities Laws**” means the *Securities Act* (Alberta) and any other applicable federal and provincial securities Laws.

“**Subscription Receipt**” means a subscription receipt of 51st Parallel, each such Subscription Receipt being convertible for one 51st Parallel Share.

“**Subscription Receipt Financing**” means the brokered private placement of Subscription Receipts of 51st Parallel to be completed prior to the Effective Time.

“**subsidiary**” has the meaning ascribed thereto in National Instrument 45-106 - *Prospectus Exemptions* as in effect on the date of this Agreement.

“**Target**” has the meaning ascribed thereto in the recitals.

“**Target Disclosure Letter**” means the disclosure letter dated the date of this Agreement and delivered by Target to 51st Parallel with this Agreement.

“**Target Employees**” means the officers and other employees of Target.

“**Target Financial Statements**” means the audited statements of income, retained earnings and cash flows for Target, on a consolidated basis, for the years ended March 31, 2018 and 2017 and an audited balance sheet of Target, on a consolidated basis, as at March 31, 2018 and 2017, copies of which have been made to the Parties.

“**Target Information**” means all information to be included in the Information Circular (including in documents incorporated by reference) describing Target, the business, operations and affairs of Target, including, without limitation, the Target Financial Statements, and the matters to be considered at the Target Meeting.

“**Target Lock-up Agreement**” means an agreement to be entered into between 51st Parallel and each of the directors and officers of Target and each associate and affiliate of such directors and officers that own Target Shares, in form satisfactory to 51st Parallel, acting reasonably, pursuant to which such directors, officers and associates and affiliates of such directors and officers agree with 51st Parallel, among other things, to vote in favour of the Target Resolution and otherwise support the transactions contemplated by this Agreement.

“**Target Meeting**” means the special meeting of Target Shareholders, including any adjournment or postponement of such special meeting in accordance with the terms of this Agreement, to be called and held to consider the Target Resolution.

“**Target Resolution**” means the ordinary resolution of Target Shareholders in respect of the reverse take-over and change of business of Target by way of the Arrangement to be considered at the Target Meeting substantially in the form set forth in Schedule C.

“**Target Shares**” means the common shares in the capital of Target.

“**Target Shareholders**” means the registered or beneficial holders of common shares of Target, as the context requires.

“**Target Subsidiaries**” means Target Private Markets Inc. and Industrial Avenue Development Corp. and “**Target Subsidiary**” means either one of them.

**“Target Warrants”** means common share purchase warrants issued by Target, each such warrant entitling the holder thereof to acquire one Target Share for the exercise price set forth therein.

**“Tax Act”** means the *Income Tax Act* (Canada).

**“Tax Returns”** means any and all returns, reports, declarations, elections, notices, forms, designations, filings, and statements (including estimated tax returns and reports, withholding tax returns and reports, and information returns and reports) filed or required to be filed in respect of Taxes.

**“Taxes”** means: (a) any and all taxes, duties, fees, excises, premiums, assessments, imposts, levies and other charges or assessments of any kind whatsoever imposed by any Governmental Entity, whether computed on a separate, consolidated, unitary, combined or other basis, including those levied on, or measured by, or described with respect to, income, gross receipts, profits, gains, windfalls, capital, capital stock, production, recapture, transfer, land transfer, license, gift, occupation, wealth, environment, net worth, indebtedness, surplus, sales, goods and services, harmonized sales, use, value-added, excise, special assessment, stamp, withholding, business, franchising, real or personal property, health, employee health, payroll, workers’ compensation, employment or unemployment, severance, social services, social security, education, utility, surtaxes, customs, import or export, and including all license and registration fees and all employment insurance, health insurance and government pension plan premiums or contributions; (b) all interest, penalties, fines, additions to tax or other additional amounts imposed by any Governmental Entity on or in respect of amounts of the type described in paragraph (a) above or this paragraph (b); (c) any liability for the payment of any amounts of the type described in paragraphs (a) or (b) as a result of being a member of an affiliated, consolidated, combined or unitary group for any period; and (d) any liability for the payment of any amounts of the type described in paragraphs (a) or (b) as a result of any express or implied obligation to indemnify any other Person or as a result of being a transferee or successor in interest to any Party.

**“Terminating Party”** has the meaning ascribed thereto in Section 4.7(3).

**“Termination Notice”** has the meaning ascribed thereto in Section 4.7(3).

**“TSXV”** means the TSX Venture Exchange.

**“United States”** means the United States of America, its territories and possessions, any State of the United States and the District of Columbia.

**“Working Capital”** means: (a) current assets, including cash, accounts receivable and prepaid expenses; less (b) current liabilities, including accounts payable, lines of credit, accrued and unpaid taxes.

## **Section 1.2 Certain Rules of Interpretation.**

In this Agreement, unless otherwise specified:

- (1) **Headings, etc.** The provision of a Table of Contents, the division of this Agreement into Articles and Sections and the insertion of headings are for convenient reference only and do not affect the construction or interpretation of this Agreement.

- (2) **Currency.** All references to “dollars” or to “\$” are references to Canadian dollars and all references to “U.S. dollars” or “US\$” are to United States dollars.
- (3) **Gender and Number.** Any reference to gender includes all genders. Words importing the singular number only include the plural and vice versa.
- (4) **Certain Phrases and References, etc.** The words “including”, “includes” and “include” mean “including (or includes or include) without limitation,” and “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.” Unless stated otherwise, “Article”, “Section”, and “Schedule” followed by a number or letter mean and refer to the specified Article or Section of or Schedule to this Agreement. The term “**Agreement**” and any reference in this Agreement to this Agreement or any other agreement or document includes, and is a reference to, this Agreement or such other agreement or document as it may have been, or may from time to time be, amended, restated, replaced, supplemented or novated and includes all schedules to it. The term “**made available to**” means copies of the subject materials were provided in writing in the manner expressly set forth in the 51st Parallel Disclosure Letter or the Target Disclosure Letter, as applicable, and in the case of Target, includes the Public Record.
- (5) **Capitalized Terms.** All capitalized terms used in any schedule, the 51st Parallel Disclosure Letter or the Target Disclosure Letter have the meanings ascribed to them in this Agreement.
- (6) **Knowledge.** Where any representation or warranty is expressly qualified by reference to the knowledge of 51st Parallel, it is deemed to refer to the knowledge of the senior officers of 51st Parallel, after due and diligent inquiry. Where any representation or warranty is expressly qualified by reference to the knowledge of Target, it is deemed to refer to the knowledge of the senior officers of Target, after due and diligent inquiry.
- (7) **Accounting Terms.** All accounting terms are to be interpreted in accordance with GAAP and all determinations of an accounting nature in respect of a Party required to be made shall be made in a manner consistent with GAAP unless the contrary is specified or provided for elsewhere in this Agreement.
- (8) **Statutes.** Any reference to a statute refers to such statute and all rules and regulations made under it, as it or they may have been or may from time to time be amended or re-enacted, unless stated otherwise.
- (9) **Computation of Time.** A period of time is to be computed as beginning on the day following the event that began the period and ending at 4:30 p.m. on the last day of the period, if the last day of the period is a Business Day, or at 4:30 p.m. on the next Business Day if the last day of the period is not a Business Day.
- (10) **Time References.** References to time are to local time in Calgary, Alberta.
- (11) **Subsidiaries.** To the extent any covenants or agreements relate, directly or indirectly, to a subsidiary of 51st Parallel or Target, each such provision shall be construed as a covenant by such Party to cause (to the fullest extent to which it is legally capable) such subsidiary to perform the required action.

### **Section 1.3 Recitals and Schedules.**

The preamble and recitals of this Agreement and the schedules attached to this Agreement form an integral part of this Agreement for all purposes of it.

## **ARTICLE 2 THE ARRANGEMENT**

### **Section 2.1 Arrangement**

- (1) The Parties agree to carry out the Arrangement pursuant to which (among other things):
  - (a) the Arrangement shall be implemented in accordance with and subject to the terms and conditions contained in this Agreement and the Plan of Arrangement;
  - (b) Target shall acquire all of the issued and outstanding 51st Parallel Shares and each holder of 51st Parallel Shares shall receive such number of Target Shares, for each 51st Parallel Share held, in accordance with the 51st Parallel Exchange Ratio;
  - (c) as soon as reasonably practicable, but in any event not later than August 16, 2018 or such other date as is agreed to by the Parties, 51st Parallel shall apply to the Court, in a manner reasonably acceptable to 51st Parallel and Target, pursuant to section 193(4) of the ABCA for the Interim Order and thereafter diligently seek the Interim Order as provided for in Section 2.2, and, upon receipt thereof, 51st Parallel and Target shall forthwith carry out the terms of the Interim Order to the extent applicable to it;
  - (d) provided all necessary approvals for the 51st Parallel Arrangement Resolution and Target Resolution are obtained from the 51st Parallel Shareholders and Target Shareholders, respectively, 51st Parallel shall submit the Arrangement to the Court and apply for the Final Order; and
  - (e) upon the issuance of the Final Order and subject to the satisfaction or waiver of the conditions precedent in Article 6, 51st Parallel shall forthwith proceed to file the Articles of Arrangement, the Final Order and such other documents as may be required to give effect to the Arrangement, respectively, with the Registrar pursuant to Subsection 193(9) of the ABCA, whereupon the transactions comprising the Arrangement shall occur and shall be deemed to have occurred in the order set out therein without any further act or formality.
- (2) The Arrangement shall be structured such that on the Effective Date the issuance of the Target Shares issuable to the 51st Parallel Shareholders pursuant to the Arrangement, and all other trades of securities pursuant to the Arrangement, will be made in compliance with Securities Laws.
- (3) The Arrangement shall be structured and executed such that, assuming the Court considers the fairness of the terms and conditions of the Arrangement and grants the Final Order, the issuance of the Target Shares issuable to 51st Parallel Shareholders under the Arrangement will not require registration under the U.S. Securities Act of 1933, in reliance upon Section 3(a)(10) thereof. Each Party agrees to act in good faith,

consistent with the intent of the Parties and the intended treatment of the Arrangement as set out in this Section 2.1(1)(c).

- (4) As soon as reasonably practicable, but in any event not later than two Business Days after the last of the conditions set forth in Article 6 have been satisfied or, waived by the applicable Party in whose favour the condition is, the Parties will complete the Arrangement, including by executing and delivering such closing documents and instruments and filing with the Registrar pursuant to Subsection 193(10) of the ABCA, the Articles of Arrangement, the Final Order and such other documents as may be required to give effect to the Arrangement, and the Arrangement shall become effective at the Effective Time and the steps comprising the Plan of Arrangement will be deemed to occur in the order, at the times, and in the manner set forth therein. The closing of the transactions contemplated hereby will take place at the offices of counsel to 51st Parallel or at such other location as may be agreed upon by the Parties.

## **Section 2.2 Interim Order**

51st Parallel and Target agree that as soon as reasonably practicable after the date hereof, 51st Parallel shall apply in a manner reasonably acceptable to the Parties pursuant to Section 193 of the ABCA and, in cooperation with each other, acting reasonably, prepare, file and diligently pursue an application for the Interim Order, which shall provide, among other things:

- (1) for the calling and the holding of the 51st Parallel Meeting, including the record date for determining the Persons to whom notice of the 51st Parallel Meeting is to be provided and for determining the Persons entitled to vote at the 51st Parallel Meeting and for the manner in which such notice is to be provided;
- (2) that the securities of 51st Parallel for which holders as at the record date established for the 51st Parallel Meeting shall be entitled to vote on the 51st Parallel Arrangement Resolution shall be the 51st Parallel Shares voting together as a single class; that all 51st Parallel Shareholders as at the record date established for the 51st Parallel Meeting shall be entitled to vote on the 51st Parallel Arrangement Resolution, with 51st Parallel Shareholders being entitled to one vote for each 51st Parallel Share held by them;
- (3) that the requisite level of approval for the 51st Parallel Arrangement Resolution shall be at least two-thirds of the votes cast on the 51st Parallel Arrangement Resolution by those 51st Parallel Shareholders present in person or represented by proxy and entitled to vote at the 51st Parallel Meeting, together with such other approval as may be required by Securities Laws, including, without limitation, MI 61-101;
- (4) that, in all other respects, the terms, restrictions and conditions of the constating documents of 51st Parallel, including quorum requirements and all other matters, shall apply in respect of the 51st Parallel Meeting;
- (5) for the grant of the Dissent Rights in the manner contemplated in the Plan of Arrangement and the Interim Order;
- (6) for the notice requirements with respect to the presentation of the application to the Court for the Final Order; and

- (7) that the 51st Parallel Meeting may be adjourned or postponed from time to time by 51st Parallel with the consent of Target, and such consent shall not be unreasonably withheld, conditioned or delayed, without the need for additional approval of the Court.

### **Section 2.3 Information Circular**

As promptly as practical following the execution of this Agreement, and in compliance with the Interim Order and Law (including Securities Laws):

- (1) 51st Parallel shall prepare the 51st Parallel Information for inclusion in the Information Circular in a timely and expeditious manner;
- (2) Target shall prepare the Target Information for inclusion in the Information Circular in a timely and expeditious manner;
- (3) the Parties shall prepare the Information Circular and other relevant documentation, in consultation with each other, and each of the Parties shall ensure that the Information Circular provides 51st Parallel Shareholders and Target Shareholders with information in sufficient detail to permit them to form a reasoned judgment concerning the matters before them, in all cases ensuring compliance in all material respects with all Securities Laws (including the requirements of Form 3D1 of the TSXV and Form 2A of the CSE) on the date of issue thereof;
- (4) 51st Parallel shall call and give notice of the 51st Parallel Meeting in accordance with Securities Laws, the ABCA and the Interim Order;
- (5) Target shall call and give notice of the Target Meeting in accordance with Securities Laws and the ABCA;
- (6) 51st Parallel shall cause the Information Circular to be mailed to the 51st Parallel Shareholders and such other securityholders of 51st Parallel or other third parties as may be required pursuant to the Interim Order, and filed with applicable regulatory authorities and other Governmental Entities in all jurisdictions where the same are required to be mailed and filed;
- (7) Target shall cause the Information Circular to be mailed to the Target Shareholders and filed with applicable regulatory authorities and other Governmental Entities in all jurisdictions where the same are required to be mailed and filed;
- (8) 51st Parallel shall indemnify and save harmless Target and its affiliates, directors, officers and agents from and against any and all liabilities, claims, demands, losses, costs, damages and expenses (excluding any loss of profits or consequential damages) to which Target and its affiliates, directors, officers and agents may be subject or may suffer, whether under the provisions of any statute or otherwise, in any way caused by, or arising, directly or indirectly, from or in consequence of:
  - (a) any Misrepresentation or alleged Misrepresentation in the 51st Parallel Information included in the Information Circular; and

- (b) any order made or any inquiry, investigation or proceeding by any securities commission or other competent authority based upon any misrepresentation in the 51st Parallel Information included in the Information Circular; and
- (9) Target shall indemnify and save harmless 51st Parallel and its affiliates, directors, officers and agents from and against any and all liabilities, claims, demands, losses, costs, damages and expenses (excluding any loss of profits or consequential damages) to which 51st Parallel and its affiliates, directors, officers and agents may be subject or may suffer, whether under the provisions of any statute or otherwise, in any way caused by, or arising, directly or indirectly, from or in consequence of:
  - (a) any Misrepresentation or alleged Misrepresentation in the Target Information included in the Information Circular; and
  - (b) any order made or any inquiry, investigation or proceeding by any securities commission or other competent authority based upon any misrepresentation in the Target Information included in the Information Circular.

#### **Section 2.4 Preparation of Filings**

- (1) 51st Parallel and Target shall cooperate in:
  - (a) seeking the Interim Order and the Final Order, including by:
    - (A) 51st Parallel providing Target on a timely basis any information required to be supplied by 51st Parallel concerning itself in connection therewith;
    - (B) Target providing 51st Parallel on a timely basis any information required to be supplied by Target concerning itself in connection therewith; and
    - (C) 51st Parallel shall provide Target and legal counsel to Target with reasonable opportunity to review and comment upon drafts of all material to be filed with the Court in connection with the Arrangement, and shall give reasonable consideration to all such comments. 51st Parallel shall also provide legal counsel to Target on a timely basis with copies of any notice of appearance and evidence served on 51st Parallel or its legal counsel in respect of the application for the Final Order or any appeal therefrom. Subject to Law, 51st Parallel shall not file any material with the Court in connection with the Arrangement or serve any such material, and shall not agree to modify or amend materials so filed or served, except with Target's prior written consent, such consent not to be unreasonably withheld, conditioned or delayed; provided that nothing herein shall require Target to agree or consent to any increase in the consideration to be received by the 51st Parallel Shareholders or other modification or amendment to such filed or served materials that expands or increases Target's obligations, or diminishes or limits Target's rights, set forth in any such filed or served materials or under this Agreement;

- (b) the taking of all such action as may be required under the ABCA and Securities Laws in connection with the transactions contemplated by this Agreement and the Plan of Arrangement.
- (2) Each of 51st Parallel and Target shall promptly furnish to the other Party all information concerning it as may be required for the effectuation of the actions described in Section 2.1 and the foregoing provisions of this Section 2.4, and each covenants that no information furnished by it in connection with such actions or otherwise in connection with the consummation of the Arrangement and the other transactions contemplated by this Agreement will contain any misrepresentation at the time such information is filed with the Court or printed for distribution to the securityholders of the Parties, as the case may be.
- (3) No Party shall file any material with the Court in connection with the Arrangement or serve any such material or agree to modify or amend materials so filed or served except as contemplated hereby or with the prior written consent of the other Party, such consent not to be unreasonably withheld, conditioned or delayed.

#### **Section 2.5 Treatment of 51st Parallel Warrants, 51st Parallel Performance Warrants and 51st Parallel Options**

- (1) The particulars of the 51st Parallel Warrants, 51st Parallel Performance Warrants and 51st Parallel Options outstanding as at the date hereof are fully disclosed in the 51st Parallel Disclosure Letter.
- (2) The Parties acknowledge and agree that pursuant to the certificates representing the 51st Parallel Warrants, all 51st Parallel Warrants will be exercisable by the holders thereof after the Effective Time for Target Shares on the basis set forth in the Plan of Arrangement and in accordance with the certificates representing the 51st Parallel Warrants.
- (3) The Parties acknowledge and agree that pursuant to the certificates representing the 51st Parallel Performance Warrants, all vested and unvested 51st Parallel Performance Warrants will be exercisable by the holders thereof after the Effective Time for Target Shares on the basis set forth in the Plan of Arrangement and in accordance with the certificates representing the 51st Parallel Performance Warrants.
- (4) The Parties acknowledge and agree that pursuant to the agreements in respect of the 51st Parallel Options, all vested and unvested 51st Parallel Options will be exercisable by the holders thereof after the Effective Time for Target Shares on the basis set forth in the Plan of Arrangement and in accordance with the agreements for such 51st Parallel Options and any 51st Parallel Options not exercised prior to the date that is 30 days following the Effective Date will be deemed to have been cancelled and will be of no further force or effect as of the Effective Date.

#### **Section 2.6 Officers and Employees**

- (1) Target covenants and agrees, and after the Effective Time will cause 51st Parallel and any successor to 51st Parallel, to honour and comply with the terms of all existing change of control agreements and employment and severance obligations of 51st Parallel, as such agreements and obligations exist at the date of this Agreement and as

included in the 51st Parallel Disclosure Letter, including pursuant to the 51st Parallel Employment Agreements, and all obligations of 51st Parallel under 51st Parallel's Employee Plans.

- (2) The provisions of this Section 2.6 are solely for the benefit of the Parties, and no employee of 51st Parallel or any other individual associated therewith shall be regarded for any purpose as a third-party beneficiary of this Section 2.6, and nothing herein shall be (a) construed as an amendment to any Employee Plan or any other employee benefit plan for any purpose, (b) give any employee or former employee or any other individual associated therewith or any employee benefit plan or trustee thereof or any other third person any right to enforce the provisions of this Section 2.6 or (c) obligate Target or, following the Effective Time, 51st Parallel, or any of their respective affiliates to (i) maintain any particular benefit plan or refrain from amending or terminating any benefit plan, or (ii) retain the employment of any particular employee.

### **Section 2.7 Indemnities, Directors' and Officers' Insurance**

- (1) Target agrees that it and 51st Parallel and their respective successors shall not take any action to terminate or materially adversely affect, and will fulfill its obligations pursuant to, indemnities provided or available to or in favour of past and present officers and directors of 51st Parallel pursuant to the provisions of the Constatng Documents of 51st Parallel, applicable corporate legislation and any written indemnity agreements which have been entered into between 51st Parallel and its current officers and directors effective on or prior to the date hereof.
- (2) Prior to the Effective Date, 51st Parallel shall be entitled to secure "run off" directors' and officers' liability insurance for the current officers and directors of 51st Parallel covering claims made prior to or within six years after the Effective Date which has a scope and coverage comparable in scope and coverage to that provided pursuant to 51st Parallel's current directors' and officers' insurance policy. Target agrees to not take or permit any action to be taken by or on behalf of 51st Parallel to terminate or adversely affect the directors' and officers' insurance secured in accordance with this Section 2.7(2).

### **Section 2.8 Recommendation of 51st Parallel Board**

The 51st Parallel Board has unanimously:

- (1) determined that the Arrangement is in the best interests of 51st Parallel and the 51st Parallel Shareholders;
- (2) determined that the consideration to be received by 51st Parallel Shareholders pursuant to the Arrangement is fair, from a financial point of view, to 51st Parallel Shareholders;
- (3) approved the Arrangement and the entering into of this Agreement; and
- (4) resolved to recommend that 51st Parallel Shareholders vote in favour of the 51st Parallel Arrangement Resolution.

Notice of such approvals, determinations and resolution shall, subject to the terms hereof, be included in the Information Circular.

## **Section 2.9 Recommendation of Target Board**

The Target Board has unanimously:

- (1) determined that the Arrangement is in the best interests of Target;
- (2) approved the Arrangement and the entering into of this Agreement; and
- (3) resolved to recommend that Target Shareholders vote in favour of the Target Resolution.

Notice of such approvals, determinations and resolution shall, subject to the terms hereof, be included in the Information Circular.

## **Section 2.10 Dissenting Shareholders**

Registered 51st Parallel Shareholders entitled to vote at the 51st Parallel Meeting may exercise Dissent Rights with respect to their 51st Parallel Shares in connection with the Arrangement pursuant to and in the manner set forth in the Plan of Arrangement and the Interim Order. 51st Parallel shall give Target prompt notice of any written notice of a dissent, withdrawal of such notice, and any other instruments served pursuant to such Dissent Rights and received by 51st Parallel and promptly provide Target with copies of such notices and written objections and all other correspondence related thereto.

## **Section 2.11 Tax Withholdings**

51st Parallel, Target and the Depositary shall be entitled to deduct and withhold from any consideration otherwise payable to any 51st Parallel Shareholder or holder of 51st Parallel Options or 51st Parallel Warrants and, for greater certainty, from any amount payable to a 51st Parallel Shareholder who has validly exercised, and not withdrawn, Dissent Rights, as the case may be, under the Plan of Arrangement, such amounts as 51st Parallel or Target is required to deduct and withhold from such consideration in accordance with applicable Tax laws and administrative policies of the Canada Revenue Agency. Any such amounts will be deducted and withheld from the consideration payable pursuant to the Plan of Arrangement or any agreement governing the exercise, payment or other disposition, as the case may be, of the 51st Parallel Options or 51st Parallel Warrants in accordance with this Agreement, and shall be treated for all purposes as having been paid to the 51st Parallel Shareholder or holder of 51st Parallel Options or 51st Parallel Warrants, as the case may be, in respect of which such deduction and withholding was made, provided that such withheld amounts are actually remitted to the appropriate Taxing Authority. Each of 51st Parallel, Target and the Depositary shall be authorized, for and on behalf of such holder, to sell or otherwise dispose of such portion of the consideration as is necessary to provide sufficient funds to 51st Parallel, Target and the Depositary, as the case may be, to enable it to comply with its deduction or withholding requirements and 51st Parallel, Target and the Depositary shall notify the holder thereof and remit any unapplied balance of the net proceeds of such sale to such holder.

## Section 2.12 Lock-up Agreements

- (1) 51st Parallel shall, concurrent with the signing of this Agreement, deliver to Target the 51st Parallel Lock-up Agreements which have been executed by 51st Parallel Shareholders holding or exercising control or direction over not less than: (i) 9,467,998 51st Parallel Shares representing 17.5% of the outstanding 51st Parallel Shares; and (ii) 15,535,368 51st Parallel Performance Warrants representing 100% of the outstanding 51st Parallel Performance Warrants; and
- (2) Target shall, concurrent with the signing of this Agreement, deliver to 51st Parallel the Target Lock-up Agreements which have been executed by Target Shareholders holding or exercising control or direction over not less than 16,224,999 Target Shares representing approximately 15.3% of the outstanding Target Shares.

## Section 2.13 Adjustment of Consideration

Notwithstanding any restriction or any other matter in this Agreement to the contrary, if, between the date of this Agreement and the Effective Time, the issued and outstanding Target Shares shall have been changed into a different number of shares by reason of any split, consolidation or stock dividend of the issued and outstanding Target Shares or similar event, then the consideration to be paid per Target Share shall be appropriately adjusted to provide the same economic effect as contemplated by this Agreement and the Arrangement prior to such action.

## ARTICLE 3 REPRESENTATIONS AND WARRANTIES

### Section 3.1 Representations and Warranties of 51st Parallel

Except as set forth in the correspondingly numbered paragraph of 51st Parallel Disclosure Letter, 51st Parallel represents and warrants to Target as follows and acknowledges and agrees that Target is relying upon the representations and warranties in connection with the entering into of this Agreement.

- (a) **Organization and Qualification.** 51st Parallel and each 51st Parallel Subsidiary is duly and validly existing under the applicable Laws of its jurisdiction of incorporation, continuance or creation and has all necessary corporate power and authority to own its property and assets as now owned and to carry on its business as it is now being conducted. 51st Parallel and each 51st Parallel Subsidiary is duly qualified to do business and is in good standing in each jurisdiction in which the character of its properties, owned, leased, licensed or otherwise held, or the nature of its activities, makes such qualification necessary.
- (b) **Authority Relative to this Agreement.** 51st Parallel has all necessary corporate power, authority and capacity to enter into and deliver this Agreement and all other agreements and instruments to be executed by 51st Parallel as contemplated by this Agreement, and to perform its obligations hereunder and under such agreements and instruments. The execution and delivery of this Agreement by 51st Parallel and the performance of its obligations under this Agreement have been duly authorized by the Board and no other corporate proceedings on its part is necessary to authorize this Agreement.

This Agreement has been duly executed and delivered by 51st Parallel, and constitutes a legal, valid and binding obligation of 51st Parallel, enforceable against 51st Parallel in accordance with its terms, subject to the qualification that such enforceability may be limited by bankruptcy, insolvency, reorganization or other laws of general application relating to or affecting rights of creditors and that equitable remedies, including specific performance, are discretionary and may not be ordered.

(c) **No Violation.** Neither the authorization, execution and delivery of this Agreement by 51st Parallel nor the completion of the Arrangement nor the performance of its obligations hereunder, nor compliance by 51st Parallel with any of the provisions hereof will result in a violation or breach of, constitute a default (or an event which, with notice or lapse of time or both, would become a default), require any consent or approval to be obtained or notice to be given under, or give rise to any third party right of termination, cancellation, suspension, acceleration, penalty or payment obligation or right to purchase or sale under, any provision of:

- (i) its articles, by-laws or other Constatng Document;
- (ii) any Authorization or Contract to which 51st Parallel is a party or to which it or any of its properties or assets are bound; or
- (iii) any Laws (assuming compliance with the matters referred to in paragraph (d) below), regulation, order, judgment or decree applicable to 51st Parallel or any of its respective properties or assets;

except in the case of (ii) and (iii) above for such breaches, defaults, consents, terminations, cancellations, suspensions, accelerations, penalties, payment obligations or rights which would not individually or in the aggregate be material and adverse to 51st Parallel.

(d) **Governmental Approvals.** The execution, delivery and performance by 51st Parallel of this Agreement requires no consent, waiver or approval or any action by or in respect of, or filing with, or notification to, any Governmental Entity other than: (i) compliance with any applicable Securities Laws; and (ii) any actions, filings or notifications the absence of which would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect with respect to 51st Parallel.

(e) **Capitalization.**

- (i) The authorized share capital of 51st Parallel consists of an unlimited number of 51st Parallel Shares. As of the date hereof, there were issued and outstanding 54,026,832 51st Parallel Shares, 42,427,960 51st Parallel Warrants, 15,535,368 51st Parallel Performance Warrants and 1,500,000 51st Parallel Options.
- (ii) As of the date hereof, an aggregate of up to 59,463,328 51st Parallel Shares are issuable upon the exercise of outstanding 51st Parallel Warrants, 51st Parallel Performance Warrants and 51st Parallel Options, the exercise prices, expiration dates and other material terms of which are set forth in Section 3.1(e) of the 51st Parallel Disclosure Letter. As of the date hereof, except for such 51st Parallel Shares described in the immediately preceding sentence and the 51st Parallel Shares issuable in connection with this Agreement, there are no securities,

options, warrants, stock appreciation rights, restricted stock units, conversion privileges or other rights, agreements, arrangements or commitments (pre-emptive, contingent or otherwise) of any character whatsoever to which 51st Parallel or the 51st Parallel Subsidiaries are a party or by which any of such entities may be bound, obligating or which may obligate such entities to issue, grant, deliver, extend, or enter into any such security, option, warrant, stock appreciation right, restricted stock unit, conversion privilege or other right, agreement, arrangement or commitment.

- (iii) All outstanding 51st Parallel Shares have been duly authorized and validly issued, are fully paid and non-assessable and are not and will not be subject to, or issued in violation of, any pre-emptive rights. All securities of 51st Parallel has been issued in compliance with all applicable Laws.
- (iv) There are no securities of 51st Parallel outstanding which have the right to vote generally (or are convertible into or exchangeable for securities having the right to vote generally) with the holders of the outstanding 51st Parallel Shares on any matter. There are no outstanding contractual or other obligations of 51st Parallel Entities or any subsidiary to repurchase, redeem or otherwise acquire any of its securities or with respect to the voting or disposition of any outstanding securities of any of its subsidiaries. There are no outstanding bonds, debentures or other evidences of indebtedness of 51st Parallel or any of its subsidiaries having the right to vote with the holders of the outstanding 51st Parallel Shares on any matters.

(f) **Ownership of Subsidiaries.**

- (i) Other than the 51st Parallel Subsidiaries, 51st Parallel does not have any subsidiaries or any agreements, options or commitments to acquire any securities of any corporation.
- (ii) All of the outstanding securities and other ownership interests in the 51st Parallel Subsidiaries are duly authorized, validly issued, fully paid and, where the concept exists, non-assessable, and all such securities and other ownership interests are held directly or indirectly by 51st Parallel and are, except pursuant to restrictions on transfer contained in constating documents or pursuant to existing financing arrangements involving 51st Parallel or either of the 51st Parallel Subsidiaries, legally and beneficially owned free and clear of all Liens and not subject to any proxy, voting trust or other agreement relating to the voting of such securities and other ownership interests.
- (iii) There are no agreements, warrants or options, or any right or privilege (whether by Law, pre-emptive or contractual) capable of becoming an agreement, warrant or option, for the purchase, allotment or issuance of, or subscription for, any securities or other ownership interests in either of the 51st Parallel Subsidiaries, or any securities that are convertible into, or exchangeable or exercisable for, or otherwise evidencing a right to acquire, any securities or other ownership interests in either of the 51st Parallel Subsidiaries.
- (iv) There are no outstanding Contracts of either of the 51st Parallel Subsidiaries to:  
(A) repurchase, redeem or otherwise acquire any of its securities or other

ownership interests, or with respect to the voting or disposition of any outstanding securities or other ownership interests of either of the 51st Parallel Subsidiaries; (B) make any investment in or provide any funds to (whether in the form of a loan, capital contribution or otherwise) any person, other than the 51st Parallel Subsidiaries; or (C) provide any guarantee with respect to any person (other than the 51st Parallel Subsidiaries).

- (v) Neither 51st Parallel nor either of the 51st Parallel Subsidiaries own, directly or indirectly, any capital stock of, or other equity, joint venture or voting interests in, any other Person.
- (g) **Filings.** 51st Parallel has filed all documents required to be filed by it in accordance with applicable Laws. 51st Parallel has timely filed or furnished all documents required to be filed or furnished by 51st Parallel with any Governmental Entity. 51st Parallel has complied as filed in all material respects with applicable Laws and did not, as of the date filed (or, if amended or superseded by a subsequent filing prior to the date of this Agreement, on the date of such filing), contain any Misrepresentation.
- (h) **Financial Statements.** The 51st Parallel Financial Statements were prepared in accordance with GAAP consistently applied (except (a) as otherwise indicated in such financial statements and the notes thereto or, in the case of audited statements, in the related report of the independent auditors, or (b) in the case of unaudited interim statements, are subject to normal period-end adjustments and may omit notes which are not required by applicable Laws in the unaudited statements) and present fairly, in all material respects, the consolidated financial position, financial performance and cash flows of 51st Parallel for the dates and periods indicated therein (subject, in the case of any unaudited interim financial statements, to normal period-end adjustments) and reflect reserves required by GAAP in respect of all material contingent liabilities, if any, of such entities. There has been no material change in accounting policies, except as described in the 51st Parallel Financial Statements.
- (i) **Books and Records; Disclosure.** The financial books, records and accounts of 51st Parallel and the 51st Parallel Subsidiaries: (i) have been maintained in accordance with applicable Laws and GAAP on a basis consistent with prior years in all material respects; (ii) are stated in reasonable detail and accurately and fairly reflect the material transactions, acquisitions and dispositions of the assets of each entity; and (iii) accurately and fairly reflect the basis for the 51st Parallel Financial Statements in all material respects.
- (j) **Minute Books.** The corporate minute books of each of 51st Parallel and the 51st Parallel Subsidiaries contain minutes of all meetings and resolutions of its Board and committees of its Board and shareholders, held according to applicable Laws and are complete and accurate in all material respects.
- (k) **No Undisclosed Liabilities.** Each of 51st Parallel and the 51st Parallel Subsidiaries have no material outstanding indebtedness, liabilities or obligations, whether accrued, absolute, contingent or otherwise, and are not party to or bound by any suretyship, guarantee, indemnification or assumption agreement, or endorsement of, or any other similar commitment with respect to the obligations, liabilities or indebtedness of any Person, other than those specifically identified in the 51st Parallel Financial Statements

incurred in the Ordinary Course and which are not material since the date of the most recent 51st Parallel Financial Statements.

- (l) **No Material Change.** Since December 31, 2017:
- (i) each of 51st Parallel and the 51st Parallel Subsidiaries has conducted its business only in the Ordinary Course;
  - (ii) there has not occurred any event, occurrence or development or a state of circumstances or facts which has had or would, individually or in the aggregate, reasonably be expected to have any Material Adverse Effect with respect to 51st Parallel;
  - (iii) except as disclosed in Section 3.1(l) of the 51st Parallel Disclosure Letter, there has not been any acquisition or sale by 51st Parallel of any material property or assets;
  - (iv) there has not been any incurrence, assumption or guarantee by 51st Parallel of any material debt for borrowed money, any creation or assumption by 51st Parallel of any Lien or any making by 51st Parallel of any material loan, advance or capital contribution to or investment in any other Person, except as disclosed in the 51st Parallel Financial Statements;
  - (v) there has been no dividend or distribution of any kind declared, paid or made by 51st Parallel on any 51st Parallel Shares;
  - (vi) 51st Parallel has not effected or passed any resolution to approve a split, consolidation or reclassification of any of the outstanding 51st Parallel Shares;
  - (vii) there has not been any material increase in or modification of the compensation payable to or to become payable by 51st Parallel to any of its directors, officers, employees or consultants or any grant to any such director, officer, employee or consultant of any increase in severance, change in control or termination pay or any increase or modification of any Employee Plans of 51st Parallel made to, for or with any of such directors, officers, employees or consultants; and
  - (viii) 51st Parallel has not removed any auditor or director or terminated any officer.
- (m) **Litigation.** There is no claim, action, suit, grievance, complaint, proceeding, arbitration, charge, audit, indictment or investigation that is pending or has been commenced or, to the knowledge of 51st Parallel, is threatened affecting 51st Parallel or affecting any of its property or assets (whether owned or leased) at law or in equity, which, individually or in the aggregate, if determined adversely to 51st Parallel, has or could reasonably be expected to result in liability to 51st Parallel in excess of \$25,000. 51st Parallel nor any of its assets or properties is subject to any material outstanding judgment, order, writ, injunction or decree.
- (n) **Taxes.**

- (i) 51st Parallel has duly and timely filed all material Tax Returns required to be filed prior to the date hereof with the appropriate Governmental Entities and all such Tax Returns are true and correct in all material respects.
- (ii) 51st Parallel has duly and timely paid all material Taxes, including all instalments on account of Taxes for the current year that are due and payable by it whether or not assessed by the appropriate Governmental Entity.
- (iii) 51st Parallel has duly and timely collected all material amount of all Taxes required to be collected and has duly and timely paid and remitted the same to the appropriate Governmental Entity.
- (iv) 51st Parallel has duly and timely collected, or caused to be collected, any sales or transfer taxes, including goods and services taxes, required by applicable Laws to be collected by it and duly and timely remitted to the appropriate Government Entity any such amounts required by applicable Laws to be remitted by it.
- (v) There are no material proceedings, investigations, audits or claims now pending against 51st Parallel in respect of any Taxes and no Governmental Entity has asserted in writing or, to the knowledge of 51st Parallel, has threatened to assert against 51st Parallel any deficiency or claim for Taxes or interest thereon or penalties in connection therewith.
- (vi) There are no deficiencies, litigation, proposed adjustments or matters in controversy with respect to any amount of Taxes which have been asserted or have been raised by any Government Entity and no action or proceeding for assessment or collection of any amount of Taxes has been taken, asserted, or, to the knowledge of the 51st Parallel, threatened, against 51st Parallel or any of its Assets.
- (vii) There are no outstanding agreements, arrangements, waivers or objections extending the statutory period or providing for an extension of time with respect to the assessment or reassessment of Taxes or the filing of any Tax Return by, or any payment of Taxes by, 51st Parallel.
- (viii) To the knowledge of 51st Parallel, there are no material Liens for Taxes upon any property or assets of 51st Parallel (whether owned or leased), except Liens for current Taxes not yet due.
- (ix) 51st Parallel is not a party to any agreement, understanding, or arrangement relating to allocating or sharing any material amount of Taxes.
- (x) 51st Parallel has duly and timely withheld from any amount paid or credited by it to or for the account or benefit of any Person, including any employees and any non-resident Person, the amount of all material Taxes and other deductions required by any Laws to be withheld from any such amount and has duly and timely remitted the same to the appropriate Governmental Entity.
- (xi) 51st Parallel has not directly or indirectly, transferred any property to or supplied any services to or acquired any property or services from a Person with whom it

was not dealing at arm's length for consideration other than consideration equal to the fair market value of the property or services at the time of the transfer, supply or acquisition of the property or services.

- (o) **Data Privacy and Security.** 51st Parallel has not been notified in writing of and, to the knowledge of 51st Parallel, is not the subject of any complaint, regulatory investigation or proceeding related to data security or privacy.
- (p) **Real Property.**
  - (i) 51st Parallel is the registered and/or beneficial owner of the real property described in Section 3.1(p)(i) of the 51st Parallel Disclosure Letter (collectively, the "**51st Parallel Owned Real Property**") free and clear of all Liens, except Permitted Liens.
  - (ii) Other than the 51st Parallel Owned Real Property, 51st Parallel does not own any other real property.
  - (iii) In respect of the 51st Parallel Owned Real Property: (A) 51st Parallel has not received any notice, nor does 51st Parallel have any knowledge, of any intention of any Governmental Entity to expropriate all or any part of the 51st Parallel Owned Real Property; (B) there are no leases in respect of the 51st Parallel Owned Real Property or any part thereof other than Permitted Liens; (C) no Person has any right of first refusal, option, or other right to acquire the 51st Parallel Owned Real Property or any part thereof other than Permitted Liens; (D) 51st Parallel is not in default under any of its material obligations arising out of any Permitted Liens beyond any applicable cure periods; (E) all necessary permits and approvals have been obtained from the appropriate Governmental Entity in respect of 51st Parallel's present use of and operations on the 51st Parallel Owned Real Property; and (F) 51st Parallel has no present or future obligation to pay moneys to any Governmental Entity in connection with any on-site or off-site servicing, including off-site roads, services or utilities, save and except obligations which exist by virtue of the Permitted Liens.
  - (iv) All property currently leased or subleased by 51st Parallel from a third party (collectively, the "**51st Parallel Leased Properties**") and the documents under which such leasehold interests are held (collectively, the "**51st Parallel Lease Documents**") are identified in Section 3.1(p)(iv) of the 51st Parallel Disclosure Letter. 51st Parallel holds good and valid leasehold interests in the 51st Parallel Leased Properties, free and clear of all Liens other than Permitted Liens. Each of the 51st Parallel Lease Documents is valid, binding and in full force and effect as against the 51st Parallel Entity, as applicable, and to the knowledge of 51st Parallel, as against the other parties thereto. To the knowledge of 51st Parallel, neither 51st Parallel nor any of the other parties to the 51st Parallel Lease Documents, is in material breach or violation or default (in each case, with or without notice or lapse of time or both) under any of the 51st Parallel Lease Documents which breach, violation or default has not been cured, and 51st Parallel has not received or given any notice of default under any such agreement which remains uncured.

- (v) 51st Parallel has good and valid title to, or a valid and enforceable leasehold interest in, all of its other material Assets and property not listed above in paragraph (p) and its ownership of or leasehold interest in any such property is not subject to any Liens, except for Permitted Liens.
  - (vi) All of the 51st Parallel Owned Real Property and the 51st Parallel Leased Properties are adequately serviced by utilities (or well water with adequate septic systems, if any) having adequate capacities for the normal operations of each of 51st Parallel's facilities.
- (q) **Assets and Personal Property**
- (i) All machinery and equipment owned or used by 51st Parallel has been properly maintained and is in good working order for the purposes of on-going operation, subject to ordinary wear and tear for machinery and equipment of comparable age.
  - (ii) 51st Parallel does not have any agreements, options or commitments to acquire or lease any real property or Assets other than, in the latter case, those Assets that are to be used in the usual and Ordinary Course.
  - (iii) 51st Parallel has not received notice from any third party claiming an interest in and to any Assets of 51st Parallel.
  - (iv) All tangible depreciable property or Assets of 51st Parallel has been maintained in accordance with good and prudent industry practices and applicable Laws and are in good condition and repair, ordinary wear and tear excepted, and are useable in the ordinary course of business consistent with past practices.
  - (v) 51st Parallel is not a partner or participant in any partnership, joint venture, profit-sharing arrangement or other similar association of any kind and is not a party to any agreement under which it agrees to carry on any part of a business or any other activity in such manner or by which it agrees to share any revenue or profit with any other Person.
- (r) **Sufficiency of Assets.** 51st Parallel has valid, good and marketable title to all personal property owned by it, free and clear of all Liens other than Permitted Liens. The Assets and property owned, leased or licensed by 51st Parallel is sufficient, in all material respects, for conducting the business, as currently conducted, of 51st Parallel.
- (s) **Material Contracts.** With respect to the Material Contracts of 51st Parallel:
- (i) Section 3.1(s) of the 51st Parallel Disclosure Letter includes a complete and accurate list of all Material Contracts to which it is a party and that are currently in force, including, in respect of each such Material Contract, a summary of the material terms thereof, and it has made available Target for inspection true and complete copies of all such Material Contracts.
  - (ii) All of the Material Contracts are in full force and effect, and it is entitled to all rights and benefits thereunder in accordance with the terms thereof. It has not waived any rights under a Material Contract and no material default or breach

exists in respect thereof on the part of 51st Parallel, or to the knowledge of 51st Parallel, on the part of any other party thereto, and no event has occurred which, after the giving of notice or the lapse of time or both, would constitute such a default or breach or trigger a right of termination of any of such Material Contracts.

- (iii) All of the Material Contracts are valid and binding obligations of 51st Parallel, enforceable in accordance with their respective terms, except as may be limited by bankruptcy, insolvency and other laws affecting the enforcement of creditors' rights generally and subject to the qualification that equitable remedies may only be granted in the discretion of a court of competent jurisdiction.
- (iv) As at the date hereof, it has not received written notice that any party to a Material Contract, intends to cancel, terminate or otherwise modify or not renew such Material Contract, and to its knowledge, no such action has been threatened.
- (v) The entering into of this Agreement will not trigger any change of control or similar provisions in any of the Material Contracts.

(t) **Authorizations.**

- (i) 51st Parallel has obtained and is in compliance with all material Authorizations required by applicable Laws, necessary to conduct its current business as now being conducted.
- (ii) All material Authorizations of 51st Parallel is in full force and effect, and, to the knowledge of 51st Parallel, no suspension or cancellation thereof has been threatened.
- (iii) No material Authorizations of 51st Parallel will in any way be affected by, or terminate or lapse by reason of, the Arrangement or any of the other agreements contemplated hereunder or executed herewith.
- (iv) There are no facts, events or circumstances that would reasonably be expected to result in a failure to obtain or failure to be in compliance with such Authorizations as are necessary to conduct the business of 51st Parallel as it is currently being conducted.

(u) **Environmental Matters.**

- (i) 51st Parallel has, in all material respects, carried on its businesses and operations in accordance with best industry practices and in compliance with all applicable Environmental Laws.
- (ii) 51st Parallel has not received any order, request or written notice from any Person either alleging a violation of any Environmental Law or requiring that 51st Parallel carry out any work, incur any costs or assume any liabilities (including, without limitation, liability for studies, testing or investigatory costs, cleanup costs, response costs, removal costs, remediation costs, contaminant costs, restoration costs, corrective action costs, closure costs, reclamation costs, natural resource

damages, property damages, business losses, personal injuries, penalties or fines), arising out of, based on, or related to a violation of Environmental Laws or to any agreements with any Governmental Entity with respect to or pursuant to Environmental Laws.

- (iii) To the knowledge of 51st Parallel, there are no hazardous substances or other conditions that could reasonably be expected to result in liability of or adversely affect 51st Parallel under or related to any Environmental Law on, at, in, under or from any of the 51st Parallel Owned Real Property or 51st Parallel Leased Properties (including the workplace environment) currently or, to the knowledge of 51st Parallel, previously owned, leased or operated by 51st Parallel.
  - (iv) There are no pending claims or, to the knowledge of 51st Parallel, threatened claims, against 51st Parallel arising out of any Environmental Laws.
- (v) **Compliance with Laws.**
- (i) 51st Parallel has complied with and is not in violation, in any material respect, of any applicable Laws.
  - (ii) 51st Parallel has not received any written notices or other written correspondence from any Governmental Entity (A) regarding any violation (or any investigation, inspection, audit, or other proceeding by any Governmental Entity involving allegations of any violation) of any Law (other than Environmental Laws) or (B) of any circumstances that may have existed or currently exist which could lead to a loss, suspension, or modification of, or a refusal to issue, any material Authorization. To the knowledge of 51st Parallel, no investigation, inspection, audit or other proceeding by any Governmental Entity involving allegations of any material violation of any Law (other than Environmental Laws) is threatened or contemplated.
  - (iii) 51st Parallel has not nor, to the knowledge of 51st Parallel, any of its directors, executives, representatives, agents or employees has (A) used or is using any corporate funds for any illegal contributions, gifts, entertainment or other expenses relating to political activity that would be illegal, (B) used or is using any corporate funds for any direct or indirect illegal payments to any foreign or domestic governmental officials or employees, (C) violated or is violating any provision of the *Corruption of Foreign Public Officials Act* (Canada) or any similar Laws of other jurisdictions, (D) established or maintained, or is maintaining, any illegal fund of corporate monies or other properties or (E) made any bribe, illegal rebate, illegal payoff, influence payment, kickback or other illegal payment of any nature.
  - (iv) All of the marketing and promotion activities of 51st Parallel relating to its cannabis products complies with all applicable Laws in all material respects.
  - (v) All supply, distribution, production and processing partners of 51st Parallel have obtained and are in compliance with all authorizations required by the jurisdictions in which they operate to permit them to conduct their business as currently conducted or proposed to be conducted.

**(w) Licenses and Regulatory Compliance**

- (i) All of the 51st Parallel License Applications are in good standing and 51st Parallel has received no communication to the contrary. True and complete copies of the 51st Parallel License Applications have been delivered to Target prior to the date hereof.
- (ii) The Arrangement will not have any material adverse impact on the 51st Parallel Licence Applications or require 51st Parallel to commence any new application under the ACMPR.
- (iii) There are no proceedings in progress, or to the best knowledge of 51st Parallel, pending or threatened, that could result in the rejection of any of the 51st Parallel License Applications.
- (iv) 51st Parallel is not required to obtain any permits or licences other than the permits and licenses contemplated in the 51st Parallel License Applications, pursuant to the ACMPR or any other permits from Health Canada or any similar federal, state, provincial or municipal regulatory body or self-regulatory body in connection with the current and proposed conduct of its business.
- (v) 51st Parallel has not received any notice or communication from any customer or Health Canada alleging a defect or claim in respect of any products supplied or sold by 51st Parallel or any subsidiary of 51st Parallel to a customer and, to 51st Parallel's knowledge, there are no circumstances that would give rise to any reports, recalls, public disclosure, announcements or customer communications that are required to be made by 51st Parallel or any subsidiary in respect of any products supplied or sold by 51st Parallel or any subsidiary.
- (vi) 51st Parallel has responded to any requests made pursuant to the periodic investigations made by Health Canada and any other Government Entity pursuant to the 51st Parallel License Applications and have addressed, in all material respects, the deficiencies and observations as outlined in these inspection reports.
- (vii) All product research and development activities, including quality assurance, quality control, testing, and research and analysis activities, conducted by 51st Parallel and the 51st Parallel Subsidiaries in connection with their business is being conducted in accordance with best industry practices and in compliance, in all material respects, with all industry, laboratory safety, management and training standards applicable to 51st Parallel's current and proposed business, and all such processes, procedures and practices, required in connection with such activities are in place as necessary and are being complied with, in all material respects.

**(x) Employment & Labour Matters.**

- (i) 51st Parallel is not:
  - (A) party to any Contract providing for termination notice, payment in lieu of termination notice, change of control payments, or severance payments

to, or any employment or consulting agreement with, any current or former director, officer or employee of 51st Parallel other than such arising from any applicable Law; and

- (B) party to any Collective Agreement nor, to the knowledge of 51st Parallel, subject to any application for certification or threatened union-organizing campaigns for employees not covered under a Collective Agreement nor are there any current, or to the knowledge of 51st Parallel, pending or threatened strikes or lockouts at 51st Parallel.
- (ii) There are no labour disputes, strikes, organizing activities or work stoppages against 51st Parallel pending, or to knowledge of 51st Parallel, threatened.
- (iii) The execution, delivery and performance of this Agreement will not result in the automatic acceleration of the time of payment or vesting of entitlements otherwise available under any Employee Plan of 51st Parallel.
- (iv) 51st Parallel has been and is now in compliance, in all material respects, with all terms and conditions of employment, with respect to employment and labour, including, wages, hours of work, overtime, human rights, occupational health and safety and workers compensation, and there are no current, or, to the knowledge of 51st Parallel, pending or threatened proceedings (including grievances, arbitration, applications or pending applications) before any Governmental Entity or labour arbitrator with respect to any of the foregoing Employee Plans of 51st Parallel (other than routine claim for benefits).
- (v) To the knowledge of 51st Parallel, no executive or manager of 51st Parallel (A) has any present intention to terminate their employment, or (B) is a party to any confidentiality, non-competition, proprietary rights or other such agreement with any other Person besides 51st Parallel which would impede the business, be material to the performance of such employee's employment duties, or the ability of 51st Parallel to conduct its business.
- (vi) (A) There are no outstanding assessments, penalties, fines, liens, charges, surcharges, or other amounts due or owing pursuant to any federal or provincial workers' compensation statute or regulation; (B) 51st Parallel has not been reassessed in any material respect under such statute or regulation during the past three years; and (C) to the knowledge of 51st Parallel, no audit of 51st Parallel is currently being performed pursuant to any federal or provincial workers' compensation statute or regulation, and, to the knowledge of 51st Parallel, there are no claims or potential claims which may materially adversely affect 51st Parallel's accident cost experience in respect of its business.
- (vii) Section 3.1(x) of the 51st Parallel Disclosure Letter contains a correct and complete list of each member of management and independent contractors/consultants of 51st Parallel, indicating their respective positions.
- (viii) Each independent contractor/consultant who is disclosed in Section 3.1(x) of the 51st Parallel Disclosure Letter has, to the knowledge of 51st Parallel, been properly classified by 51st Parallel as an independent contractor and 51st

Parallel has not received any notice from any Governmental Entity disputing such classification.

- (ix) Section 3.1(x) of the 51st Parallel Disclosure Letter lists all Employee Plans of 51st Parallel. 51st Parallel has made available to Target true, correct and complete copies of all such Employee Plans as amended.
  - (x) No Employee Plan of 51st Parallel contains or has ever contained a “defined benefit provision” as such term is defined in subsection 147.1 of the Tax Act.
  - (xi) All Employee Plans of 51st Parallel are and have been established, registered, funded and administered in all material respects: in (A) accordance with applicable Laws and (B) in accordance with their terms. To the knowledge of 51st Parallel, no fact or circumstance exists which could adversely affect the registered status of any such Employee Plan.
  - (xii) All contributions, premiums or taxes required to be made or paid by 51st Parallel under the terms of the Employee Plan of 51st Parallel or by applicable Laws have been made in a timely fashion.
- (y) **Intellectual Property.**
- (i) 51st Parallel owns all right, title and interest in and to, or has validly licensed (and is not in material breach of such licenses), all Intellectual Property that is material to the conduct of its business, as currently conducted (collectively, the “**51st Parallel Intellectual Property Rights**”). The 51st Parallel Intellectual Property Rights are sufficient, in all material respects, for conducting 51st Parallel’s business, as currently conducted, and, to the knowledge of 51st Parallel, all such 51st Parallel Intellectual Property Rights are valid and enforceable (subject to the effects of bankruptcy, insolvency, reorganization, moratorium or laws relating to or affecting creditors’ rights generally), and do not infringe upon the Intellectual Property rights of any third party.
  - (ii) There are no royalty payments, license fees or other sums payable to or by 51st Parallel in respect of the Intellectual Property, or to maintain or renew any registrations or applications for registration in relation thereto.
  - (iii) Except as set forth in Section 3.1(y) of the 51st Parallel Disclosure Letter, no Intellectual Property licensed to 51st Parallel by any Person is subject to revocation or termination upon a change of control of 51st Parallel.
  - (iv) 51st Parallel has the exclusive right to use and otherwise exploit the Intellectual Property in all jurisdictions in which it is currently or has historically been used or otherwise exploited and there are no prohibitions or restrictions on the use or other exploitation by 51st Parallel of the Intellectual Property.
  - (v) Complete and correct copies of all material licenses, agreements or arrangements to which 51st Parallel is a party, whether as licensor, licensee or otherwise, and whether written or oral, with respect to the Intellectual Property have been provided or made available to Target prior to the date hereof.

- (vi) 51st Parallel has not received any written notice from any Person, nor acted in any manner that would give rise to a claim that: (A) the past or present conduct by any vendor or the use of the Intellectual Property has resulted or shall result in the infringement or violation of any intellectual property owned by any person; or (B) challenging the validity or ownership of the Intellectual Property.
- (vii) To the knowledge of 51st Parallel, the 51st Parallel Intellectual Property is not being and has not been infringed, diluted, violated or misappropriated by any other Person.
- (viii) 51st Parallel has obtained from its employees, agents and contractors engaged in the development of any Intellectual Property owned or purported to be owned by 51st Parallel or the 51st Parallel Subsidiaries, assignments of each such Person's rights in and to such Intellectual Property. None of the Intellectual Property owned or purported to be owned by 51st Parallel or the 51st Parallel Subsidiaries was developed: (A) using any open source software in a manner that would cause such Intellectual Property to be dedicated to the public, or (B) using any funding from or the facilities of a Governmental Entity, or a college, university or other higher education institute.
- (ix) 51st Parallel reasonably believe that all commercially reasonable steps, given the nature and value of the applicable Intellectual Property, have been taken to protect and maintain the Intellectual Property (including any trade secrets or confidential information therein, whether that of 51st Parallel or 51st Parallel's customers and website users).
- (z) **Non-Arm's Length Transactions.** With the exception of this Agreement and any contracts related to employment agreements and the promissory note described in the 51st Parallel Disclosure Letter, there are no Contracts or other transactions currently in place between 51st Parallel, on the one hand, and: (A) any officer or director of 51st Parallel; and (B) any affiliate or associate of any such officer or director.
- (aa) **Brokers.** Other than the Agents, no broker, investment banker, financial advisor or other Person is entitled to any broker's, finder's, financial advisor's or other similar fee or commission in connection with the Arrangement based upon arrangements made by or on behalf of 51st Parallel.
- (bb) **Insurance.** All insurance maintained by 51st Parallel is in full force and effect and in good standing and is in amounts and in respect of such risks as are normal and usual for companies of similar size operating in the cannabis industry.
- (cc) **GCH Transaction.** To the knowledge of 51st Parallel, as of the date hereof: (i) all of representations and warranties of GCH set out in the GCH Agreement are true and correct in all material respects, and (ii) GCH is not in breach of any material covenant of the GCH Agreement.
- (dd) **No Information Withheld.** The 51st Parallel Disclosure Letter contains complete, true and correct information in all material respects as at the respective dates thereof. 51st Parallel has not withheld any material information or documents concerning 51st Parallel.

- (ee) **Working Capital.** As of the date hereof, the aggregate Working Capital of 51st Parallel is not less than \$19.0 million.
- (ff) **Intellectual Property, Assets and License Applications.** As of the date hereof, all Intellectual Property and Assets, including, without limitation, the 51st Parallel License Applications, of 51st Parallel and the 51st Parallel Subsidiaries is outlined in the 51st Parallel Disclosure Letter.

### **Section 3.2 Representations and Warranties of Target**

Except as set forth in the correspondingly numbered paragraph of the Target Disclosure Letter, Target represents and warrants to 51st Parallel as follows and acknowledges and agrees that 51st Parallel is relying upon the representations and warranties in connection with the entering into of this Agreement.

- (a) **Organization and Qualification.** Target and each Target Subsidiary is duly and validly existing under the applicable Laws of its jurisdiction of incorporation, continuance or creation and has all necessary corporate power and authority to own its property and assets as now owned and to carry on its business as it is now being conducted. Target and each Target Subsidiary is duly qualified to do business and is in good standing in each jurisdiction in which the character of its properties, owned, leased, licensed or otherwise held, or the nature of its activities, makes such qualification necessary.
- (b) **Authority Relative to this Agreement.** Target has all necessary corporate power, authority and capacity to enter into and deliver this Agreement and all other agreements and instruments to be executed by Target as contemplated by this Agreement, and to perform its obligations hereunder and under such agreements and instruments. The execution and delivery of this Agreement by Target and the performance of its obligations under this Agreement have been duly authorized by the Board and no other corporate proceedings on its part is necessary to authorize this Agreement.

This Agreement has been duly executed and delivered by Target, and constitutes a legal, valid and binding obligation of Target, enforceable against Target in accordance with its terms, subject to the qualification that such enforceability may be limited by bankruptcy, insolvency, reorganization or other laws of general application relating to or affecting rights of creditors and that equitable remedies, including specific performance, are discretionary and may not be ordered.

- (c) **Reporting Issuer.** Target is a reporting issuer in good standing in the provinces of Alberta, British Columbia and Ontario. The Target Shares are listed on the TSXV and the CSE and Target is in material compliance with the by-laws, policies and rules of such exchanges. No delisting, suspension of trading in or cease trading order with respect to the Target Shares is pending or, to the knowledge of Target, threatened. Target has timely filed with the securities authorities all material forms, reports, schedules, statements and other documents required to be filed by Target with the securities authorities since March 31, 2018. Target has not filed any confidential material change report that, at the date hereof, remains confidential.
- (d) **No Violation.** Neither the authorization, execution and delivery of this Agreement by Target nor the completion of the Arrangement nor the performance of its obligations hereunder, nor compliance by Target with any of the provisions hereof will result in a

violation or breach of, constitute a default (or an event which, with notice or lapse of time or both, would become a default), require any consent or approval to be obtained or notice to be given under, or give rise to any third party right of termination, cancellation, suspension, acceleration, penalty or payment obligation or right to purchase or sale under, any provision of:

- (i) its articles, by-laws or other Constatting Document;
- (ii) any Authorization or Contract to which Target is a party or to which it or any of its properties or assets are bound; or
- (iii) any Laws (assuming compliance with the matters referred to in paragraph (e) below), regulation, order, judgment or decree applicable to 51st Parallel or any of its respective properties or assets;

except in the case of (ii) and (iii) above for such breaches, defaults, consents, terminations, cancellations, suspensions, accelerations, penalties, payment obligations or rights which would not individually or in the aggregate be material and adverse to Target.

- (e) **Governmental Approvals.** The execution, delivery and performance by Target of this Agreement requires no consent, waiver or approval or any action by or in respect of, or filing with, or notification to, any Governmental Entity other than: (i) compliance with any applicable Securities Laws; and (ii) any actions, filings or notifications the absence of which would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect with respect to Target.

- (f) **Capitalization.**

- (i) The authorized share capital of Target consists of an unlimited number of Target Shares. As of the date hereof, there were issued and outstanding 105,956,254 Target Shares and 59,868,880 Target Warrants.
- (ii) As of the date hereof, an aggregate of up to 59,868,880 Target Shares are issuable upon the exercise of outstanding Target Warrants, the exercise prices, expiration dates and other material terms of which are set forth in Section 3.2(f) of the Target Disclosure Letter. As of the date hereof, except for such Target Shares described in the immediately preceding sentence and the Target Shares issuable in connection with this Agreement, there are no securities, options, warrants, stock appreciation rights, restricted stock units, conversion privileges or other rights, agreements, arrangements or commitments (pre-emptive, contingent or otherwise) of any character whatsoever to which Target or the Target Subsidiaries are a party or by which any of such entities may be bound, obligating or which may obligate such entities to issue, grant, deliver, extend, or enter into any such security, option, warrant, stock appreciation right, restricted stock unit, conversion privilege or other right, agreement, arrangement or commitment.
- (iii) All outstanding Target Shares have been duly authorized and validly issued, are fully paid and non-assessable and are not and will not be subject to, or issued in

violation of, any pre-emptive rights. All securities of Target have been issued in compliance with all applicable Laws.

- (iv) There are no securities of Target outstanding which have the right to vote generally (or are convertible into or exchangeable for securities having the right to vote generally) with the holders of the outstanding Target Shares on any matter. There are no outstanding contractual or other obligations of Target or any subsidiary to repurchase, redeem or otherwise acquire any of its securities or with respect to the voting or disposition of any outstanding securities of any of its subsidiaries. There are no outstanding bonds, debentures or other evidences of indebtedness of Target or any of its subsidiaries having the right to vote with the holders of the outstanding Target Shares on any matters.
- (g) Target has reserved and allotted a sufficient number of Target Shares as are issuable pursuant to the Arrangement, and, subject to the terms and conditions of the Arrangement, such Target Shares will be validly issued as fully paid and non-assessable.
- (h) **Ownership of Investments and Subsidiaries.**
  - (i) A list of all of the Investments of Target has been disclosed to 51st Parallel in the Target Disclosure Letter.
  - (ii) Other than the Investments and the Target Subsidiaries, Target does not have any subsidiaries or any agreements, options or commitments to acquire any securities of any corporation.
  - (iii) All of the outstanding securities and other ownership interests in the Target Subsidiaries are duly authorized, validly issued, fully paid and, where the concept exists, non-assessable, and all such securities and other ownership interests are held directly or indirectly by Target and are, except pursuant to restrictions on transfer contained in constating documents or pursuant to existing financing arrangements involving Target or the Target Subsidiaries, legally and beneficially owned free and clear of all Liens and not subject to any proxy, voting trust or other agreement relating to the voting of such securities and other ownership interests.
  - (iv) There are no agreements, warrants or options, or any right or privilege (whether by Law, pre-emptive or contractual) capable of becoming an agreement, warrant or option, for the purchase, allotment or issuance of, or subscription for, any securities or other ownership interests in of the Target Subsidiaries, or any securities that are convertible into, or exchangeable or exercisable for, or otherwise evidencing a right to acquire, any securities or other ownership interests in either of the Target Subsidiaries.
  - (v) There are no outstanding Contracts of the Target Subsidiaries to: (A) repurchase, redeem or otherwise acquire any of its securities or other ownership interests, or with respect to the voting or disposition of any outstanding securities or other ownership interests of the Target Subsidiaries; (B) make any investment in or provide any funds to (whether in the form of a loan, capital contribution or

otherwise) any person, other the Target Subsidiaries; or (C) provide any guarantee with respect to any person (other than the Target Subsidiaries).

- (vi) Neither Target nor the Target Subsidiaries own, directly or indirectly, any capital stock of, or other equity, joint venture or voting interests in, any other Person (other than the Investments).
- (i) **Filings.** Target has filed all documents required to be filed by it in accordance with applicable Laws. Target has timely filed or furnished all documents required to be filed or furnished by Target with any Governmental Entity. Target has complied as filed in all material respects with applicable Laws and did not, as of the date filed (or, if amended or superseded by a subsequent filing prior to the date of this Agreement, on the date of such filing), contain any Misrepresentation.
- (j) **Financial Statements.** The Target Financial Statements were prepared in accordance with GAAP consistently applied (except as otherwise indicated in such financial statements and the notes thereto or, in the case of audited statements, in the related report of the independent auditors) and present fairly, in all material respects, the consolidated financial position, financial performance and cash flows of Target for the dates and periods indicated therein and reflect reserves required by GAAP in respect of all material contingent liabilities, if any, of such entities. There has been no material change in accounting policies, except as described in the Target Financial Statements.
- (k) **Books and Records; Disclosure.** The financial books, records and accounts of Target and the Target Subsidiaries: (i) have been maintained in accordance with applicable Laws and GAAP on a basis consistent with prior years in all material respects; (ii) are stated in reasonable detail and accurately and fairly reflect the material transactions, acquisitions and dispositions of the assets of each entity; and (iii) accurately and fairly reflect the basis for the Target Financial Statements in all material respects.
- (l) **Minute Books.** The corporate minute books of each of Target and the Target Subsidiaries contain minutes of all meetings and resolutions of its Board and committees of its Board and shareholders, held according to applicable Laws and are complete and accurate in all material respects.
- (m) **No Undisclosed Liabilities.** Each of Target and the Target Subsidiaries have no material outstanding indebtedness, liabilities or obligations, whether accrued, absolute, contingent or otherwise, and are not party to or bound by any suretyship, guarantee, indemnification or assumption agreement, or endorsement of, or any other similar commitment with respect to the obligations, liabilities or indebtedness of any Person, other than those specifically identified in the Target Financial Statements incurred in the Ordinary Course and which are not material since the date of the most recent Target Financial Statements.
- (n) **No Material Change.** Since March 31, 2018:
  - (i) each of Target and the Target Subsidiaries has conducted its business only in the Ordinary Course;
  - (ii) there has not occurred any event, occurrence or development or a state of circumstances or facts which has had or would, individually or in the aggregate,

reasonably be expected to have any Material Adverse Effect with respect to Target;

- (iii) except as disclosed in Section 3.2(n) of the Target Disclosure Letter, there has not been any acquisition or sale by Target of any material property or assets;
  - (iv) there has not been any incurrence, assumption or guarantee by Target of any material debt for borrowed money, any creation or assumption by Target of any Lien or any making by Target of any material loan, advance or capital contribution to or investment in any other Person, except as disclosed in the Target Financial Statements;
  - (v) there has been no dividend or distribution of any kind declared, paid or made by Target on any Target Shares;
  - (vi) Target has not effected or passed any resolution to approve a split, consolidation or reclassification of any of the outstanding Target Shares;
  - (vii) there has not been any material increase in or modification of the compensation payable to or to become payable by Target to any of its directors, officers, employees or consultants or any grant to any such director, officer, employee or consultant of any increase in severance, change in control or termination pay or any increase or modification of any Employee Plans of Target made to, for or with any of such directors, officers, employees or consultants; and
  - (viii) Target has not removed any auditor or director or terminated any officer.
- (o) **Litigation.** There is no claim, action, suit, grievance, complaint, proceeding, arbitration, charge, audit, indictment or investigation that is pending or has been commenced or, to the knowledge of Target, is threatened affecting Target or affecting any of its property or assets (whether owned or leased) at law or in equity, which, individually or in the aggregate, if determined adversely to Target, has or could reasonably be expected to result in liability to Target in excess of \$25,000 Target nor any of its assets or properties is subject to any material outstanding judgment, order, writ, injunction or decree.
- (p) **Taxes.**
- (i) Target has duly and timely filed all material Tax Returns required to be filed prior to the date hereof with the appropriate Governmental Entities and all such Tax Returns are true and correct in all material respects.
  - (ii) Target has duly and timely paid all material Taxes, including all instalments on account of Taxes for the current year that are due and payable by it whether or not assessed by the appropriate Governmental Entity.
  - (iii) Target has duly and timely collected all material amount of all Taxes required to be collected and has duly and timely paid and remitted the same to the appropriate Governmental Entity.
  - (iv) Target has duly and timely collected, or caused to be collected, any sales or transfer taxes, including goods and services taxes, required by applicable Laws

to be collected by it and duly and timely remitted to the appropriate Government Entity any such amounts required by applicable Laws to be remitted by it.

- (v) There are no material proceedings, investigations, audits or claims now pending against Target in respect of any Taxes and no Governmental Entity has asserted in writing or, to the knowledge of Target, has threatened to assert against Target any deficiency or claim for Taxes or interest thereon or penalties in connection therewith.
  - (vi) There are no deficiencies, litigation, proposed adjustments or matters in controversy with respect to any amount of Taxes which have been asserted or have been raised by any Government Entity and no action or proceeding for assessment or collection of any amount of Taxes has been taken, asserted, or, to the knowledge of the Target, threatened, against Target or any of its Assets.
  - (vii) There are no outstanding agreements, arrangements, waivers or objections extending the statutory period or providing for an extension of time with respect to the assessment or reassessment of Taxes or the filing of any Tax Return by, or any payment of Taxes by, Target.
  - (viii) To the knowledge of Target, there are no material Liens for Taxes upon any property or assets of Target (whether owned or leased), except Liens for current Taxes not yet due.
  - (ix) Target is not a party to any agreement, understanding, or arrangement relating to allocating or sharing any material amount of Taxes.
  - (x) Target has duly and timely withheld from any amount paid or credited by it to or for the account or benefit of any Person, including any employees and any non-resident Person, the amount of all material Taxes and other deductions required by any Laws to be withheld from any such amount and has duly and timely remitted the same to the appropriate Governmental Entity.
  - (xi) Target has not directly or indirectly, transferred any property to or supplied any services to or acquired any property or services from a Person with whom it was not dealing at arm's length for consideration other than consideration equal to the fair market value of the property or services at the time of the transfer, supply or acquisition of the property or services.
- (q) **Data Privacy and Security.** Target has not been notified in writing of and, to the knowledge of Target, is not the subject of any complaint, regulatory investigation or proceeding related to data security or privacy.
- (r) **Real Property.** Target does not own, lease or sublease any real property.
- (s) **Assets and Personal Property**
- (i) All machinery and equipment owned or used by Target has been properly maintained and is in good working order for the purposes of on-going operation, subject to ordinary wear and tear for machinery and equipment of comparable age.

- (ii) Target does not have any agreements, options or commitments to acquire or lease any real property or Assets other than, in the latter case, those Assets that are to be used in the usual and Ordinary Course.
  - (iii) Target has not received notice from any third party claiming an interest in and to any Assets of Target.
  - (iv) All tangible depreciable property or Assets of Target has been maintained in accordance with good and prudent industry practices and applicable Laws and are in good condition and repair, ordinary wear and tear excepted, and are useable in the ordinary course of business consistent with past practices.
  - (v) Target is not a partner or participant in any partnership, joint venture, profit-sharing arrangement or other similar association of any kind and is not a party to any agreement under which it agrees to carry on any part of a business or any other activity in such manner or by which it agrees to share any revenue or profit with any other Person.
- (t) **Sufficiency of Assets.** Target has valid, good and marketable title to all personal property owned by it, free and clear of all Liens other than Permitted Liens. The Assets and property owned, leased or licensed by Target is sufficient, in all material respects, for conducting the business, as currently conducted, of Target.
- (u) **Material Contracts.** With respect to the Material Contracts of Target:
- (i) Section 3.2(u) of the Target Disclosure Letter includes a complete and accurate list of all Material Contracts to which it is a party and that are currently in force, including, in respect of each such Material Contract, a summary of the material terms thereof, and it has made available to 51st Parallel for inspection true and complete copies of all such Material Contracts.
  - (ii) All of the Material Contracts are in full force and effect, and it is entitled to all rights and benefits thereunder in accordance with the terms thereof. It has not waived any rights under a Material Contract and no material default or breach exists in respect thereof on the part of Target, or to the knowledge of Target, on the part of any other party thereto, and no event has occurred which, after the giving of notice or the lapse of time or both, would constitute such a default or breach or trigger a right of termination of any of such Material Contracts.
  - (iii) All of the Material Contracts are valid and binding obligations of Target, enforceable in accordance with their respective terms, except as may be limited by bankruptcy, insolvency and other laws affecting the enforcement of creditors' rights generally and subject to the qualification that equitable remedies may only be granted in the discretion of a court of competent jurisdiction.
  - (iv) As at the date hereof, it has not received written notice that any party to a Material Contract, intends to cancel, terminate or otherwise modify or not renew such Material Contract, and to its knowledge, no such action has been threatened.

- (v) The entering into of this Agreement will not trigger any change of control or similar provisions in any of the Material Contracts.

(v) **Authorizations.**

- (i) Target has obtained and is in compliance with all material Authorizations required by applicable Laws, necessary to conduct its current business as now being conducted.
- (ii) All material Authorizations of Target are in full force and effect, and, to the knowledge of Target, no suspension or cancellation thereof has been threatened.
- (iii) No material Authorizations of Target will in any way be affected by, or terminate or lapse by reason of, the Arrangement or any of the other agreements contemplated hereunder or executed herewith.
- (iv) There are no facts, events or circumstances that would reasonably be expected to result in a failure to obtain or failure to be in compliance with such Authorizations as are necessary to conduct the business of Target as it is currently being conducted.

(w) **Environmental Matters.**

- (i) Target has, in all material respects, carried on its businesses and operations in accordance with best industry practices and in compliance with all applicable Environmental Laws.
- (ii) Target has not received any order, request or written notice from any Person either alleging a violation of any Environmental Law or requiring that Target carry out any work, incur any costs or assume any liabilities (including, without limitation, liability for studies, testing or investigatory costs, cleanup costs, response costs, removal costs, remediation costs, contaminant costs, restoration costs, corrective action costs, closure costs, reclamation costs, natural resource damages, property damages, business losses, personal injuries, penalties or fines), arising out of, based on, or related to a violation of Environmental Laws or to any agreements with any Governmental Entity with respect to or pursuant to Environmental Laws.
- (iii) There are no pending claims or, to the knowledge of Target, threatened claims, against Target arising out of any Environmental Laws.

(x) **Compliance with Laws.**

- (i) Target has complied with and is not in violation, in any material respect, of any applicable Laws.
- (ii) Target has not received any written notices or other written correspondence from any Governmental Entity (A) regarding any violation (or any investigation, inspection, audit, or other proceeding by any Governmental Entity involving allegations of any violation) of any Law (other than Environmental Laws) or (B) of any circumstances that may have existed or currently exist which could lead to a

loss, suspension, or modification of, or a refusal to issue, any material Authorization. To the knowledge of Target, no investigation, inspection, audit or other proceeding by any Governmental Entity involving allegations of any material violation of any Law (other than Environmental Laws) is threatened or contemplated.

- (iii) Target has not nor, to the knowledge of Target, any of its directors, executives, representatives, agents or employees has (A) used or is using any corporate funds for any illegal contributions, gifts, entertainment or other expenses relating to political activity that would be illegal, (B) used or is using any corporate funds for any direct or indirect illegal payments to any foreign or domestic governmental officials or employees, (C) violated or is violating any provision of the *Corruption of Foreign Public Officials Act* (Canada) or any similar Laws of other jurisdictions, (D) established or maintained, or is maintaining, any illegal fund of corporate monies or other properties or (E) made any bribe, illegal rebate, illegal payoff, influence payment, kickback or other illegal payment of any nature.

(y) **Employment & Labour Matters.**

- (i) Target is not:
  - (A) party to any Contract providing for termination notice, payment in lieu of termination notice, change of control payments, or severance payments to, or any employment or consulting agreement with, any current or former director, officer or employee of Target other than such arising from any applicable Law; and
  - (B) party to any Collective Agreement nor, to the knowledge of Target, subject to any application for certification or threatened union-organizing campaigns for employees not covered under a Collective Agreement nor are there any current, or to the knowledge of Target, pending or threatened strikes or lockouts at Target.
- (ii) There are no labour disputes, strikes, organizing activities or work stoppages against Target pending, or to knowledge of Target, threatened.
- (iii) The execution, delivery and performance of this Agreement will not result in the automatic acceleration of the time of payment or vesting of entitlements otherwise available under any Employee Plan of Target.
- (iv) Target has been and is now in compliance, in all material respects, with all terms and conditions of employment, with respect to employment and labour, including, wages, hours of work, overtime, human rights, occupational health and safety and workers compensation, and there are no current, or, to the knowledge of Target, pending or threatened proceedings (including grievances, arbitration, applications or pending applications) before any Governmental Entity or labour arbitrator with respect to any of the foregoing Employee Plans of Target (other than routine claim for benefits).

- (v) To the knowledge of Target, no executive or manager of Target (A) has any present intention to terminate their employment, or (B) is a party to any confidentiality, non-competition, proprietary rights or other such agreement with any other Person besides Target which would impede the business, be material to the performance of such employee's employment duties, or the ability of Target to conduct its business.
  - (vi) (A) There are no outstanding assessments, penalties, fines, liens, charges, surcharges, or other amounts due or owing pursuant to any federal or provincial workers' compensation statute or regulation; (B) Target has not been reassessed in any material respect under such statute or regulation during the past three years; and (C) to the knowledge of Target, no audit of Target is currently being performed pursuant to any federal or provincial workers' compensation statute or regulation, and, to the knowledge of Target, there are no claims or potential claims which may materially adversely affect Target's accident cost experience in respect of its business.
  - (vii) Section 3.2(y) of the Target Disclosure Letter contains a correct and complete list of each member of management and independent contractors/consultants of Target, indicating their position.
  - (viii) Target has no Employee Plans.
- (z) **Intellectual Property.**
- (x) Target owns all right, title and interest in and to, or has validly licensed (and is not in material breach of such licenses), all Intellectual Property that is material to the conduct of its business, as currently conducted (collectively, the "**Target Intellectual Property Rights**"). The Target Intellectual Property Rights are sufficient, in all material respects, for conducting Target's business, as currently conducted, and, to the knowledge of Target, all such Target Intellectual Property Rights are valid and enforceable (subject to the effects of bankruptcy, insolvency, reorganization, moratorium or laws relating to or affecting creditors' rights generally), and do not infringe upon the Intellectual Property rights of any third party.
  - (xi) There are no royalty payments, license fees or other sums payable to or by Target in respect of the Intellectual Property, or to maintain or renew any registrations or applications for registration in relation thereto.
  - (xii) No Intellectual Property licensed to Target by any Person is subject to revocation or termination upon a change of control of Target.
  - (xiii) Target has the exclusive right to use and otherwise exploit the Intellectual Property in all jurisdictions in which it is currently or has historically been used or otherwise exploited and there are no prohibitions or restrictions on the use or other exploitation by Target of the Intellectual Property.
  - (xiv) Complete and correct copies of all material licenses, agreements or arrangements to which Target is a party, whether as licensor, licensee or

otherwise, and whether written or oral, with respect to the Intellectual Property have been provided or made available to 51st Parallel prior to the date hereof.

- (xv) Target has not received any written notice from any Person, nor acted in any manner that would give rise to a claim that: (A) the past or present conduct by any vendor or the use of the Intellectual Property has resulted or shall result in the infringement or violation of any intellectual property owned by any person; or (B) challenging the validity or ownership of the Intellectual Property.
- (xvi) To the knowledge of Target, the Target Intellectual Property is not being and has not been infringed, diluted, violated or misappropriated by any other Person.
- (xvii) Target has obtained from its employees, agents and contractors engaged in the development of any Intellectual Property owned or purported to be owned by Target or the Target Subsidiaries, assignments of each such Person's rights in and to such Intellectual Property. None of the Intellectual Property owned or purported to be owned by Target or the Target Subsidiaries was developed: (A) using any open source software in a manner that would cause such Intellectual Property to be dedicated to the public, or (B) using any funding from or the facilities of a Governmental Entity, or a college, university or other higher education institute.
- (xviii) Target reasonably believe that all commercially reasonable steps, given the nature and value of the applicable Intellectual Property, have been taken to protect and maintain the Intellectual Property (including any trade secrets or confidential information therein, whether that of Target or Target's customers and website users).
- (aa) **Non-Arm's Length Transactions.** There are no Contracts or other transactions currently in place between Target, on the one hand, and: (A) any officer or director of Target; and (B) any affiliate or associate of any such officer or director.
- (bb) **Brokers.** Other than the Agents, no broker, investment banker, financial advisor or other Person is entitled to any broker's, finder's, financial advisor's or other similar fee or commission in connection with the Arrangement based upon arrangements made by or on behalf of Target.
- (cc) **Insurance.** All insurance maintained by Target is in full force and effect and in good standing and is in amounts and in respect of such risks as are normal and usual for companies of similar size operating in the its industry.
- (dd) **No Information Withheld.** The Target Disclosure Letter contains complete, true and correct information in all material respects as at the respective dates thereof. Target has not withheld any material information or documents concerning Target.
- (ee) **Working Capital.** As of the date hereof, the aggregate Working Capital of Target is not less than \$3.2 million.
- (ff) **Intellectual Property and Assets.** As of the date hereof, all Intellectual Property and Assets of Target and the Target Subsidiaries is outlined in the Target Disclosure Letter.

## ARTICLE 4 COVENANTS

### Section 4.1 Conduct of Business of 51st Parallel

- (1) 51st Parallel covenants and agrees that, during the period from the date of this Agreement until the earlier of the Effective Time and the time that this Agreement is terminated in accordance with its terms, except: (a) with the prior written consent of Target not to be unreasonably withheld; (b) as required or permitted by this Agreement; or (c) as expressly contemplated by the 51st Parallel Disclosure Letter, it shall comply with all applicable Laws in all material respects, including, to the extent applicable, relating to cannabis, which are applicable to 51st Parallel's business, affairs and operations, conduct business in the Ordinary Course and in accordance with Laws and use commercially reasonable efforts to maintain and preserve its business organization, properties, employees, goodwill and business relationships with customers, suppliers, partners and other Persons with which it has material business relations.
- (2) All directors, officers, internal personnel and third party consultants of 51st Parallel and the 51st Parallel Subsidiaries have, where reasonably applicable to the position and services rendered by such persons, sufficient knowledge of Laws relating to cannabis which are applicable to 51st Parallel's business, affairs and operations.
- (3) 51st Parallel covenants and agrees that it shall periodically review and update its internal compliance program to account for any changes in Laws applicable to its business, affairs or operations.
- (4) Without limiting the generality of Section 4.1(1), 51st Parallel covenants and agrees that, during the period from the date of this Agreement until the earlier of the Effective Time and the time that this Agreement is terminated in accordance with its terms, 51st Parallel shall use commercially reasonable efforts to maintain and preserve its and 51st Parallel Subsidiaries' business organization, properties, employees, goodwill and business relationships with customers, suppliers, partners and other Persons with which 51st Parallel or either of 51st Parallel Subsidiaries has material business relations, and shall not, directly or indirectly:
  - (a) amend its Constatng Documents or similar organizational documents;
  - (b) split, combine or reclassify any shares of its capital stock or declare, set aside or pay any dividend or other distribution (whether in cash, stock or property or any combination thereof) or amend any term of any outstanding debt security;
  - (c) redeem, repurchase, or otherwise acquire or offer to redeem, repurchase or otherwise acquire any shares of its capital stock;
  - (d) issue, deliver, sell, pledge or otherwise encumber, or authorize the issuance, delivery, sale, pledge or other encumbrance of any shares of its capital stock or other equity or voting interests, or any options, warrants or similar rights exercisable or exchangeable for or convertible into such capital stock or other equity or voting interests, or other rights that are linked to the price or the value of the 51st Parallel Shares;

- (e) amend the terms of any of its securities;
- (f) acquire (by merger, consolidation, acquisition of stock or assets or otherwise), directly or indirectly, in one transaction or in a series of related transactions, assets, securities, properties, interests or businesses or make any investment either by the purchase of securities, contribution of capital, property transfer, or purchase of any other property or assets of any other Person, or acquire any license rights, other than pursuant to a Contract;
- (g) sell, lease, transfer, license, mortgage, or otherwise dispose of any of its assets which in the aggregate exceed \$50,000;
- (h) enter into any joint venture or similar agreement, arrangement or relationship;
- (i) make any capital expenditure or commitment to do so which individually or in the aggregate exceeds \$50,000;
- (j) prepay any long-term indebtedness before its scheduled maturity or increase, create, incur, assume or otherwise become liable for any indebtedness for borrowed money or guarantees thereof;
- (k) make any loan or advance to, or any capital contribution or investment in, or assume, guarantee or otherwise become liable with respect to the liabilities or obligations of any Person;
- (l) reduce the stated capital of any of its securities;
- (m) reorganize, amalgamate, merge or adopt a plan of liquidation or resolution providing for the liquidation or dissolution of 51st Parallel;
- (n) grant any Lien (other than Permitted Liens) on any assets of 51st Parallel;
- (o) (i) make or rescind any material Tax election, amend, in any manner adverse to 51st Parallel, any Tax Return, settle or compromise any material liability for Taxes or change or revoke any of its methods of Tax accounting, or (ii) take any action with respect to the computation of Taxes or the preparation of Tax Returns that is in any material respect inconsistent with past practice;
- (p) enter into any interest rate, currency, equity or commodity swaps, hedges, derivatives, forward sales contracts or similar financial instruments;
- (q) make any bonus or profit sharing distribution or similar payment of any kind;
- (r) make any change in the 51st Parallel's methods of accounting, except as required by concurrent changes in GAAP or as required by a Governmental Entity;
- (s) grant any general increase in the rate of wages, salaries, bonuses or other remuneration of any employees;

- (t) (i) increase any severance, change of control or termination pay (or improvements to notice or pay in lieu of notice) to (or amend any existing arrangement with) any current or former 51st Parallel Employee or any current or former director of 51st Parallel; (ii) increase the benefits payable under any existing severance or termination pay policies with any current or former 51st Parallel Employee or any current or former director of 51st Parallel; (iii) increase the benefits payable under any employment agreements with any current or former 51st Parallel Employee or any current or former director of 51st Parallel; (iv) enter into any employment, deferred compensation or other similar agreement (or amend any such existing agreement) with any current or former 51st Parallel Employee or any current or former director of 51st Parallel; (v) increase compensation, bonus levels or other benefits payable to any current or former 51st Parallel Employee or any current or former director of the 51st Parallel; (vi) adopt any new Employee Plan or any amendment or modification of an existing Employee Plan; (vii) increase or agree to increase, any funding obligation or accelerate, or agree to accelerate, the timing of any funding contribution under any Employee Plan; (viii) grant any equity, equity-based or similar awards; or (ix) reduce the 51st Parallel's work force except in the Ordinary Course;
- (u) enter into any agreement or arrangement that limits or otherwise restricts in any material respect 51st Parallel or any successor thereto, or that would, after the Effective Time, limit or restrict in any material respect 51st Parallel or any of its affiliates from competing in any manner;
- (v) enter into or amend any Contract with any broker, finder or investment banker, other than the Financing Agreements;
- (w) fail to comply in all respects with its internal compliance programs designed to detect and prevent violations of any applicable Laws;
- (x) cancel, waive, release, assign, settle or compromise any material claims or rights of 51st Parallel;
- (y) compromise or settle any litigation, proceeding or governmental investigation relating to the assets or the business of 51st Parallel in excess of an aggregate amount of \$25,000;
- (z) amend or modify, or terminate or waive any right under, any Material Contract or enter into any contract or agreement that would be a Material Contract if in effect on the date hereof;
- (aa) knowingly take any action or fail to take any action which action or failure to act would result in the material loss, expiration or surrender of, or the loss of any material benefit under, or reasonably be expected to cause any Governmental Entity to institute proceedings for the suspension, revocation or limitation of rights under, any material Authorizations necessary to conduct its businesses as now conducted or as proposed to be conducted, or fail to prosecute with commercially reasonable due diligence any pending applications to any Governmental Entities for material Authorizations;

- (bb) enter into, amend or modify any union recognition agreement, Collective Agreement or similar agreement with any trade union or representative body;
- (cc) amend, modify or terminate any material insurance policy of 51st Parallel in effect on the date of this Agreement;
- (dd) abandon or fail to diligently pursue any application for any material licences, permits, Authorizations or registrations;
- (ee) grant or commit to grant an exclusive licence or otherwise transfer any Intellectual Property or exclusive rights in or in respect thereto that is material to 51st Parallel, other than in the Ordinary Course;
- (ff) materially change its business or regulatory strategy; or
- (gg) authorize, agree, resolve or otherwise commit, whether or not in writing, to do any of the foregoing.

#### **Section 4.2 Conduct of Business of Target**

- (1) Target covenants and agrees that, during the period from the date of this Agreement until the earlier of the Effective Time and the time that this Agreement is terminated in accordance with its terms, except: (a) with the prior written consent of 51st Parallel not to be unreasonably withheld; (b) as required or permitted by this Agreement; or (c) as expressly contemplated by the Target Disclosure Letter, it shall comply with all applicable Laws in all material respects, including, to the extent applicable, relating to cannabis, which are applicable to Target's business, affairs and operations, conduct business in the Ordinary Course and in accordance with Laws and use commercially reasonable efforts to maintain and preserve its business organization, properties, employees, goodwill and business relationships with customers, suppliers, partners and other Persons with which it has material business relations.
- (2) All directors, officers, internal personnel and third party consultants of Target and the Target Subsidiaries have, where reasonably applicable to the position and services rendered by such persons, sufficient knowledge of Laws relating to cannabis which are applicable to Target's business, affairs and operations and all such persons have all qualifications, including security clearances, training, experience and technical knowledge required by applicable Laws.
- (3) Target covenants and agrees that it shall periodically review and update its internal compliance program to account for any changes in Laws applicable to its business, affairs or operations.
- (4) Without limiting the generality of Section 4.2(1), Target covenants and agrees that, during the period from the date of this Agreement until the earlier of the Effective Time and the time that this Agreement is terminated in accordance with its terms, Target shall use commercially reasonable efforts to maintain and preserve its and the Target Subsidiaries' business organization, properties, employees, goodwill and business relationships with customers, suppliers, partners and other Persons with which Target or either of the Target Subsidiaries has material business relations, and shall not, directly or indirectly:

- (a) amend its Constatng Documents or similar organizational documents;
- (b) split, combine or reclassify any shares of its capital stock or declare, set aside or pay any dividend or other distribution (whether in cash, stock or property or any combination thereof) or amend any term of any outstanding debt security;
- (c) redeem, repurchase, or otherwise acquire or offer to redeem, repurchase or otherwise acquire any shares of its capital stock;
- (d) issue, deliver, sell, pledge or otherwise encumber, or authorize the issuance, delivery, sale, pledge or other encumbrance of any shares of its capital stock or other equity or voting interests, or any options, warrants or similar rights exercisable or exchangeable for or convertible into such capital stock or other equity or voting interests, or other rights that are linked to the price or the value of the Target Shares;
- (e) amend the terms of any of its securities;
- (f) acquire (by merger, consolidation, acquisition of stock or assets or otherwise), directly or indirectly, in one transaction or in a series of related transactions, assets, securities, properties, interests or businesses or make any investment either by the purchase of securities, contribution of capital, property transfer, or purchase of any other property or assets of any other Person, or acquire any license rights, other than pursuant to a Contract;
- (g) sell, lease, transfer, license, mortgage, or otherwise dispose of any of its assets which in the aggregate exceed \$50,000;
- (h) enter into any joint venture or similar agreement, arrangement or relationship;
- (i) make any capital expenditure or commitment to do so which individually or in the aggregate exceeds \$50,000;
- (j) prepay any long-term indebtedness before its scheduled maturity or increase, create, incur, assume or otherwise become liable for any indebtedness for borrowed money or guarantees thereof;
- (k) make any loan or advance to, or any capital contribution or investment in, or assume, guarantee or otherwise become liable with respect to the liabilities or obligations of any Person;
- (l) reduce the stated capital of any of its securities;
- (m) reorganize, amalgamate, merge or adopt a plan of liquidation or resolution providing for the liquidation or dissolution of Target;
- (n) grant any Lien (other than Permitted Liens) on any assets of Target;
- (o) (i) make or rescind any material Tax election, amend, in any manner adverse to Target, any Tax Return, settle or compromise any material liability for Taxes or change or revoke any of its methods of Tax accounting, or (ii) take any action

with respect to the computation of Taxes or the preparation of Tax Returns that is in any material respect inconsistent with past practice;

- (p) enter into any interest rate, currency, equity or commodity swaps, hedges, derivatives, forward sales contracts or similar financial instruments;
- (q) make any bonus or profit sharing distribution or similar payment of any kind;
- (r) make any change in the Target's methods of accounting, except as required by concurrent changes in GAAP or as required by a Governmental Entity;
- (s) grant any general increase in the rate of wages, salaries, bonuses or other remuneration of any employees;
- (t) (i) increase any severance, change of control or termination pay (or improvements to notice or pay in lieu of notice) to (or amend any existing arrangement with) any current or former Target Employee or any current or former director of Target; (ii) increase the benefits payable under any existing severance or termination pay policies with any current or former Target Employee or any current or former director of Target; (iii) increase the benefits payable under any employment agreements with any current or former Target Employee or any current or former director of Target; (iv) enter into any employment, deferred compensation or other similar agreement (or amend any such existing agreement) with any current or former Target Employee or any current or former director of Target; (v) increase compensation, bonus levels or other benefits payable to any current or former Target Employee or any current or former director of the Target; (vi) adopt any new Employee Plan or any amendment or modification of an existing Employee Plan; (vii) increase or agree to increase, any funding obligation or accelerate, or agree to accelerate, the timing of any funding contribution under any Employee Plan; (viii) grant any equity, equity-based or similar awards; or (ix) reduce Target's work force except in the Ordinary Course;
- (u) enter into any agreement or arrangement that limits or otherwise restricts in any material respect Target or any successor thereto, or that would, after the Effective Time, limit or restrict in any material respect Target or any of its affiliates from competing in any manner;
- (v) enter into or amend any Contract with any broker, finder or investment banker, other than the Financing Agreements;
- (w) fail to comply in all respects with its internal compliance programs designed to detect and prevent violations of any applicable Laws;
- (x) cancel, waive, release, assign, settle or compromise any material claims or rights of Target;
- (y) compromise or settle any litigation, proceeding or governmental investigation relating to the assets or the business of Target in excess of an aggregate amount of \$25,000;

- (z) amend or modify, or terminate or waive any right under, any Material Contract or enter into any contract or agreement that would be a Material Contract if in effect on the date hereof;
- (aa) knowingly take any action or fail to take any action which action or failure to act would result in the material loss, expiration or surrender of, or the loss of any material benefit under, or reasonably be expected to cause any Governmental Entity to institute proceedings for the suspension, revocation or limitation of rights under, any material Authorizations necessary to conduct its businesses as now conducted or as proposed to be conducted, or fail to prosecute with commercially reasonable due diligence any pending applications to any Governmental Entities for material Authorizations;
- (bb) enter into, amend or modify any union recognition agreement, Collective Agreement or similar agreement with any trade union or representative body;
- (cc) amend, modify or terminate any material insurance policy of Target in effect on the date of this Agreement;
- (dd) abandon or fail to diligently pursue any application for any material licences, permits, Authorizations or registrations;
- (ee) grant or commit to grant an exclusive licence or otherwise transfer any Intellectual Property or exclusive rights in or in respect thereto that is material to Target, other than in the Ordinary Course;
- (ff) materially change its business or regulatory strategy; or
- (gg) authorize, agree, resolve or otherwise commit, whether or not in writing, to do any of the foregoing.

#### **Section 4.3 Covenants Regarding the Arrangement**

- (1) Subject to Section 4.5, 51st Parallel and Target shall use their commercially reasonable efforts to take, or cause to be taken, all actions and to do or cause to be done all things required or advisable under Law to consummate and make effective, as soon as reasonably practicable, the Arrangement, including:
  - (a) using commercially reasonable efforts to satisfy, or cause the satisfaction of, all conditions precedent in this Agreement and take all steps set forth in the Interim Order and Final Order applicable to it and comply promptly with all requirements imposed by Law on it with respect to this Agreement or the Arrangement;
  - (b) using commercially reasonable efforts to obtain, as soon as practicable following execution of this Agreement, and maintain all third party or other consents, waivers, permits, exemptions, orders, approvals, agreements, amendments or confirmations that are (i) necessary to be obtained under the Material Contracts in connection with the Arrangement or this Agreement, or (ii) required in order to maintain the Material Contracts in full force and effect following the Effective Time, in each case, on terms that are mutually satisfactory to the Parties, acting reasonably;

- (c) using commercially reasonable efforts to oppose, lift or rescind any injunction, restraining or other order, decree or ruling seeking to restrain, enjoin or otherwise prohibit or delay or otherwise adversely affect the consummation of the Arrangement and defend, or cause to be defended, any proceedings to which it is a party or brought against it or its directors or officers challenging the Arrangement or this Agreement; and
  - (d) not taking any action, or refrain from taking any commercially reasonable action, or permitting any action to be taken or not taken, which would reasonably be expected to prevent, materially delay or otherwise impede the consummation of the Arrangement.
- (2) The aggregate 51st Parallel Employee Obligations shall not exceed the amount as disclosed in writing by 51st Parallel to Target (subject to the exceptions noted therein) in Section 4.3(2) of the 51st Parallel Disclosure Letter. 51st Parallel's bona fide good faith estimate of each component of the 51st Parallel Employee Obligations has been disclosed in writing to Target.
- (3) The Parties shall use commercial reasonable efforts to cause the resignation of their respective directors and officers effective at the Effective Time and to secure mutual releases from each such director and officer, in a form satisfactory to both Parties, each acting reasonably, in favour of 51st Parallel and Target.
- (4) The Parties shall cooperate and use commercial reasonable efforts to obtain and maintain in force the Exchange Approval for listing of the Target Shares issuable pursuant to the Arrangement as of the Effective Date.
- (5) Each of 51st Parallel and Target shall promptly notify the other Party of:
  - (a) any Material Adverse Effect with respect to 51st Parallel or Target, as applicable;
  - (b) any notice or other communication from any Person alleging that the consent (or waiver, permit, exemption, order, approval, agreement, amendment or confirmation) of such Person is required in connection with this Agreement;
  - (c) any notice or other communication from any Person to the effect that such Person is terminating or otherwise materially adversely modifying its relationship with 51st Parallel or Target, as applicable, as a result of this Agreement;
  - (d) any notice or other communication from any Governmental Entity in connection with this Agreement (and shall contemporaneously provide a copy of any such written notice or communication to the other Party); or
  - (e) any filing, actions, suits, claims, investigations or proceedings commenced or, to its knowledge, threatened against, relating to or involving or otherwise affecting 51st Parallel or Target, as applicable.
- (6) Each of the Parties will, in all material respects, conduct itself so as to keep the other Party fully informed as to the material decisions required to be made or actions required to be taken with respect to the operation of their business, provided that such disclosure

is not otherwise prohibited by reason of confidentiality obligation owed to a third party for which a waiver could not be obtained.

#### **Section 4.4 Conditions Regarding the Financing Agreements**

51st Parallel hereby covenants and agrees to:

- (1) provide Target the opportunity to review the Financing Agreements and incorporate reasonable comments thereon, including, without limitation, with respect to the issue price of the Subscription Receipts, prior to entering into the Financing Agreements;
- (2) use all commercially reasonable efforts to cause the conditions to closing under the terms of the Agency Agreement to be satisfied prior to the Outside Date;
- (3) not waive any of the conditions in its favour under the Agency Agreement or amend the Agency Agreement, in each case without the prior written consent of Target; and
- (4) use all commercially reasonable efforts to enforce the terms of the Financing Agreements against the Agents.

#### **Section 4.5 Regulatory Approvals**

- (1) As soon as reasonably practicable after the date hereof, each Party, or where appropriate, the Parties jointly, shall make all notifications, filings, applications and submissions with Governmental Entities required or advisable, and shall use commercially reasonable efforts to obtain and maintain such Regulatory Approvals reasonably deemed by either of the Parties to be necessary to discharge their respective obligations under this Agreement or otherwise advisable under Laws in connection with this Agreement.
- (2) The Parties shall cooperate with one another in connection with obtaining the Regulatory Approvals required or desirable in connection herewith including by providing or submitting on a timely basis all documentation and information that is required, or in the opinion of 51st Parallel, advisable, in connection with obtaining the Regulatory Approvals and using their commercially reasonable efforts to ensure that such information does not contain a Misrepresentation.
- (3) If any objections are asserted with respect to the Arrangement under any Law, or if any proceeding is instituted or threatened by any Governmental Entity challenging or which could lead to a challenge of the Arrangement as not in compliance with Law, the Parties shall use their commercially reasonable efforts consistent with the terms of this Agreement to resolve such proceeding prior to the Effective Date.

#### **Section 4.6 Access to Information; Confidentiality**

- (1) Each Party shall give the other Party and its Representatives (a) upon reasonable notice, reasonable access during normal business hours to its (i) premises, (ii) property and assets (including all books and records, whether retained internally or otherwise), (iii) Contracts and leases, and (iv) senior personnel, so long as the access does not

unduly interfere with the Ordinary Course conduct of the business of the disclosing Party; and (b) such financial and operating data or other information with respect to the assets or business of disclosing Party as the other Party from time to time reasonably requests. Without limiting the foregoing, and subject to the terms of any existing Contracts, each Party shall, upon request of the other Party, facilitate discussions between the inquiring Party and any third party from whom consent may be required.

- (2) Investigations made by or on behalf of the Parties, whether under this Section 4.6 or otherwise, will not waive, diminish the scope of, or otherwise affect any representation or warranty made by the Parties in this Agreement.
- (3) The Parties acknowledge that the Confidentiality Agreement continues to apply and that any information provided under Section 4.6(1) above that is non-public and/or proprietary in nature shall be subject to the terms of the Confidentiality Agreement.

#### **Section 4.7 Notice and Cure Provisions**

- (1) Each Party shall promptly notify the other Party of the occurrence, or failure to occur, of any event or state of facts which occurrence or failure would, or would be reasonably likely to:
  - (a) cause any of the representations or warranties of such Party contained in this Agreement to be untrue or inaccurate in any material respect at any time from the date of this Agreement to the Effective Time; or
  - (b) result in the failure to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by such Party under this Agreement.
- (2) Notification provided under this Section 4.7 will not affect the representations, warranties, covenants, agreements or obligations of the Parties (or remedies with respect thereto) or the conditions to the obligations of the Parties under this Agreement.
- (3) 51st Parallel may not elect to exercise its right to terminate this Agreement pursuant to Section 7.2(1)(c)(i) or Section 7.2(1)(c)(ii) and Target may not elect to exercise its rights to terminate this Agreement pursuant to Section 7.2(1)(d)(i) or Section 7.2(1)(d)(ii), unless the Party seeking to terminate the Agreement (the "**Terminating Party**") has delivered a written notice ("**Termination Notice**") to the other Party (the "**Breaching Party**") specifying in reasonable detail all breaches of covenants, or incorrect representations and warranties or other matters which the Terminating Party asserts as the basis for termination. After delivering a Termination Notice, provided the Breaching Party is proceeding diligently to cure such matter and such matter is capable of being cured prior to the Outside Date (with any intentional breach being deemed to be incurable), the Terminating Party may not exercise such termination right until the earlier of (a) the Outside Date, and (b) if such matter has not been cured by the date that is 10 Business Days following receipt of such Termination Notice by the Breaching Party.

#### **Section 4.8 Board and Management**

Contemporaneously with the Effective Time, in accordance with the Plan of Arrangement, the current directors and officers of Target shall resign and the following individuals shall be appointed as directors and officers of the Resulting Issuer: John Lord

(Chairman and CEO); Dean Heizer (Executive Director and a director); Michael Lord (Chief Operating Officer); Todd Oltmans (Manager of Construction and Facilities); Nate Fate (Manager of Cultivation and Production); Dakeana Jones (Manager of Human Resources); David Cheadle (VP Finance and Chief Financial Officer); Sony Gill (Corporate Secretary); Andy Williams (director); Jason Kujath (director); and Ron Hozjan (director).

## **ARTICLE 5 ADDITIONAL COVENANTS REGARDING NON-SOLICITATION**

### **Section 5.1 Non-Solicitation**

- (1) Except as expressly provided in this Article 5, each of the Parties shall not, directly or indirectly, through any officer, director, employee, representative (including any financial or other adviser) or agent of the other Party (collectively “**Representatives**”), or otherwise, and shall not permit any such Person to:
  - (a) solicit, assist, initiate, encourage or otherwise facilitate, (including by way of furnishing or providing copies of, access to, or disclosure of, any confidential information, properties, facilities, books or records of such Party or entering into any form of agreement, arrangement or understanding) any inquiry, proposal or offer that constitutes or may reasonably be expected to constitute or lead to, an Acquisition Proposal;
  - (b) enter into or otherwise engage or participate in any discussions or negotiations with any Person (other than the other Party) regarding any inquiry, proposal or offer that constitutes or may reasonably be expected to constitute or lead to, an Acquisition Proposal; or
  - (c) make a change to the recommendations of the 51st Board and the Target Board in respect of the Arrangement.
- (2) Each Party shall, and shall cause its Representatives to, immediately cease and terminate, and cause to be terminated, any solicitation, encouragement, discussion, negotiations, or other activities commenced prior to the date of this Agreement with any Person (other than the other Party) with respect to any inquiry, proposal or offer that constitutes, or may reasonably be expected to constitute or lead to, an Acquisition Proposal, and in connection therewith each Party shall, within two Business Days of the date hereof, to the extent it is permitted to do so, request, and exercise all rights it has to require (a) the return or destruction of all copies of any confidential information regarding such Party provided to any such Person other than the other Party; and (b) the destruction of all material including or incorporating or otherwise reflecting such confidential information regarding such Party, to the extent that such information has not previously been returned or destroyed, using its commercially reasonable efforts to ensure that such requests are fully complied with in accordance with the terms of such rights or entitlements.
- (3) Each Party represents and warrants that it has not waived any confidentiality, standstill or similar agreement or restriction to which it is a party relating to an Acquisition Proposal, and covenants and agrees that: (a) it shall take all necessary action to enforce each confidentiality, standstill, use, business purpose or similar agreement or restriction to which it is a party; and (b) neither it nor any of its Representatives will, without the

prior written consent of the other Party (which may be withheld or delayed in the other Party's sole and absolute discretion), release any Person from, or waive, amend, suspend or otherwise modify such Person's obligations respecting such Party, under any confidentiality, standstill, use, business purpose or similar agreement or restriction to which it is a party, it being acknowledged and agreed that the automatic termination of any standstill provisions of any such agreement or restriction as a result of entering into an announcement of this Agreement by such Party pursuant to the express terms of any such agreement or restriction, shall not be a violation of this Section 5.1.

## **Section 5.2 Breach by Subsidiaries and Representatives**

Without limiting the generality of the foregoing, each Party shall advise its subsidiaries and their respective Representatives of the prohibitions set forth in this Article 5 and any violation of the restrictions set forth in this Article 5 by a Party, its subsidiaries or their respective Representatives is deemed to be a breach of this Article 5 by such Party.

## **ARTICLE 6 CONDITIONS**

### **Section 6.1 Mutual Conditions Precedent**

The Parties are not required to complete the Arrangement unless each of the following conditions is satisfied, which conditions may only be waived, in whole or in part, by the mutual consent of each of the Parties:

- (1) the Target Resolution has been approved and adopted by the Target Shareholders at the Target Meeting;
- (2) the 51st Parallel Arrangement Resolution has been approved and adopted by the 51st Parallel Shareholders at the 51st Parallel Meeting in accordance with the Interim Order;
- (3) the Interim Order and the Final Order have each been obtained on terms consistent with this Agreement, and have not been set aside or modified in a manner unacceptable to the Parties, each acting reasonably, on appeal or otherwise;
- (4) the Subscription Receipt Financing shall have been completed for minimum gross proceeds to 51st Parallel of no less than \$42,000,000;
- (5) the GCH Transaction shall have been completed;
- (6) the Exchange Approval shall have been obtained; and
- (7) no Law is in effect that makes the consummation of the Arrangement illegal or otherwise prohibits or enjoins 51st Parallel or Target from consummating the Arrangement.

### **Section 6.2 Conditions Precedent to the Obligations of 51st Parallel**

51st Parallel is not required to complete the Arrangement unless each of the following conditions is satisfied, which conditions are for the exclusive benefit of 51st Parallel and may only be waived, in whole or in part, by 51st Parallel, in its sole discretion:

- (1) **Representations and Warranties.** The representations and warranties of Target made in or pursuant to this Agreement shall be true and correct in all material respects as of the date of this Agreement and as of the Effective Time (except to the extent that such representations and warranties speak as of an earlier date, in which event such representations and warranties shall be true and correct in all material respects as of such earlier date) except for those representations and warranties that are qualified by the expression “material”, “material adverse change” or “Material Adverse Effect”, which shall be true and correct as of the date of this Agreement and as of the Effective Time (except to the extent that such representations and warranties speak as of an earlier date, in which event such representations and warranties shall be true and correct as of such earlier date).
- (2) **Performance of Covenants.** Target has fulfilled or complied in all material respects with each of the covenants of Target contained in this Agreement to be fulfilled or complied with by them on or prior to the Effective Time.
- (3) **No Legal Action.** There is no action or proceeding (whether, for greater certainty, by a Governmental Entity or any other Person other than 51st Parallel or the 51st Parallel Subsidiaries) pending or threatened in any jurisdiction to:
  - (a) cease trade, enjoin, prohibit, or impose any limitations, damages or conditions on, 51st Parallel’s ability to acquire, hold, or exercise full rights of ownership over, any Target Shares, including the right to vote the Target Shares;
  - (b) prohibit or restrict the Arrangement, or the ownership or operation by 51st Parallel of a material portion of the business or assets of 51st Parallel, or compel 51st Parallel to dispose of or hold separate any material portion of the business or assets of 51st Parallel as a result of the Arrangement; or
  - (c) prevent or materially delay the consummation of the Arrangement, or if the Arrangement is consummated, have a Material Adverse Effect.
- (4) **Approvals.** All Regulatory Approvals and all other third party consents, waivers, permits, orders and approvals that are necessary, proper or advisable to consummate the Arrangement and the failure of which to obtain individually or in the aggregate, would be reasonably expected to have a Material Adverse Effect, shall have been obtained or received on terms that are acceptable to 51st Parallel, acting reasonably.
- (5) **Mutual Releases.** Each of the directors and officers of Target shall have provided his resignation and each such director and officer shall have delivered a mutual release in favour of 51st Parallel and Target, in a form satisfactory to 51st Parallel, acting reasonably.
- (6) **Material Adverse Effect.** Since the date of this Agreement, there shall have not occurred and be continuing a Material Adverse Effect with respect to Target.

### **Section 6.3 Conditions Precedent to the Obligations of Target**

Target is not required to complete the Arrangement unless each of the following conditions is satisfied, which conditions are for the exclusive benefit of Target and may only be waived, in whole or in part, by Target, in its sole discretion:

- (1) **Representations and Warranties.** The representations and warranties of 51st Parallel made in or pursuant to this Agreement shall be true and correct in all material respects as of the date of this Agreement and as of the Effective Time (except to the extent that such representations and warranties speak as of an earlier date, in which event such representations and warranties shall be true and correct in all material respects as of such earlier date) except for those representations and warranties that are qualified by the expression “material”, “material adverse change” or “Material Adverse Effect”, which shall be true and correct as of the date of this Agreement and as of the Effective Time (except to the extent that such representations and warranties speak as of an earlier date, in which event such representations and warranties shall be true and correct as of such earlier date).
- (2) **Performance of Covenants.** 51st Parallel has fulfilled or complied in all material respects with each of the covenants of 51st Parallel contained in this Agreement to be fulfilled or complied with by them on or prior to the Effective Time.
- (3) **No Legal Action.** There is no action or proceeding (whether, for greater certainty, by a Governmental Entity or any other Person other than Target or the Target Subsidiaries) pending or threatened in any jurisdiction to:
  - (a) prohibit or restrict the Arrangement, or the ownership or operation by Target of a material portion of the business or assets of Target, or compel Target to dispose of or hold separate any material portion of the business or assets of Target as a result of the Arrangement; or
  - (b) prevent or materially delay the consummation of the Arrangement, or if the Arrangement is consummated, have a Material Adverse Effect.
- (4) **Approvals.** All Regulatory Approvals and all other third party consents, waivers, permits, orders and approvals that are necessary, proper or advisable to consummate the Arrangement and the failure of which to obtain individually or in the aggregate, would be reasonably expected to have a Material Adverse Effect, shall have been obtained or received on terms that are acceptable to Target, acting reasonably.
- (5) **Mutual Releases.** Each of the directors and officers of 51st Parallel shall have provided his resignation and each such director and officer shall have delivered a mutual release in favour of 51st Parallel and Target, in a form satisfactory to Target, acting reasonably.
- (6) **Employee Obligations.** The amounts payable in connection with the 51st Parallel Employee Obligations shall not exceed the respective amounts therefor set forth in the 51st Parallel Disclosure Letter.
- (7) **Material Adverse Effect.** Since the date of this Agreement, there shall have not occurred and be continuing a Material Adverse Effect with respect to 51st Parallel.

## **ARTICLE 7 TERM AND TERMINATION**

### **Section 7.1 Term**

This Agreement shall be effective from the date hereof until the earlier of the Effective Date and the termination of this Agreement in accordance with its terms.

### **Section 7.2 Termination**

- (1) This Agreement may be terminated prior to the Effective Time by:
  - (a) the mutual written agreement of the Parties; or
  - (b) either 51st Parallel or Target if:
    - (i) the 51st Parallel Arrangement Resolution is not obtained at the 51st Parallel Meeting in accordance with the Interim Order, provided that a Party may not terminate this Agreement pursuant to this Section if the failure to obtain the 51st Parallel Arrangement Resolution approval 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;
    - (ii) the Target Resolution is not obtained at the Target Meeting, provided that a Party may not terminate this Agreement pursuant to this Section if the failure to obtain the Target Resolution Approval 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;
    - (iii) after the date of this Agreement, any Law is enacted, made, enforced or amended, as applicable, that makes the consummation of the Arrangement illegal or otherwise permanently prohibits or enjoins 51st Parallel or Target from consummating the Arrangement, and such Law has, if applicable, become final and non-appealable, provided the Party seeking to terminate this Agreement pursuant to this Section 7.2(1)(b)(i) has used its commercially reasonable efforts to, as applicable, appeal or overturn such Law or otherwise have it lifted or rendered non-applicable in respect of the Arrangement;
    - (iv) the Effective Time does not occur on or prior to the Outside Date, provided that a Party may not terminate this Agreement pursuant to this Section 7.2(1)(b)(iv) if the failure of the Effective Time to so occur 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; or
    - (v) any other Party breaches Article 5 in any material respect; or
  - (c) 51st Parallel if:

- (i) a breach of any representation or warranty or failure to perform any covenant or agreement on the part of Target under this Agreement occurs that would cause any condition in Section 6.2(1) or Section 6.2(2) not to be satisfied, and such breach or failure is incapable of being cured on or prior to the Outside Date or is not cured in accordance with the terms of Section 4.7(3)); provided that 51st Parallel is not then in breach of this Agreement so as to directly or indirectly cause any condition in Section 6.3(1) or Section 6.3(2) not to be satisfied; or
  - (ii) since the date of this Agreement, there has occurred and is continuing a Material Adverse Effect with respect to Target;
- (d) Target if:
- (i) a breach of any representation or warranty or failure to perform any covenant or agreement on the part of 51st Parallel under this Agreement occurs that would cause any condition in Section 6.3(1) or Section 6.3(2) not to be satisfied, and such breach or failure is incapable of being cured on or prior to the Outside Date or is not cured in accordance with the terms of Section 4.7(3)); provided that Target is not then in breach of this Agreement so as to directly or indirectly cause any condition in Section 6.2(1) or Section 6.2(2) not to be satisfied; or
  - (ii) since the date of this Agreement, there has occurred and is continuing a Material Adverse Effect with respect to 51st Parallel.
- (2) The Party desiring to terminate this Agreement pursuant to this Section 7.2 (other than pursuant to Section 7.2(1)(a)) shall give written notice of such termination to the other Party, specifying in reasonable detail the basis for such Party's exercise of its termination right.

### **Section 7.3 Effect of Termination/Survival**

If this Agreement is terminated pursuant to Section 7.1 or Section 7.2, this Agreement shall become void and of no further force or effect without liability of any Party (or any shareholder, director, officer, employee, agent, consultant or representative of such Party) to any other Party to this Agreement, except that in the event of termination under Section 7.1, Section 7.2, this Section 7.3, Section 8.1(1), Section 8.2, Section 8.6, Section 8.7, Section 8.11 and Section 8.12 shall survive, and provided further that no Party shall be relieved of any liability for any wilful and material breach by it of this Agreement.

## **ARTICLE 8 GENERAL PROVISIONS**

### **Section 8.1 Amendments**

- (1) This Agreement supersedes all previous agreements and states the entire agreement between the Parties concerning the Arrangement.
- (2) This Agreement may be amended only by written instrument signed by all Parties.

## **Section 8.2 Expenses**

Each Party shall pay its costs and expenses incurred in connection with the preparation, execution and delivery of this Agreement and the Arrangement and all documents and instruments executed pursuant to this Agreement.

## **Section 8.3 Notices**

Any notice, or other communication given regarding the matters contemplated by this Agreement (must be in writing, sent by personal delivery, courier or electronic means and addressed:

(a) to 51st Parallel at:

51st Parallel Inc.  
Suite 300, 407-3<sup>rd</sup> St. S.W.  
Calgary, Alberta

Attention: Chief Executive Officer  
Telephone: [redacted – confidential information]  
Email: [redacted – confidential information]

(b) to Target at:

Target Capital Inc.  
Suite 300, 407 – 3<sup>rd</sup> Street S.W.  
Calgary, Alberta T2P 4Z2

Attention: Executive Vice President, Corporate Development  
Telephone: [redacted – confidential information]  
Email: [redacted – confidential information]

Any notice or other communication is deemed to be given and received (a) if sent by personal delivery, same day courier or email, on the date of delivery if it is a Business Day and the delivery was made prior to 4:30 p.m. (local time in place of receipt) and otherwise on the next Business Day or (b) if sent by overnight courier, on the next Business Day. A Party may change its address for service from time to time by providing a notice in accordance with the foregoing. Any subsequent notice or other communication must be sent to the Party at its changed address. Any element of a Party's address that is not specifically changed in a notice will be assumed not to be changed. Sending a copy of a notice or other communication to a Party's legal counsel as contemplated above is for information purposes only and does not constitute delivery of the notice or other communication to that Party. The failure to send a copy of a notice or other communication to legal counsel does not invalidate delivery of that notice or other communication to a Party.

## **Section 8.4 Time of the Essence.**

Time is of the essence in this Agreement.

### **Section 8.5 Injunctive Relief.**

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 specific performance injunctive and other equitable relief to prevent breaches of this Agreement, and to enforce compliance with the terms of this Agreement without any requirement for the securing or posting of any bond in connection with the obtaining of any such injunctive or other equitable relief, this being in addition to any other remedy to which the Parties may be entitled at law or in equity.

### **Section 8.6 Third Party Beneficiaries.**

- (1) Except as provided in Section 2.7 which, without limiting their terms, are intended as stipulations for the benefit of the third Persons mentioned in such provisions (such third Persons referred to in this Section 8.6 as the “**Indemnified Persons**”), the Parties intend that this Agreement will not benefit or create any right or cause of action in favour of any Person, other than the Parties and that no Person, other than the Parties, shall be entitled to rely on the provisions of this Agreement in any action, suit, proceeding, hearing or other forum.
- (2) Despite the foregoing, each of the Parties acknowledge to each of the Indemnified Persons their direct rights against it under Section 2.7 of this Agreement, which are intended for the benefit of, and shall be enforceable by, each Indemnified Person, his or her heirs and his or her legal representatives. The Parties reserve their right to vary or rescind the rights at any time and in any way whatsoever, if any, granted by or under this Agreement to any Person who is not a Party, without notice to or consent of that Person, including any Indemnified Person.

### **Section 8.7 Waiver.**

No waiver of any of the provisions of this Agreement will constitute a waiver of any other provision (whether or not similar). No waiver will be binding unless executed in writing by the Party to be bound by the waiver. A Party's failure or delay in exercising any right under this Agreement will not operate as a waiver of that right. A single or partial exercise of any right will not preclude a Party from any other or further exercise of that right or the exercise of any other right.

### **Section 8.8 Entire Agreement.**

This Agreement, including the Schedules hereto, the 51st Parallel Disclosure Letter, the Target Disclosure Letter and the Confidentiality Agreement constitute the entire agreement between the Parties with respect to the Arrangement and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, of the Parties. There are no representations, warranties, covenants, conditions or other agreements, express or implied, collateral, statutory or otherwise, between the Parties in connection with the subject matter of this Agreement, except as specifically set forth in this Agreement. The Parties have not relied and are not relying on any other information, discussion or understanding in entering into and completing the Arrangement.

**Section 8.9 Successors and Assigns.**

- (1) This Agreement becomes effective only when executed by 51st Parallel and Target. After that time, it will be binding upon and enure to the benefit of 51st Parallel, Target and their respective successors and permitted assigns.
- (2) Neither this Agreement nor any of the rights or obligations under this Agreement are assignable or transferable by any Party without the prior written consent of the other Party.

**Section 8.10 Severability.**

If any provision of this Agreement is determined to be illegal, invalid or unenforceable by an arbitrator or any court of competent jurisdiction, that provision will be severed from this Agreement and the remaining provisions shall remain in full force and effect. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the Parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in an acceptable manner to the end that the Arrangement are fulfilled to the fullest extent possible.

**Section 8.11 Governing Law.**

- (1) This Agreement will be governed by and interpreted and enforced in accordance with the laws of the Province of Alberta and the federal laws of Canada applicable therein.
- (2) Each Party irrevocably attorns and submits to the non-exclusive jurisdiction of the Alberta courts situated in the City of Calgary and waives objection to the venue of any proceeding in such court or that such court provides an inconvenient forum.

**Section 8.12 Rules of Construction.**

The Parties to this Agreement waive the application of any Law or rule of construction providing that ambiguities in any agreement or other document shall be construed against the Party drafting such agreement or other document.

**Section 8.13 Counterparts.**

This Agreement may be executed in any number of counterparts (including counterparts by facsimile) and all such counterparts taken together shall be deemed to constitute one and the same instrument. The Parties shall be entitled to rely upon delivery of an executed facsimile or similar executed electronic copy of this Agreement, and such facsimile or similar executed electronic copy shall be legally effective to create a valid and binding agreement between the Parties.

***[remainder of page intentionally left blank]***

**IN WITNESS WHEREOF** the Parties have executed this Arrangement Agreement as of the date first written above.

**51ST PARALLEL INC.**

By: (signed) "Jason Kujath"  
Jason Kujath  
President

**TARGET CAPITAL INC.**

By: (signed) "William Macdonald"  
William Macdonald  
Executive Vice President, Corporate  
Development

## Schedule A

### 51st Parallel Arrangement Resolution

BE IT RESOLVED AS A SPECIAL RESOLUTION OF THE HOLDERS OF COMMON SHARES OF 51ST PARALLEL INC. ("**51ST PARALLEL**") THAT:

1. the arrangement under Section 193 of the *Business Corporations Act* (Alberta) (the "**Arrangement**") substantially as set forth in the plan of arrangement (the "**Plan of Arrangement**") attached as Appendix • to the joint management information circular of 51st Parallel and Target Capital Inc. ("**Target**") dated •, 2018 (the "**Information Circular**") accompanying the notice of meeting of 51st Parallel is hereby authorized, approved, ratified and confirmed;
2. the arrangement agreement between 51st Parallel and Target dated July 23, 2018 (the "**Arrangement Agreement**"), a copy of which is attached as Appendix • to the Information Circular, with such amendments or variations thereto made in accordance with the terms of the Arrangement Agreement as may be approved by the persons referred to in paragraph 4 hereof, such approval to be evidenced conclusively by their execution and delivery of any such amendments or variations, is hereby authorized, approved, ratified and confirmed;
3. notwithstanding that this resolution has been duly passed and/or has received the approval of the Court of Queen's Bench of Alberta, the board of directors of 51st Parallel may, without further notice to or approval of the securityholders of 51st Parallel, subject to the terms of the Arrangement Agreement and the Arrangement, (i) amend or terminate the Arrangement Agreement or the Plan of Arrangement, or (ii) revoke this resolution at any time prior to the filing of articles of arrangement giving effect to the Arrangement;
4. any director or officer of 51st Parallel is hereby authorized, for and on behalf of 51st Parallel, to execute and deliver articles of arrangement and to execute, with or without the corporate seal, and, if appropriate, deliver all other documents and instruments and to do all other things as in the opinion of such director or officer may be necessary or desirable to implement this resolution and the matters authorized hereby, such determination to be conclusively evidenced by the execution and delivery of any such document or instrument, and the taking of any such action; and
5. all actions heretofore taken by or on behalf of 51st Parallel in connection with any matter referred to in any of the foregoing resolutions which were in furtherance of the Arrangement are hereby approved, ratified and confirmed in all respects.

## Schedule B

### PLAN OF ARRANGEMENT UNDER SECTION 193 OF THE *BUSINESS CORPORATIONS ACT (ALBERTA)*

#### ARTICLE 1 INTERPRETATION

##### 1.1 Definitions

In this Plan of Arrangement, the following terms have the following meanings:

“**51st Parallel**” means 51st Parallel Inc., a corporation existing under the ABCA;

“**51st Parallel Meeting**” means the special meeting of 51st Parallel Shareholders to consider, among other things, the Arrangement Resolution and related matters, and any adjournment thereof;

“**51st Parallel Shareholders**” means the holders of 51st Parallel Shares;

“**51st Parallel Shares**” means common shares in the capital of 51st Parallel;

“**ABCA**” means the *Business Corporations Act (Alberta)*;

“**Amalco**” means the corporation resulting from the amalgamation of 51st Parallel and Target pursuant to subsection 2.2(d) hereof;

“**Applicable Laws**” means in relation to any Person, transaction or event, all applicable laws, statutes, rules, regulations, directives, published guidelines, standards, codes of practice, treaties, by-laws, ordinances, rules of applicable stock exchanges and applicable securities laws, including the rules, regulations, notices, instruments, blanket orders, judgments, orders, rulings, decrees, directives, writs and policies of, and the terms and conditions of any grant of approval, permission, authority or license of, any governmental or regulatory authority, and by which such Person or its business, properties, assets, undertaking or securities is or are bound or subject;

“**Arrangement**” means the arrangement pursuant to section 193 of the ABCA, on the terms and conditions set forth in this Plan of Arrangement as supplemented, modified or amended;

“**Arrangement Agreement**” means the arrangement agreement dated July 23, 2018 between Target and 51st Parallel with respect to the Arrangement as supplemented, modified or amended in accordance with the Plan;

“**Arrangement Resolution**” means the special resolution of 51st Parallel Shareholders to be considered at the 51st Parallel Meeting approving the Arrangement;

“**Articles of Arrangement**” means the articles of arrangement in respect of the Arrangement required under subsection 193(10) of the ABCA to be filed with the Registrar after the Final Order has been granted, giving effect to the Arrangement;

**“Business Day”** means any day other than Saturday, Sunday or a statutory holiday in the Province of Alberta;

**“Certificate”** means the certificate, certificates or other confirmation of filing to be issued by the Registrar pursuant to subsection 193(11) of the ABCA in respect of the Articles of Arrangement;

**“Court”** means the Court of Queen’s Bench of Alberta;

**“Depository”** means AST Trust Company (Canada) or such other person that may be appointed by Target for the purpose of receiving deposits of certificates formerly representing 51st Parallel Shares in connection with the Arrangement;

**“Dissent Rights”** has the meaning set forth in section 3.1 of this Plan of Arrangement;

**“Dissent Shares”** means 51st Parallel Shares held by Dissenting Shareholders;

**“Dissenting Shareholder”** means a registered 51st Parallel Shareholder who has duly and validly exercised its Dissent Rights in respect of all of the holder’s 51st Parallel Shares and has not withdrawn or been deemed to have withdrawn such exercise of Dissent Rights;

**“Effective Date”** means the date the Arrangement becomes effective pursuant to the ABCA;

**“Effective Time”** means the time at which the Articles of Arrangement are filed with the Registrar on the Effective Date;

**“Final Order”** means the final order of the Court approving the Arrangement pursuant to paragraph 193(9)(a) of the ABCA, as such order may be affirmed, amended or modified by any court of competent jurisdiction;

**“Interim Order”** means the interim order of the Court pursuant to subsection 193(4) of the ABCA concerning the Arrangement, as such order may be affirmed, amended or modified by any court of competent jurisdiction;

**“Letter of Transmittal”** means the letter of transmittal to be used by registered 51st Parallel Shareholders to surrender the certificates formerly representing their 51st Parallel Shares in order to receive certificates for the Target Shares issued to them pursuant to the Arrangement;

**“Person”** means any individual, partnership, limited partnership, joint venture, trust, body corporate, unincorporated organization, committee, government or agency, or instrumentality thereof, or any other entity howsoever designated or constituted, including any governmental authority;

**“Registrar”** means the Registrar of Corporations for the Province of Alberta duly appointed under section 263 of the ABCA;

**“Target”** means Target Capital Inc., a corporation existing under the ABCA;

**“Target Shares”** means common shares in the capital of Target; and

**“Tax Act”** means the *Income Tax Act* (Canada).

## 1.2 Sections and Headings

The division of this Plan of Arrangement into articles, sections and subsections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Plan of Arrangement. Unless reference is specifically made to some other document or instrument, all references herein to articles, sections and subsections are to articles, sections and subsections of this Plan of Arrangement.

### **1.3 Number, Gender and Persons**

Unless the context otherwise requires, words importing the singular number shall include the plural and vice versa; words importing any gender shall include all genders; and words importing persons shall include individuals, partnerships, associations, corporations, funds, unincorporated organizations, governments, regulatory authorities, and other entities.

### **1.4 Statutory References**

References in this Plan of Arrangement to any statute or sections thereof shall include such statute as amended or substituted and any regulations promulgated thereunder from time to time in effect.

### **1.5 Date for Any Action**

In the event that the date on which any action is required to be taken hereunder by any of the parties is not a Business Day, such action shall be required to be taken on the next succeeding day which is a Business Day.

## **ARTICLE 2 THE ARRANGEMENT**

### **2.1 Effect of Arrangement**

This Plan of Arrangement is made pursuant and subject to the provisions of the Arrangement Agreement. The Articles of Arrangement and Certificate shall be filed and issued, respectively, with respect to this Plan of Arrangement in its entirety. The Certificate shall be conclusive evidence that the Arrangement has become effective and is binding on all persons and that each of the provisions of section 2.2 hereof has become effective in the sequence set out therein.

### **2.2 Arrangement**

Commencing at the Effective Time, each of the events and transactions set out below shall occur and shall be deemed to occur in the following order without any further act or formality:

- (a) the Dissent Shares held by Dissenting Shareholders shall be transferred by the holders thereof to 51st Parallel (free and clear of all liens, claims and encumbrances) and cancelled and such Dissenting Shareholders shall cease to

have any rights as 51st Parallel Shareholders, other than the right to be paid the fair value of their 51st Parallel Shares in accordance with the Dissent Rights;

- (b) all of the issued and outstanding 51st Parallel Shares (other than any 51st Parallel Shares beneficially owned by and registered in the name of Target) shall be transferred by the holders thereof to Target (free and clear of all liens, claims and encumbrances) and Target shall issue to each 51st Parallel Shareholder whose 51st Parallel Shares have been so transferred • Target Shares for every one 51st Parallel Share so transferred, subject to section 2.3;
- (c) the stated capital account maintained by 51st Parallel for the issued and outstanding 51st Parallel Shares will be reduced, without repayment of capital, to \$1.00 in aggregate;
- (d) Target and 51st Parallel shall be amalgamated and continued as one corporation under the ABCA to form Amalco in accordance with the following:
  - (i) *Name.* The name of Amalco shall be “LivWell International Corp.”;
  - (ii) *Registered Office.* The registered office of Amalco shall be the registered office of 51st Parallel;
  - (iii) *Share Provisions.* Amalco shall be authorized to issue an unlimited number of common shares;
  - (iv) *Restrictions on Transfer.* There shall be no restrictions on the transfer of shares of Amalco;
  - (v) *Other Provisions.* The other provisions forming part of the articles of Amalco shall be those of Target, *mutatis mutandis*;
  - (vi) *Directors and Officers.*
    - (A) Minimum and Maximum. The directors of Amalco shall, until otherwise changed in accordance with the ABCA, consist of a minimum number of two directors and a maximum number of ten directors;
    - (B) Initial Directors. The number of directors on the board of directors shall initially be set at five and the initial directors of Amalco shall be: John Lord; Dean Heizer; Andy Williams; Jason Kujath; and Ron Hozjan; and
    - (C) Initial Officers. The initial officers of Amalco shall be: John Lord, Chief Executive Officer; Michael Lord, Chief Operating Officer; David Cheadle, Vice President Finance and Chief Financial Officer; and Sanjib Gill, Corporate Secretary;

- (ii) *Business and Powers.* There shall be no restrictions on the business Amalco may carry on or on the powers it may exercise;
- (iii) *Stated Capital.* The aggregate stated capital of the common shares in the capital of Amalco will be an amount equal to the aggregate stated capital of the Target Shares immediately before the amalgamation;
- (iv) *By-laws.* The by-laws of Amalco shall be the by-laws of Target, *mutatis mutandis*;
- (v) *Effect of Amalgamation.* The provisions of subsections 186(b), (c), (d), (e) and (f) of the ABCA shall apply to the amalgamation with the result that:
  - (A) all of the property of each of Target and 51st Parallel shall continue to be the property of Amalco;
  - (B) Amalco shall continue to be liable for all of the obligations of each of Target and 51st Parallel;
  - (C) any existing cause of action, claim or liability to prosecution of Target or 51st Parallel shall be unaffected;
  - (D) any civil, criminal or administrative action or proceeding pending by or against Target or 51st Parallel may be continued to be prosecuted by or against Amalco; and
  - (E) a conviction against, or ruling, order or judgment in favour of or against, Target or 51st Parallel may be enforced by or against Amalco;
- (vi) *Articles.* The Articles of Arrangement filed shall be deemed to be the articles of amalgamation of Amalco and the Certificate issued in respect of such Articles of Arrangement by the Registrar under the ABCA which gives effect to the Arrangement shall be deemed to be the certificate of amalgamation of Amalco;
- (vii) *Inconsistency with Laws.* To the extent any of the provisions of this Plan of Arrangement is deemed to be inconsistent with Applicable Laws, this Plan of Arrangement shall be automatically adjusted to remove such inconsistency;
- (viii) *No Issuance of Securities.* On the amalgamation, no securities shall be issued by Amalco and, for greater certainty, the Target Shares shall survive and continue to be shares of Amalco without amendment; and
- (ix) *Cancellation of Securities.* On the amalgamation, all of the 51st Parallel Shares held by Target immediately prior to the amalgamation shall be cancelled without any payment in respect of such Target Shares.

## 2.3 Fractional Shares

Notwithstanding anything contained herein, no fractional Target Shares will be issued under this Plan of Arrangement. Where the aggregate number of Target Shares issuable to a former registered 51st Parallel Shareholder pursuant to section 2.2(b) would result in a fraction of a Target Share being issuable, such former 51st Parallel Shareholder shall receive, in lieu of such fractional share, the nearest whole number of Target Shares, as applicable. For greater certainty where such fractional interest is greater than or equal to 0.5, the number of Target Shares to be issued will be rounded up to the nearest whole number and where such fractional interest is less than 0.5, the number of Target Shares to be issued will be rounded down to the nearest whole number. In calculating such fractional interests, all former 51st Parallel Shares registered in the name of such former 51st Parallel Shareholder shall be aggregated without regard to any underlying beneficial ownership of such former 51st Parallel Shares.

## 2.4 Ownership and Registration

Upon the transfers pursuant to section 2.2:

- (a) Target shall become the legal and beneficial owner of the 51st Parallel Shares transferred pursuant to section 2.2(b), free and clear of any liens, claims or encumbrances, and Target's name shall be added to the register of holders of 51st Parallel Shares as the sole registered holder of all such 51st Parallel Shares; and
- (b) the names of the former holders of all such 51st Parallel Shares transferred to Target and of the Dissent Shares shall be removed from the register of holders of 51st Parallel Shares with respect to all such 51st Parallel Shares.

## ARTICLE 3 DISSENT RIGHTS

**3.1** Each registered 51st Parallel Shareholder may exercise rights of dissent with respect to the 51st Parallel Shares held by such registered 51st Parallel Shareholder in connection with the Arrangement pursuant to and in the manner set forth in section 191 of the ABCA, as modified by the Interim Order and this Article 3 ("**Dissent Rights**"), provided that registered 51st Parallel Shareholders who exercise such Dissent Rights and who:

- (a) are ultimately entitled to be paid fair value for their 51st Parallel Shares shall: (i) be deemed not to have participated in the transactions in section 2.2(b); (ii) be paid an amount equal to such fair value by 51st Parallel; (iii) not be entitled to any other payment or consideration, and (iv) be deemed to have transferred their respective 51st Parallel Shares to 51st Parallel for cancellation at the Effective Time in accordance with section 2.2(a); or
- (b) are ultimately not entitled, for any reason, to be paid fair value for their 51st Parallel Shares shall: (i) be deemed to have participated in the Arrangement, as of the Effective Time, on the same basis as a non-dissenting holder of 51st Parallel Shares; and (ii) be entitled to receive only the consideration contemplated in section 2.2(b) that such 51st Parallel Shareholders would have

received pursuant to the Arrangement if such 51st Parallel Shareholders had not exercised Dissent Rights,

and, notwithstanding the provisions of section 191 of the ABCA, in no event shall Target, 51st Parallel or any other person be required to recognize any 51st Parallel Shareholders who exercise Dissent Rights as 51st Parallel Shareholders after the Effective Time.

**3.2** The fair value of the 51st Parallel Shares shall be determined as of the close of business on the last Business Day before the day on which the Arrangement Resolution is approved by the 51st Parallel Shareholders at the 51st Parallel Meeting.

**3.3** For greater certainty, in addition to any other restrictions in section 191 of the ABCA, any person who has voted (including by way of instructing a proxy holder to vote) their 51st Parallel Shares in favour of the Arrangement Resolution shall not be entitled to exercise Dissent Rights. In addition, a Dissenting Shareholder may only exercise Dissent Rights in respect of all, and not less than all, of its 51st Parallel Shares.

**3.4** Notwithstanding subsection 191(5) of the ABCA, the written objection to the Arrangement Resolution referred to in subsection 191(5) of the ABCA must be received in accordance with the Interim Order by 51st Parallel no later than 4:00 p.m. (Calgary time) on the second Business Day immediately preceding the day of the 51st Parallel Meeting.

## **ARTICLE 4 OUTSTANDING CERTIFICATES AND PAYMENT**

### **4.1 Rights of Holders**

Until deposited as contemplated by section 4.2, each certificate that immediately prior to the Effective Time represented 51st Parallel Shares shall be deemed after the Effective Time to represent only the right to receive, upon such deposit, the Target Shares to which the former holders of such 51st Parallel Shares are entitled under the Arrangement or, as to those formerly held by Dissenting Shareholders, other than those Dissenting Shareholders deemed to have participated in the Arrangement pursuant to section 3.1(b), to receive the fair value of the 51st Parallel Shares represented by such certificates.

### **4.2 Transmittal**

- (a) Target shall cause the Depositary to, as soon as practicable following the later of the Effective Date and the date of deposit by a former holder of 51st Parallel Shares of a duly completed Letter of Transmittal, the certificates representing such 51st Parallel Shares and such other documents and instruments as the Depositary may reasonably require, either: (i) forward or cause to be forwarded by first class mail (postage prepaid) to such former holder at the address specified in the Letter of Transmittal; or (ii) if requested by such holder in the Letter of Transmittal, make available or cause to be made available at the Depositary for pickup by such holder, the certificates for Target Shares which such holder has the right to receive pursuant to the Arrangement, net of any applicable withholding taxes.

- (b) Target's transfer agent shall register: (i) Target Shares in the name of each former 51st Parallel Shareholder entitled thereto or as otherwise instructed in the Letter of Transmittal deposited by such former 51st Parallel Shareholder and shall deliver such shares in accordance with section 4.2(a) and the terms and conditions of the Letter of Transmittal.

#### **4.3 Lost Certificates**

In the event any certificate which immediately prior to the Effective Time represented one or more outstanding 51st Parallel Shares that were transferred to Target in accordance with section 2.2(b) hereof shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming such certificate to have been lost, stolen or destroyed, the Depository will issue and deliver in exchange for such lost, stolen or destroyed certificate a certificate representing the Target Shares which such holder is entitled to receive pursuant to section 2.2(b). The person to whom a certificate representing such Target Shares is to be delivered shall, as a condition precedent to such delivery, give a bond to Target and its transfer agent in form and substance satisfactory to Target and such transfer agent, or otherwise indemnify Target and the transfer agent, to the reasonable satisfaction of such parties, against any claim that may be made against any of them with respect to the certificate alleged to have been lost, stolen or destroyed.

#### **4.4 Distributions with Respect to Unsurrendered Certificates**

No dividend or other distribution declared or made after the Effective Time with respect to Target Shares with a record date after the Effective Time shall be delivered to the holder of any unsurrendered certificate that, immediately prior to the Effective Time, represented outstanding 51st Parallel Shares unless and until the holder of such certificate shall have complied with the provisions of section 4.2 or section 4.3. Subject to applicable law, at the time of such compliance, there shall, in addition to the delivery of a certificate representing the Target Shares to which such holder is thereby entitled, be delivered to such holder, without interest, the amount of the dividend or other distribution with a record date after the Effective Time theretofore paid with respect to such Target Shares.

#### **4.5 Termination of Rights**

Any certificate formerly representing 51st Parallel Shares that is not deposited with all other documents as required by this Plan of Arrangement on or before the last Business Day prior to the third anniversary of the Effective Date shall cease to represent a right or interest of or a claim by any former 51st Parallel Shareholder of any kind or nature against Target. On such date, the Target Shares to which the former holder of the certificate referred to in the preceding sentence was ultimately entitled shall be deemed to have been surrendered and forfeited to Target, together with all entitlements to dividends or distributions thereon held for such former registered holder, for no consideration, and such shares and rights shall thereupon be cancelled and the name of the former registered holder shall be removed from the register of holders of such shares.

## **ARTICLE 5 WITHHOLDINGS**

Target, 51st Parallel and the Depositary shall be entitled to deduct and withhold from any consideration otherwise payable to any former 51st Parallel Shareholder under this Plan of Arrangement, including from any amount payable to any Dissenting Shareholder or any dividend or other distribution payable pursuant to section 4.4, as the case may be, such amounts as Target is required to deduct and withhold from such consideration in accordance with the Tax Act, the United States Internal Revenue Code of 1986, or any other provision of any applicable law. Any such amounts will be deducted and withheld from the consideration payable pursuant to this Plan of Arrangement and shall be treated for all purposes as having been paid to the former 51st Parallel Shareholder in respect of which such deduction and withholding was made, provided that such withheld amounts are actually remitted to the appropriate taxing authority. To the extent that the amount so required to be deducted or withheld from any payment to a former 51st Parallel Shareholder exceeds the cash component, if any, of the consideration otherwise payable to the holder, each of Target and the Depositary is hereby authorized, for and on behalf of such holder, to sell or otherwise dispose of such portion of the Target Shares otherwise issuable to the holder as is necessary to provide sufficient funds to Target or the Depositary, as the case may be, to enable it to comply with such deduction or withholding requirement and Target or the Depositary shall notify the holder thereof and remit the applicable portion of the net proceeds of such sale to the appropriate taxing authority and shall remit to such holder any unapplied balance of the proceeds of such sale.

## **ARTICLE 6 AMENDMENTS**

**6.1** Target and 51st Parallel may amend, modify and/or supplement this Plan of Arrangement at any time and from time to time prior to the Effective Time, provided that each such amendment, modification and/or supplement must be: (a) set out in writing; (b) approved by both parties; (c) filed with the Court and, if made following the 51st Parallel Meeting, approved by the Court; and (d) communicated to 51st Parallel Shareholders if and as required by the Court (if so required).

**6.2** Any amendment, modification or supplement to this Plan of Arrangement may be proposed by Target or 51st Parallel at any time prior to or at the 51st Parallel Meeting (provided that the other party shall have consented thereto) with or without any other prior notice or communication, and if so proposed and accepted by the persons voting at the 51st Parallel Meeting (other than as may be required under the Interim Order), shall become part of this Plan of Arrangement for all purposes.

**6.3** Any amendment, modification or supplement to this Plan of Arrangement that is approved or directed by the Court following the 51st Parallel Meeting shall be effective only: (a) if it is consented to in writing by each of Target and 51st Parallel (each acting reasonably); and (b) if required by the Court, it is consented to by the 51st Parallel Shareholders, voting in the manner directed by the Court.

**6.4** Any amendment, modification or supplement to this Plan of Arrangement may be made following the Effective Date unilaterally by Target provided that it concerns a matter which, in the reasonable opinion of Target, is of an administrative nature required to better give effect to the implementation of this Plan of Arrangement.

**ARTICLE 7  
FURTHER ASSURANCES**

**7.1** Notwithstanding that the transactions and events set out herein shall occur and shall be deemed to occur in the order set out in this Plan without any further act or formality, each of the parties to the Arrangement Agreement shall make, do and execute, or cause to be made, done and executed, all such further acts, deeds, agreements, transfers, assurances, instruments or documents as may reasonably be required in order further to document or evidence any of the transactions or events set out herein.

## Schedule C

### Target Resolution

BE IT RESOLVED AS AN ORDINARY RESOLUTION OF THE HOLDERS OF COMMON SHARES OF TARGET CAPITAL INC. (“**TARGET**”) THAT:

1. the arrangement under Section 193 of the *Business Corporations Act* (Alberta) (the “**Arrangement**”) substantially as set forth in the plan of arrangement (the “**Plan of Arrangement**”) attached as Appendix • to the joint management information circular of Target and 51st Parallel Inc. (“**51st Parallel**”) dated •, 2018 (the “**Information Circular**”) accompanying the notice of meeting of Target is hereby authorized, approved, ratified and confirmed;
2. the arrangement agreement between Target and 51st Parallel dated July 23, 2018 (the “**Arrangement Agreement**”), a copy of which is attached as Appendix • to the Information Circular, with such amendments or variations thereto made in accordance with the terms of the Arrangement Agreement as may be approved by the persons referred to in paragraph 4 hereof, such approval to be evidenced conclusively by their execution and delivery of any such amendments or variations, is hereby authorized, approved, ratified and confirmed;
3. notwithstanding that this resolution has been duly passed and/or has received the approval of the Court of Queen’s Bench of Alberta, the board of directors of Target may, without further notice to or approval of the securityholders of Target, subject to the terms of the Arrangement Agreement and the Arrangement, (i) amend or terminate the Arrangement Agreement or the Plan of Arrangement, or (ii) revoke this resolution at any time prior to the filing of articles of arrangement giving effect to the Arrangement;
4. any director or officer of Target is hereby authorized, for and on behalf of Target, to execute and deliver articles of arrangement and to execute, with or without the corporate seal, and, if appropriate, deliver all other documents and instruments and to do all other things as in the opinion of such director or officer may be necessary or desirable to implement this resolution and the matters authorized hereby, such determination to be conclusively evidenced by the execution and delivery of any such document or instrument, and the taking of any such action; and
5. all actions heretofore taken by or on behalf of Target in connection with any matter referred to in any of the foregoing resolutions which were in furtherance of the Arrangement are hereby approved, ratified and confirmed in all respects.