

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

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

AND DOMENICO SERAFINO AS A PERSON INTERESTED IN THE  
MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF  
HYDRX FARMS LTD., CANNOSCIENCE INNOVATIONS INC. AND  
SCIENTUS PHARMA INC.

Applicant

**MOTION RECORD  
(Motion for a Determination of the Cobra Secured Indebtedness)**

April 23, 2021

**CASSELS BROCK & BLACKWELL LLP**  
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Lawyers for Cobra Ventures Inc.

**TO: SERVICE LIST**

**ONTARIO  
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IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,  
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# TAB 1



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

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HYDRX FARMS LTD., CANNOSCIENCE INNOVATIONS INC. AND  
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Applicant

**NOTICE OF MOTION  
(Motion for a Determination of the Cobra Secured Indebtedness)**

The moving party, Cobra Ventures Inc. ("**Cobra**") will make a motion to the Honourable Mr. Justice Hainey on April 30, 2021, at 11:00 a.m. or, alternatively, on a further date to be scheduled as provided below.

PROPOSED METHOD OF HEARING: The motion is to be heard by Zoom videoconference due to the COVID-19 crisis. Videoconference details are attached as **Schedule "A"** hereto.

THE MOTION IS FOR

- (a) An order declaring and confirming that
  - (i) the indebtedness owing by the debtor, HydRx Farms Ltd. ("**HydRx**"), to Cobra is in the amount of \$14,837,014.04, as at March 31, 2021, plus interest, fees and costs accrued and accruing thereafter (the "**Cobra Secured Indebtedness**") and that the Cobra Secured Indebtedness is secured by valid and enforceable security over all of HydRx's present and after-acquired real and personal property; and

- (ii) Cobra is entitled to credit bid up to the full amount of the Cobra Secured Indebtedness, including in any sale and investment solicitation process (“SISP”) approved in this *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c C-36, as amended (“CCAA”) proceeding; and
- (b) Such further and other relief as this Honourable Court may deem just.

THE GROUNDS FOR THE MOTION ARE:

### Overview

- (a) On March 22, 2021, on the application of Domenico Serafino (“**Serafino**”), as a interested person, this Honourable Court granted an initial order (the “**Initial Order**”) under the CCAA in respect of HydrRx and certain of its subsidiaries. Schwartz Levitsky Feldman Inc. was appointed as monitor (the “**Monitor**”) pursuant to the Initial Order.
- (b) Cobra brings this motion in its capacity as senior secured creditor of HydrRx for an expedited determination of the secured indebtedness owing by HydrRx to Cobra pursuant to an 8% senior secured convertible debenture in the principal amount of \$11,500,000 issued by HydrRx to Aphria Inc. and assigned to Cobra (the “**Senior Secured Debenture**”) and confirming Cobra’s entitlement to credit bid such secured indebtedness.
- (c) As of March 31, 2021, the Cobra Secured Indebtedness is in the amount of \$14,837,014.04, plus interest, fees, costs and expenses accrued and accruing thereafter, as more particularly described in the Affidavit of Richard Goldstein sworn on April 23, 2021 to be filed in connection with this Motion.
- (d) Cobra understands that the Monitor intends to seek Court approval for a SISP, well as the appointment of a Chief Restructuring Officer (“**CRO**”) for HydrRx. Both a SISP and the appointment of an appropriate and independent CRO are welcomed by Cobra and are desperately needed given the circumstances and issues

surrounding HydRx and this CCAA proceeding. Cobra has lost confidence with the current management team at HydRx.

- (e) Cobra is informed that Serafino intends to challenge the quantum of the Cobra Secured Indebtedness in some manner and that the Monitor believes that it is necessary to have any such issues resolved for the purposes of the SISP. However, Cobra has not been provided any specifics concerning the basis upon which Serafino believes that Cobra should not be entitled to collect the entire principal amount of the Senior Secured Debenture, plus interest, costs, fees and expenses.
- (f) Confirmation of the Cobra Secured Indebtedness and the resolution of any challenges thereto is critical to urgently proceed with the CCAA proceeding and any SISP, including for potential bidders in the SISP to know the amount of the secured debt owing by HydRx to Cobra before the deadline for parties to bid in the SISP.
- (g) Cobra therefore brings this motion seeking an expeditious determination of this issue by this Court in the CCAA proceeding and respectfully requests that this Honourable Court confirm the Cobra Secured Indebtedness, along with Cobra's entitlement to credit bid the Cobra Secured Indebtedness in the CCAA proceeding and the SISP.

**Hearing for this Motion**

- (h) In the event that a party has a bona fide objection to this Motion that cannot be resolved at the April 30, 2021 return date for the Motion, Cobra proposes that the Motion be adjourned to May 31, 2021 or such other date available as soon as possible thereafter and be adjudicated in accordance with the following litigation timetable:

<b>Event</b>	<b>Deadline</b>
Responding Motion Record(s) to be served	May 10, 2021

Cobra's Reply Motion Record, if any, to be served	May 14, 2021
Cross-examinations, if any	May 18-19, 2021
Cobra's Factum to be served	May 21, 2021
Responding Factum(s), if any, to be served	May 25, 2021
Cobra's Reply Factum, if any, to be served	May 28, 2021

**General**

- (i) The CCAA, including section 11 thereof;
- (j) Rules 1.04, 1.05, 2.03, 3.02, 16 and 37 of the *Rules of Civil Procedure*.
- (k) Such further and other grounds as the lawyers may advise and this Honourable Court may permit.

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

- (a) The affidavit of Richard Goldstein sworn April 23, 2021, to be filed;
- (b) The affidavit of Richard Goldstein sworn March 30, 2021, filed;
- (c) The affidavit of Richard Goldstein sworn March 29, 2021, filed; and
- (d) Such further and other evidence as the lawyers may advise and this Honourable Court may permit.

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April 23, 2021

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**TO: THE ATTACHED SERVICE LIST**

## SERVICE LIST

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AND TO:	<p><b>HEALTH CANADA</b></p> <p>Email: <a href="mailto:HC.licensing-cannabis-licences.SC@canada.ca">HC.licensing-cannabis-licences.SC@canada.ca</a>; <a href="mailto:robyn.blom@canada.ca">robyn.blom@canada.ca</a></p>
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AND TO:	<p><b>NATHANSON, SCHACHTER &amp; THOMPSON LLP</b> Suite 750 – 900 Howe Street Vancouver, BC V6Z 2M3</p> <p><b>Karen Carteri</b> <a href="mailto:kcarteri@nst.ca">kcarteri@nst.ca</a> Tel: 604-662-8875</p> <p><b>Emily Hansen</b> Tel: 604-558-8991 <a href="mailto:ehansen@nst.ca">ehansen@nst.ca</a></p> <p>Lawyers for Zidane Capital Corp.</p>

**SCHEDULE "A"**  
**ZOOM Videoconference Details**

Topic: In the Matter of a Plan of Compromise or Arrangement of Hydrx Farms Ltd. et al. - Court File No. CV-21-00659187-00CL - Hearing Before the Honourable Justice Hainey

Time: Apr 30, 2021 11:00 AM Eastern Time (US and Canada)

Join Zoom Meeting

<https://mindengross.zoom.us/j/92460658864?pwd=YVRnRXQzSTlWRUJBaVZJZkZhNG1lZz09>

Meeting ID: 924 6065 8864

Passcode: 176056

Sync.com Link: <https://ln.sync.com/dl/3520b4db0/gr2xvdew-esbqusds-4u7b348i-8mqb8edd>

One tap mobile

+13126266799,,92460658864#,,,,\*176056# US (Chicago)

+13462487799,,92460658864#,,,,\*176056# US (Houston)

Dial by your location

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+1 346 248 7799 US (Houston)

+1 669 900 6833 US (San Jose)

+1 929 205 6099 US (New York)

+1 253 215 8782 US (Tacoma)

+1 301 715 8592 US (Washington DC)

833 548 0276 US Toll-free

833 548 0282 US Toll-free

877 853 5247 US Toll-free

888 788 0099 US Toll-free

Meeting ID: 924 6065 8864

Passcode: 176056

Find your local number: <https://mindengross.zoom.us/u/ab6wbpNovu>

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

AND DOMENICO SERAFINO AS A PERSON INTERESTED IN THE MATTER OF A PLAN OF COMPRMISE OR ARRANGEMENT OF HYDRX FARMS LTD., CANNSCIENCE INNOVATIONS INC. AND SCIENTUS PHARMA INC. (the "Applicant")

Court File No.: CV-21-00659187-00CL

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

PROCEEDING COMMENCED AT  
TORONTO

**NOTICE OF MOTION**

**CASSELS BROCK & BLACKWELL LLP**

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Lawyers for Cobra Ventures Inc.

# TAB 2

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SCIENTUS PHARMA INC.

Applicant

**AFFIDAVIT OF RICHARD GOLDSTEIN  
(sworn April 23, 2021)**

I, Richard Goldstein, of the City of Toronto, in the Province of Ontario, MAKE OATH  
AND SAY:

1. I am the President of Cobra Ventures Inc. ("**Cobra**"), an Ontario corporation that is the senior secured creditor of HydRx Farms Ltd. ("**HydRx**") being the holder of an 8% senior secured convertible debenture in the principal amount of \$11,500,000 issued by HydRx on August 14, 2017 to Aphria Inc. and subsequently assigned to Cobra (the "**Senior Secured Debenture**"). I have personal knowledge of the facts deposed to in this affidavit. Where I do not possess such personal knowledge, I have stated the source of my information and, in all such cases, believe the information to be true.

2. I swear this affidavit in support of a motion by Cobra in HydRx's proceeding under the *Companies' Creditors Arrangement Act* ("**CCAA**") seeking an expedited determination of the secured indebtedness owing by HydRx to Cobra and confirming Cobra's entitlement to "credit

bid” such secured indebtedness. These Court determinations are urgently required for the Monitor (as defined below) to effectively and expeditiously conduct a sale and investment solicitation process (the “SISP”) in respect of HydRx.

### **Overview**

3. Upon an *ex parte* application by Domenico Serafino (“**Serafino**”), as an interested person, on March 22, 2021, this Honourable Court granted CCAA protection to HydRx along with its two subsidiaries, Cannscience Innovations Inc. and Scientus Pharma Inc. (together with HydRx, the “**Debtors**”). Schwartz Levitsky Feldman Inc. was appointed as monitor (the “**Monitor**”).

4. I previously swore affidavits on behalf of Cobra on March 29 and 30, 2021, in each case to provide the Court with evidence to support Cobra’s positions on the initial comeback hearing in connection with the CCAA proceeding. Copies of my earlier affidavits (without the exhibits thereto) are attached as **Exhibits “A”** and **“B”** to this affidavit. I am advised by counsel to Cobra that the full versions of those affidavits have been previously filed with the Court and uploaded on the Caselines and Sync sites for this CCAA proceeding and are posted in on the Monitor’s case website (<http://www.slfinc.ca/corporate/engagements/>).

5. I understand that the Monitor intends to seek Court approval for a SISP, as well as the appointment of a Chief Restructuring Officer (“**CRO**”) for HydRx. Both a SISP and the appointment of a CRO are welcomed by Cobra and are desperately needed given the circumstances and issues surrounding the Debtors and this CCAA proceeding, including a number of issues highlighted in my prior affidavits. Cobra has lost confidence with the current management team at HydRx.

6. I am advised by Cobra's counsel that counsel for the Monitor and counsel for Cobra have been actively engaged in discussions regarding the appointment of a CRO and the terms of a proposed SISP. I understand that the Monitor and its counsel are in the process of identifying an appropriate and independent CRO, and Cobra supports the appointment of a CRO on such terms as are acceptable to it.

7. The Monitor has informed me that Serafino intends to challenge the secured indebtedness owing by HydrRx to Cobra in some manner and that the Monitor believes that it is necessary to have any such issues resolved for the purposes of the SISP. I am advised by counsel to Cobra that the Monitor's counsel has made similar comments to Cobra's counsel.

8. However, other than vague and unsubstantiated references to allegations of breach of fiduciary duties by me personally or references to concerns with respect to Cobra's own financing arrangements, Cobra has not been provided any specifics concerning the basis upon which Serafino believes that Cobra should not be entitled to collect the entire principal amount of the Senior Secured Debenture, plus interest, costs, fees and expenses.

9. Cobra nevertheless agrees that, given the status of the CCAA proceeding, it is critical to urgently determine the quantum of the secured debt in order to proceed with the CCAA proceeding and SISP, including for potential bidders in the SISP to know the amount of the secured debt owing by HydrRx to Cobra before the deadline for parties to bid in the SISP.

10. Cobra has therefore brought a motion for an order, *inter alia*, declaring and confirming that:

- (a) the indebtedness owing by HydrRx to Cobra is in the amount of \$14,837,014.04 (as at March 31, 2021, plus interest, fees and costs accrued and accruing thereafter)



and that such indebtedness is secured by valid and enforceable security over all of HydRx's present and after-acquired real and personal property; and

- (b) Cobra is entitled to credit bid up to the full amount of such secured indebtedness in any SISF in this CCAA proceeding (in addition to any other consideration that might be bid).

11. This affidavit provides an overview of the Senior Secured Debenture and security, along with a description of the history and circumstances surrounding the Senior Secured Debenture, including its assignment from the original holder to Cobra.

### **The Senior Secured Debenture**

12. On August 14, 2017, HydRx issued the Senior Secured Debenture to Aphria Inc. ("Aphria"). The Senior Secured Debenture was in the principal amount of \$11,500,000 bearing an interest rate of 8% *per annum* with a maturity date of August 14, 2019. A copy of the Senior Secured Debenture is attached as **Exhibit "C"** hereto. A copy of a WFCU Credit Union account summary for Aphria showing that \$11,500,000 was transferred to Torys LLP (HydRx's counsel at the time) and HydRx on August 14, 2017 is attached as **Exhibit "D"** hereto.

13. Pursuant to the Senior Secured Debenture, HydRx granted Aphria a security interest, mortgage and charge in all of its "Collateral" (as such term is defined in the Senior Secured Debenture) and which included all of HydRx's present and after-acquired property, undertaking, assets and rights, and the proceeds thereof. The Senior Secured Debenture contained detailed provisions entitling Aphria to convert all or any portion of the principal amount and any accrued and unpaid interest of the obligations into an equivalent number of common shares in the capital of HydRx, although the conversion rights were never exercised.

14. Aphria registered the Senior Secured Debenture on title to HydRx's owned real property in Whitby, Ontario (the "**HydRx Facility**"), upon which HydRx had built a cannabis production facility (the "**Charge**"). A copy of the registered Charge is attached as **Exhibit "E"** hereto, omitting the appended Senior Secured Debenture which is itself already attached as **Exhibit "C"**. Aphria also registered its security interest in HydRx's personal property under Ontario's personal property security registry.<sup>1</sup>

15. On August 14, 2019, Aphria and HydRx agreed to extend the maturity date under the Senior Secured Debenture to November 12, 2019 and increase the rate of interest payable from 8% *per annum* to 12% *per annum*. A copy of the Debenture Amending Agreement between HydRx and Aphria dated August 14, 2019 is attached as **Exhibit "F"** hereto.

#### **The Aphria Support Agreement**

16. On November 14, 2019, HydRx and Aphria entered into a support agreement (the "**Aphria Support Agreement**"), pursuant to which Aphria agreed to further extend the maturity date under the Senior Secured Debenture to the earlier of (i) January 30, 2020, and (ii) the date upon which a termination event occurred under the Support Agreement. The purpose of the extension was to enable HydRx's financial advisor at the time, FTI Capital Advisors – Canada ULC, to implement a refinancing and investment solicitation process. A copy of the Aphria Support Agreement is attached as **Exhibit "G"** hereto.

17. Pursuant to the Aphria Support Agreement, HydRx "irrevocably and unconditionally" acknowledged and confirmed, among other things, that:

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<sup>1</sup> Up-to-date copies of a real property parcel register for the HydRx Facility and an Ontario personal property security registry search report for HydRx are cited and included as Exhibits later in this affidavit.

- (a) the Senior Secured Debenture and the related security (including the Charge) constituted valid and enforcement obligations of HydRx to Aphria and that HydRx has no defence to any obligation or liability thereunder;
- (b) as of the date of the Aphria Support Agreement, the secured obligations were in the amount of \$11,500,000 plus accrued interest of \$340,273.97 (plus fees and expenses); and
- (c) such amount was owing and HydRx is unconditionally liable to pay such amount on the “Extended Maturity Date” (being January 30, 2020), “without any set-off, defence or counterclaim of any kind, nature or description whatsoever”.

### **Aphria Demand and NITES**

18. On January 20, 2020, counsel to Aphria sent a demand letter to HydRx (the “**Aphria Demand Letter**”) stating that HydRx failed to comply with the agreed upon milestones under the Aphria Support Agreement and was therefore in default.

19. Aphria demanded the immediate repayment of the indebtedness then in the amount of \$12,201,479.45 in full and concurrently delivered a notice of intention to enforce security (the “**Aphria NITES**”) under the *Bankruptcy and Insolvency Act* (“**BIA**”) to HydRx. Copies of the Aphria Demand Letter and accompanying Aphria NITES are attached as **Exhibit “H”** hereto.<sup>2</sup>

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<sup>2</sup> On December 22, 2020, Cobra also delivered demand and BIA notice of intention to enforce security to HydRx, copies of which are attached as **Exhibit “I”** hereto.

**Aphria's Assignment of the Senior Secured Debenture and Security to Cobra**

20. In or about July 2020, Aphria undertook a process to sell the Senior Secured Debenture. It is my understanding that there were several bidders interested in acquiring the Senior Secured Debenture and who made offers to Aphria, and that Cobra was the highest and the successful bidder.

21. On July 28, 2020, Cobra and Aphria reached an agreement for the assignment of the Senior Secured Debenture from Aphria to Cobra, which subsequently closed and became effective on September 28, 2020 upon payment to Aphria of the \$5,000,000 purchase price in cash. A copy of the Assignment of Debenture and Security between Aphria and Cobra (the "**Senior Secured Debenture Assignment**") is attached as **Exhibit "J"** hereto.

22. Not only was HydRx aware of the assignment, HydRx's senior executive team (including HydRx's Senior Vice-President and General Counsel at the time) were involved in facilitating initial due diligence in connection with the potential assignment.

23. In his affidavit filed with the Court in connection with his *ex parte* CCAA application, Serafino made allegations that Cobra did not disclose its acquisition of the Senior Secured Debenture or my personal interest in Cobra until October, 2020.

24. Those allegations are patently incorrect and untrue. In particular:

- (a) I personally informed Serafino of the pending transaction no later than July 24, 2020.
- (b) On July 29, 2020, World Class Extractions Inc. ("**WCE**") (then the 50% owner of Cobra) issued a press release (the "**July Press Release**") that confirmed that Cobra

had entered into an agreement to acquire the Senior Secured Debenture from Aphria for a purchase price of \$5,000,000, and that the transaction was expected to close within 60 days. In addition, the July Press Release expressly stated, “First Republic Holdings Corporation (“FRHC”) holds a 50% equity interest in Cobra. FRHC is the investment holding company of Mr. Richard Goldstein and his family. FRHC is a shareholder of First Republic Capital Corporation (“FRCC”). FRCC is not involved in the acquisition of the Debenture.” A copy of the July Press Release is attached as **Exhibit “K”** hereto.

- (c) The day after the July Press Release was issued, Har Grover, then the Chief Executive Officer of HydRx sent an email stating “Congratulations on your press release. Please see attached letter. We look forward to engaging with you on discussions about next steps.” Attached to Mr. Grover’s email was a letter from HydRx acknowledging the assignment which was cc’d to “The HydRx Farms Ltd. Board of Directors”, of which Serafino was a member. A copy of Mr. Grover’s email and the letter appended thereto, along with the preceding email correspondence, is attached as **Exhibit “L”**.

25. On October 1, 2020, WCE issued a further press release announcing the completion of the Senior Secured Debenture assignment transaction, a copy of which is attached as **Exhibit “M”** hereto (the “**October Press Release**”).

26. Pursuant to the Senior Secured Debenture Assignment, Aphria sold, transferred and assigned its right, title and interest in the “Debenture Documents” (as defined therein to include the Senior Secured Debenture and the Charge) in consideration for the purchase price of \$5,000,000 in cash.

27. On October 2, 2020, a transfer of charge bearing instrument number DR1932365 was registered against title to the HydRx Facility, transferring the Charge from Aphria to Cobra. An updated parcel register search for the HydRx Facility current to April 22, 2021 is attached as **Exhibit “N”** hereto.

28. Similarly, Cobra registered an assignment of Aphria’s registration under the Ontario *Personal Property Security Act* (“**PPSA**”) to Cobra. A copy of a PPSA registry search for HydRx current to April 21, 2021 is attached as **Exhibit “O”** hereto.

### **My Subsequent Appointment to the HydRx Board of Directors**

29. On September 22, 2020, the HydRx board of directors (other than Serafino) resigned *en masse*. The result of the resignations was that HydRx only had one remaining director – Serafino – and he did not have the requisite Health Canada security clearance as required under the *Cannabis Act*.

30. As a result, following the assignment of the Senior Secured Debenture from Aphria to Cobra, I (along with Rosy Mondin of WCE) agreed to become a director of HydRx. At the time I had, and I continue to have, requisite Health Canada security clearance. Ms. Mondin (who’s security clearance application was pending approval) and I were appointed as directors on October 23, 2020. On October 23, 2020, and still today, I was the only Cannabis Tracking and Licencing System and security-approved director. That is the only reason I became a director.

### **Cobra’s Own Internal Financing Arrangements**

31. In his affidavit filed with the Court in connection with his *ex parte* CCAA application, Serafino also raises certain alleged issues relating to Cobra’s arrangements with its own lenders,

initially Rydan Financial Inc. (“**Rydan**”) and thereafter Windsor Private Capital Inc. (“**Windsor**”), including claims that Cobra assigned the Senior Secured Debenture to Rydan and Windsor.

32. I address these matters in further detail in my prior affidavits filed in this proceeding attached above at **Exhibits “A”** and **“B”**. Serafino’s description of those matters is simply incorrect or misunderstood on his part, and the consequential allegations that he makes are unfounded.

33. Cobra did not transfer or sell the Senior Secured Debenture to either Rydan or Windsor. Instead, as security for Cobra’s own loans from Rydan (since discharged) and Windsor, Cobra pledged as collateral security its assets, including an assignment by way of security of Cobra’s interest in the Senior Secured Debenture.

34. The misunderstanding appears to have arisen because on January 18, 2021, a Transfer of Charge bearing instrument no. DR1964673 between Cobra as assignor and Windsor and assignee was registered against title to the HydrRx Facility, which incorrectly appears on its face to transfer the Charge to Windsor. As stated above, the intention was for Cobra to deliver to Windsor only an assignment by way of security.

35. In order to clarify any such confusion, on April 9, 2021, a Notice bearing instrument no. DR1990505 (the “**Windsor Notice**”) was registered on title to the HydrRx Facility attaching an Amendment to Assignment of Debt and Security between Cobra and Windsor. The Windsor Notice makes clear that “The assignment of the Debenture, the Charge and the Security stands as collateral security only for the obligations of Cobra to Windsor pursuant to the Commitment and the Note”. A copy of the Windsor Notice is attached as **Exhibit “P”** hereto.

36. Windsor has also sent a letter to counsel for the Monitor and counsel for Cobra clarifying that until further notice is provided, the Monitor, HydRx and any other parties may deal exclusively with Cobra in relation to the Senior Secured Debenture and related security and confirming that Cobra is authorized to credit bid the Senior Secured Debenture and indebtedness secured thereunder. A copy of the Windsor Letter is attached as **Exhibit “Q”** hereto.

### **The Quantum of the Cobra Secured Indebtedness**

37. As of March 31, 2021, the indebtedness owing by HydRx to Cobra pursuant to the Senior Secured Debenture is \$14,837,014.04, as detailed further in **Exhibit “R”** hereto, plus interest, fees, costs and expenses accrued and accruing thereafter (the “**Cobra Secured Indebtedness**”).

38. Paragraph 8.4 of the Senior Secured Debenture, excerpted below, entitles the “Holder” to recover its reasonable fees, out-of-pocket costs, fees and expenses incurred “in connection with...the enforcement of the Security or the preservation of the Collateral.”

#### 8.4 Proceeds of Realization

The proceeds of realization or enforcement hereunder or any other amount from time to time received by the Holder or the receiver will be applied as follows: first, to the payment in full of all reasonable fees of the Holder and all reasonable out-of-pocket costs, fees and expenses (including, without limitation, reasonable legal fees on a solicitor and his own client full indemnity basis) incurred by the Holder and any receiver or other enforcement agent appointed by the Holder or a court of competent jurisdiction, as the case may be, in connection with the collection or enforcement of the Obligations owed the Holder, the enforcement of the Security or the preservation of the Collateral; second, in payment to the Holder of the Obligations and other amounts payable hereunder; and third, the balance, if any, will be paid, subject to applicable laws, to the Corporation.

39. Since the assignment of the Senior Secured Debenture from Aphria to Cobra, Cobra has made substantial payments to protect and preserve the collateral, including providing all necessary



funding to safeguard HydRx's assets, the HydRx Facility, and the cannabis licences, all as itemized in **Exhibit "R"** hereto, and discussed in my earlier affidavits filed in this proceeding.

40. Among other provisions<sup>3</sup>, the Senior Secured Debenture also provides:

3.7 Waivers of Applicable Laws

To the extent not prohibited by applicable law, the Corporation hereby waives its rights, if any, under all provisions of applicable law that would in any manner, limit, restrict or otherwise affect the Holder's rights and remedies hereunder or impose any additional obligations on the Holder. ...

...

3.10 Obligations Absolute

Nothing in this Debenture contained shall detract from or limit the absolute obligation of the Corporation to make payment of all monies owing hereunder at the time and in the manner provided in this Debenture and to perform or observe any other act or condition which it is required to perform or observe hereunder whether or not the Security is operative, and the rights under this Debenture shall be in addition to and not in substitution for any other Security Interests of any and every character now or hereafter held by the Holder for the Obligations.

...

**Conclusion**

41. For the reasons set out in this affidavit, it is clear that HydRx is indebted to Cobra in the amount of \$14,837,014.04 (as at March 31, 2021, plus interest, fees and costs accrued and accruing thereafter) in respect of the Cobra Secured Indebtedness and that such indebtedness is secured by valid and enforceable security over all of HydRx's present and after-acquired real and personal property in accordance with the Senior Secured Debenture and the related security.

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<sup>3</sup> See also clauses 8.1, 8.3, 8.8, 9.2, and 9.3 of the Senior Secured Debenture.

42. Cobra respectfully requests that the Court confirm the foregoing along with Cobra's entitlement to credit bid the Cobra Secured Indebtedness in the CCAA proceeding and the SISP.

SWORN BEFORE ME by video conference by Richard Goldstein at the City of Toronto in the Province of Ontario, before me at the City of Toronto in the Province of Ontario on April 23, 2021 in accordance with O. Reg. 431/20, Administering Oath of Declaration Remotely.



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A commissioner for Taking Affidavits  
(or as may be)

Commissioner: Benjamin Goodis,  
LSO# 70303H

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Richard Goldstein

This is Exhibit "A" referred to in the Affidavit of Richard Goldstein sworn April 23, 2021.

A handwritten signature in black ink, appearing to read "Brian Goody". The signature is written in a cursive, flowing style.

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Commissioner for Taking Affidavits (or as may be)

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

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

AND DOMENICO SERAFINO AS A PERSON INTERESTED IN THE  
MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF  
HYDRX FARMS  
LTD., CANNSCIENCE INNOVATIONS INC. AND SCIENTUS PHARMA  
INC.

Applicant

**AFFIDAVIT OF RICHARD GOLDSTEIN  
(sworn March 29, 2021)**

I, Richard Goldstein, of the City of Toronto, in the Province of Ontario, MAKE OATH  
AND SAY:

1. I am the president of Cobra Ventures Inc. ("**Cobra**"), an Ontario corporation that is the senior secured creditor of HyDRx Farms Inc. ("**HyDRx**"). In my capacity as president and chief executive officer of Cobra, I have personal knowledge of the facts deposed to in this affidavit. Where I do not possess such personal knowledge, I have stated the source of my information and, in all such cases, believe the information to be true.

2. I swear this affidavit in response to the Affidavit of Domenico Serafino sworn March 19, 2021 (the "**Serafino Affidavit**") which was filed in support of Mr. Serafino's *ex parte* application heard on March 22, 2021 for an initial order (the "**Initial Order**") under the *Companies' Creditors Arrangement Act* ("**CCAA**") in respect of HyDRx, Cannscience Innovations Inc. and Scientus

Pharma Inc. (collectively, the “**Debtors**”) and in connection with the comeback hearing scheduled to be heard on March 31, 2021 (the “**Comeback Hearing**”). As of the time of my swearing this affidavit at approximately 3:00 p.m. on March 29, 2021, Mr. Serafino has not served any further motion materials in respect of the Comeback Hearing.

3. Mr. Serafino has obtained the Initial Order based on a misleading and inaccurate description of the events and circumstances leading up to the CCAA filing, including a number of serious (but false and meritless) allegations of misconduct by Cobra and myself.

4. Moreover, the CCAA application and Mr. Serafino’s proposed approach to the CCAA proceeding (including the relief to be sought at the Comeback Hearing) is completely inappropriate and is highly prejudicial to Cobra’s interests as secured creditor. I believe that Mr. Serafino’s CCAA plans are nothing more than a veiled takeover of HydrRx and its business by Mr. Serafino and a group of minority shareholders of HydrRx – the so-called “**Re-Start Group**”.

5. This CCAA process should instead be one that is fair and under the direction and control of an appropriate independent party (which is not Cobra or myself; nor is it Mr. Serafino and his Re-Start Group). In addition to ensuring the preservation and security of HydrRx’s assets and cannabis licences, the goal for this proceeding should be to have the independent CCAA Monitor implement a sale and investment solicitation process (“**SISP**”) to solicit and identify a successful bidder for HydrRx’s business and/or assets, whether that is ultimately Cobra, Mr Serafino and his Re-Start Group or another party. I strongly believe that Mr. Serafino and his Re-Start Group should not have any authority to re-commence operations at HydrRx, which have been suspended for more than one year. Only the eventual new ownership group identified in the SISP should be permitted to restart operations.

6. As detailed further herein, Cobra respectfully requests that at the Comeback Hearing, it would be appropriate for the Court to:

- (a) order a brief (15-day) extension of the stay of proceedings for the parties to discuss and return to Court to seek approval of a SISP and DIP financing for the CCAA process;
- (b) provide that any DIP financing required for the 15-day stay extension period may be provided by Cobra as first secured creditor, not by Mr. Serafino and the Re-Start Group; and
- (c) order that during the 15-day period, the status quo be maintained under the supervision of the Monitor, including preservation of HydRx's assets and no changes to the operations.

#### **MISCHARACTERIZATIONS AND INACCURACIES IN THE SERAFINO AFFIDAVIT**

7. The Serafino Affidavit does not accurately tell the story of the situation surrounding HydRx and my and Cobra's involvement in it. The Serafino Affidavit contains numerous misstatements and mischaracterizations of the facts and events leading up to the CCAA filing which Mr. Serafino used in an attempt to show the Court that I was acting nefariously.

8. Mr. Serafino's allegations of non-disclosure, refusal to fund and improper dealings by Cobra and me personally are absolutely false.<sup>1</sup> As set out below, in come cases, Mr. Serafino has blatantly misrepresented the evidence to the Court.

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<sup>1</sup> See Serafino Affidavit, paragraphs 4 (a) – (c), 65, 72, 73, 74, 75, 77, 84-90.

9. Given the time available, the following is not a complete rebuttal to all of the inaccuracies contained in the Serafino Affidavit, but instead a highlight of the most significant ones and the ones that were being used to improperly underpin the relief Mr. Serafino seeks.

***Cobra and My Interests Were Fully Disclosed***

10. Mr. Serafino's claim that Cobra did not disclose its acquisition of the Aphria Secured Debenture (as defined at paragraph 28 of the Serafino Affidavit) when the assignment agreement was signed on July 28, 2020 until October 2020 is completely incorrect.<sup>2</sup>

11. On July 29, 2020, World Class Extractions Inc. (then the 50% owner of Cobra) issued a press release (the "**July Press Release**") that confirmed that Cobra had entered into an agreement to acquire the Aphria Secured Debenture. A copy of the July Press Release is attached as **Exhibit "A"** hereto.

12. The assignment did not close until the beginning of October 2020 at which point the further press release referred to at paragraph 73 of the Serafino Affidavit was issued and the assignment registrations were affected.

13. Likewise, Mr. Serafino's allegations that I did not disclose my interest in Cobra during that time is also false. To the contrary, the July Press Release expressly disclosed my interest in Cobra.

***Cobra's Financial Arrangements Are Irrelevant***

14. The Serafino Affidavit contains several pages of discussion of Cobra's own financial arrangements and complaints that Mr. Serafino was not aware of such arrangements and did not

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<sup>2</sup> See Serafino Affidavit, paragraphs 72-73.

approve such arrangements.<sup>3</sup> How Cobra finances itself is irrelevant to HydRx and irrelevant to the debtor-creditor relationship between HydRx and Cobra.

15. Moreover, contrary to Mr. Serafino's suggestions, Cobra did not attempt to pledge HydRx's property or assets as security to Cobra's own lenders. Instead, what Cobra has done is pledge to its lenders *its* assets, including its security interests in HydRx (which is an asset of Cobra, not an asset of HydRx). That is not unusual or improper and is not something that HydRx has any interest in or right to consent to.

16. The Serafino Affidavit selectively refers to some of Cobra's financing documents and does so out of context and in a misleading way. For example, it contains an early commitment letter that referred to Cobra's lender receiving a mortgage on HydRx's property.<sup>4</sup> No such mortgage was granted nor would Cobra be entitled to grant such a mortgage, and this was explained to and accepted by the lender.

17. In the end, as noted, all that Cobra has done is grant its (ie. Cobra's) lenders a security interest in its assets, including its security over HydRx, all of which is completely appropriate. I do note that while Cobra's lenders registered an assignment of the Aphria Secured Debenture, the intent was that the lenders were to have an assignment by way of security. Cobra will be addressing those registrations.

18. Finally, Mr. Serafino's allegation that I somehow acted improperly by not offering Mr. Serafino personally (or possibly to HydRx) the opportunity to be Cobra's financier is illogical. Cobra had no obligation to offer Mr. Serafino the right to provide financing to Cobra nor was his

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<sup>3</sup> See Serafino Affidavit, paragraphs 74, 75, 86.

<sup>4</sup> See Serafino Affidavit, Exhibit "O".



or HydRx's consent to Cobra obtaining financing required. Similarly, Mr. Serafino's assertion that changes to Cobra's own ownership somehow required approval by HydRx's board is baseless.<sup>5</sup>

***Aphria Secured Debenture Acquisition Price is Irrelevant***

19. Likewise, the complaints in the Serafino Affidavit concerning the circumstances of Cobra's acquisition of the Aphria Secured Debenture are also inaccurate and mischaracterized.<sup>6</sup> They are also irrelevant.

20. The fact that Aphria Inc. ("**Aphria**") was willing to sell the Aphria Secured Debenture to Cobra at a discount to its face value is irrelevant and does not change the fact that HydRx remains indebted to Cobra under the Aphria Secured Debenture for the entire face value of the debt (plus interest and costs).

21. Aphria ran a competitive process for the sale of the Aphria Secured Debenture and it is my understanding that there were several bidders interested in acquiring the Aphria Secured Debenture and that Cobra was the highest and therefore the successful bidder.

22. Frankly, the sole relevance of this is it demonstrates that Aphria (and apparently other interested parties) believed that HydRx and its business and assets are worth less than the secured debt owing. If Mr. Serafino, the Re-Start Group, or any other party believes that HydRx and its business and assets are worth more than the secured debt owing to Cobra, then we would not be here.

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<sup>5</sup> See Serafino Affidavit, paragraphs 84-90.

<sup>6</sup> See Serafino Affidavit, paragraphs 28-30.

***Health Canada License Accusations are Completely Inaccurate***

23. The allegations in the Serafino Affidavit that I surreptitiously tried to have HydRx's Health Canada license transferred to Cobra are not only completely false, they are demonstrative of Mr. Serafino's selective and mischaracterized disclosure to the Court.

24. Paragraph 98 of the Serafino Affidavit states:

My misgivings about Goldstein's motivation have been subsequently borne out. I have recently received a copy of an email dated January 21, 2021, written by Hemans to representatives of Health Canada in which he asks,

*"we kindly request that Health Canada provide us with guidance on how the current license of Hydrx can be transferred to Cobra Ventures (preferred option as this would help avoid further business disruptions) or an indication of how long a new license application would take to process given that the facility and operations (key positions, SOPs, GIPs, etc.) would remain predominantly the same as what has already been approved by Health Canada...."*. [Emphasis added]

25. However, Mr. Serafino fails to quote the very sentence immediately preceding the above quote, in which Mr. Hemans said:

Cobra has proposed a transfer of the secured assets of HydRx as settlement of its secured loans to Cobra **through a court-approved sale process**. Cobra Ventures Inc. would then provide ongoing funding to support continuing operations and a path forward to profitability. [emphasis added]

26. There was never any attempt or intent to surreptitiously transfer the Health Canada license to Cobra without a proper process.

27. As some of the emails between Mr. Serafino and myself which are attached to the Serafino Affidavit indicate, over the course of our discussions I was imploring Mr. Serafino to consider cooperative CCAA options to address HydRx's situation. The excerpted communications with Health Canada were nothing more than discussions of process, given Health Canada's importance as a stakeholder.

***HydRx's Facility Was Never Used By Canntab***

28. Mr. Serafino's allegation that "Since at least December 16, 2020, the Hydrx Production Facility and production equipment has only been used by Goldstein for the benefit of Canntab" is absolutely false.<sup>7</sup>

29. There has been no production whatsoever occurring at HydRx's facility since I became involved with HydRx.

30. Personnel from Canntab Therapeutics Limited ("**Canntab**") have made attendances at the HydRx facility. The purpose of such attendances was to assess options that I was exploring to have Canntab effectively sub-lease the premises for value to HydRx to help generate revenue for HydRx which could not be economically realized by HydRx given its financial state.

31. Mr. Serafino was completely aware of that, as was Thomas Jefferd (HydRx's Head of Security).

32. Ultimately, Mr. Serafino did not agree with that Canntab plan and so it was never done. Although, while I have not seen the interested party contracts described in the Serafino Affidavit and sealed under the Initial Order, I note that it appears that Mr. Serafino is now proposing a very similar plan, but with parties connected to himself and this minority shareholder Re-Start Group instead of Canntab and with others with whom I engaged in discussions and introduced to HydRx and Mr. Serafino.

33. In any event, as I discuss further below, in light of the CCAA proceedings neither party's plans should be implemented in an *ad hoc* manner. Instead, the business and assets should be

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<sup>7</sup> See Serafino Affidavit, paragraphs 115-117.

preserved and an independently managed SISP should be immediately implemented to determine the path forward for HydRx. The successful bidder in the SISP is the only natural party to decide how to restart operations.

### **HYDRX'S TRUE FINANCIAL CIRCUMSTANCES AND SITUATION**

34. Contrary to the story Mr. Serafino has tried to present, HydRx's business and financial failure long preceded my and Cobra's involvement and in fact preceded the COVID-19 pandemic.

35. Since its inception in 2014, HydRx has received over \$50 million of investment from private investors and has managed to make less than \$1 million in cumulative gross revenue and sustained tens of millions of dollars in losses.

36. None of that was caused by Cobra or me. Instead, it is due to the mismanagement by HydRx's leadership teams, which includes Mr. Serafino as a longstanding director of HydRx and the team that Mr. Serafino is now trying to bring back to take control over HydRx, including Mr. Trevor Folk (co-founder and ex-CEO) and Mr. Thomas Jefferd (Head of Security).

37. The fact that Mr. Serafino has proposed to use the CCAA process to "re-start" and move from having no active operations and never having made money to making \$9,000,000 a year is neither realistic nor appropriate, particularly if it is done to the prejudice of HydRx's secured creditor. It is my understanding that the true market value of HydRx's inventory is no more than approximately \$250,000, or about 10% of the book value Mr. Serafino cites in his affidavit.<sup>8</sup>

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<sup>8</sup> See Serafino Affidavit, paragraph 47.

38. Mr. Serafino's "plan" for this CCAA proceeding is simply a veiled attempt by the Re-Start Group (a select group a minority shareholders) to take over control of HydRx without paying the secured debt owing to Cobra.

39. Most appalling, Mr. Serafino proposes to appoint as my replacement director Trevor Folk. Mr. Folk was one of the co-founders of HydRx and was the CEO of HydRx until October 2017. HydRx's 2018 financial statements (audited by Ernst & Young Inc.) reported the following:

During 2018, a previous key management employee reimbursed the Company \$63,026 (2017 - \$1,553,735) related to unauthorized personal expenditures paid by the Company from 2014 to 2017. The total amount reimbursed to date by the previous key management employee is \$1,616,761. As at December 21, 2018, \$1,787 [2017 - \$64,813] thereof was due from the key management employee and is included in related party receivable. In addition, included in related party receivable.

40. I was previously advised by Mr. Serafino himself that the key management employee being referred to is Mr. Folk. A copy of the 2018 financial statements are attached hereto as **Exhibit "B"**.

41. Respectfully, the CCAA Court should not be putting the former management team back in control of HydRx and its CCAA proceedings. As discussed further below, HydRx and the CCAA process should instead be put in the hands of an independent person.

#### **COBRA WAS THE ONLY PARTY FINANCIALLY SUPPORTING HYDRX**

42. It is also important to note that with the departure of the prior leadership team at HydRx and the cessation of operations, no one else stepped forward to financially support HydRx and ensure that its licenses and assets were protected. That includes Mr. Serafino and his Re-Start Group of unidentified minority shareholders.

43. Since Cobra's acquisition of the Aphria Secured Debenture, it has been Cobra providing funding to Hydrx. Cobra has provided the funding to keep the "lights on", including preserving and safe-guarding the assets and the cannabis licenses. As at March 25, 2021, Cobra's funding of preservation expenses reached a total of \$417,722.05, comprised of:

- (a) \$73,319.73 in utilities, including substantial arrears owing for hydro, which were necessary to ensure that the facility was property powered and heated;
- (b) \$82,604.31 in insurance (including substantial arrears) and security costs;
- (c) \$43,918.68 in property taxes, including significant arrears; and
- (d) \$217,879.33 in costs for the necessary personnel to preserve the assets and licenses and small payables.

44. I would note that many of the individuals that Cobra has been funding are the same people that Mr. Serafino continues to have in those roles today, including Mr. Jefferd (Head of Security) and Carol-Ann Scott (Quality Assurance Person). In the case of Ms. Scott, Cobra's payments included funding her qualification to hold a Q.A.P. role.

45. In addition, Cobra funded the costs of Philip Hemans, Hydrx's designated Responsible Person In Charge ("RPIC") who is the most critical person to have in place for Health Canada licensing requirements.

46. In that regard, Mr. Serafino's statement that Mr. Hemans is a "contractor to various cannabis entities owned by Goldstein, including Cobra" is absolutely false.<sup>9</sup> Mr. Hemans, who was one of the co-founders of Hydrx, was Hydrx's COO before I became involved with Hydrx. Mr.

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<sup>9</sup> See Serafino Affidavit, paragraph 60.

Hemans' only role in connection with Cobra (or any of my other cannabis interests) is with respect to his role as RPIC of HydRx.

47. Finally, contrary to the suggestion in the Serafino Affidavit, I never advised Mr. Serafino that I would simply not provide more funding. Instead, discussions concerning a consensual arrangement had seemingly come to an impasse. At that stage I advised Mr. Serafino that I would not simply continue to fund HydRx's expenses without a plan and path forward. Since then, Mr. Serafino indicates that he made an approximately \$27,000 payment to Revenue Canada in connection with HydRx's excise tax obligations.

#### **MY DIRECTOR POSITION IN HYDRX**

48. I note that Mr. Serafino intends to seek an order from the Court seeking my removal as a director of HydRx. Although as of the time of my swearing this affidavit (noted above), Mr. Serafino has not served any further motion materials in respect of that request for the Comeback Hearing.

49. For some of the reasons I discuss above, I do not believe that Mr. Serafino's allegations against me are accurate or justified.

50. However, I have always been transparent as to my role with Cobra and transparent with Mr. Serafino about my intent to credit-bid Cobra's secured debt for HydRx's business and assets as part of any Court-supervised sale process.

51. Therefore, while I do not believe that my Court-ordered removal as a director is justified, I am willing to voluntarily resign as a director of HydRx, as well as resign from my position of alternate RPIC for HydRx. That is however subject to two conditions which are not for my personal benefit, but for the benefit and protection of HydRx and Cobra as the secured creditor of HydRx.

52. Firstly, control over HydRx and this CCAA process should be in the hands of an appropriate independent party to ensure that the process is conducted fairly. Given my interests in Cobra, I should not be the person running this CCAA process. But, likewise, given Mr. Serafino and his Re-Start Group's interest in effectively acquiring the company/business, they should not be running the process either.

53. I believe that the CCAA Monitor should be charged with independently running the SISP, the CCAA process and, the HydRx business. If the Monitor is not willing to supervise operational matters, a qualified and independent chief restructuring officer should be appointed to do so. I am willing to fund the costs of that under Court-ordered DIP financing.

54. Secondly, I would like confirmation that my resignation as a director and alternate RPIC will not cause Health Canada to suspend or terminate the licenses.

55. For companies such as HydRx who hold a licence for the cultivation, processing or sale of cannabis, the directors and officers of the company must hold a security clearance from Health Canada.

56. Mr. Serafino has been a director of HydRx for over six years. It is my understanding that Mr. Serafino does not have a valid security clearance from Health Canada. When he last applied for a security clearance, the application was rejected. I am also aware that as recently as March 10, 2021, Mr. Serafino's pending application was at risk of being terminated by Health Canada. I am not aware of the status of Mr. Serafino's application at this time (and it is not discussed in the Serafino Affidavit), but I am aware that Health Canada generally advises that it can take at minimum three months for Health Canada to review a security clearance application in conjunction with law enforcement.



57. Therefore, given that Mr. Serafino and I are the only directors of HydRx, and only I have the requisite security clearance, I want to ensure that my resignation as a director does not place HydRx's cannabis licence at risk.

#### **OTHER CONCERNS REGARDING HYDRX AND RISK TO THE ASSETS**

58. In addition to the other concerns expressed in this affidavit, issues have already arisen since the CCAA filing that raise serious concerns about risk to HydRx's property and assets (which are Cobra's secured collateral) with HydRx under the control over Mr. Serafino and his Re-Start Group.

59. Firstly, this past Saturday afternoon (March 27, 2021), I observed two semi-tractor trailers parked at the loading docks of HydRx's facility. Those trailers had not previously been there, at least as of the CCAA filing. Attached hereto and marked as **Exhibit "C"** to this affidavit are three pictures of the trailers taken on March 27, 2021.

60. I informed Cobra's legal counsel, Joseph Bellissimo of Cassels Brock & Blackwell LLP, who immediately emailed Mr. Serafino's counsel (Timothy Dunn) and the Monitor (Alan Page) raising concerns with this and asking for confirmation that no property or assets are being removed from the facility and that no property or assets will be moved without the prior consent of Cobra as secured creditor or order of the CCAA Court. Attached hereto and marked as **Exhibit "D"** to this affidavit is a copy of Mr. Bellissimo's email.

61. I am advised by Cobra's counsel that Mr. Dunn promptly responded stating: "Confirmation is being sought. I am not aware of any intention to remove assets from the production facility." Attached hereto and marked as **Exhibit "E"** to this affidavit is a copy of Mr. Dunn's email.

62. I am advised by Cobra's counsel that, as of the swearing of this affidavit (noted above), no further confirmation has been received from either Mr. Dunn or Mr. Page.

#### **NEXT STEPS FOR THIS CCAA PROCEEDING**

63. While I am disappointed by the circumstances of this CCAA filing and consider Mr. Serafino's pre-filing maneuvering and *ex parte* application inappropriate, HydRx is clearly at an inflection point and requires a Court-supervised proceeding to address its go-forward prospects. The secretive nature of Mr. Serafino's filing is highly prejudicial to the interests of Cobra as HydRx's secured creditor, who I believe is very likely the fulcrum creditor of HydRx.

64. That is particularly the case given that I had requested that Mr. Serafino consider a cooperative and consensual CCAA process to deal with this matter. In fact, it came to the point that I had no choice but to tell Mr. Serafino that Cobra would not simply continue to fund HydRx's costs without a viable path forward.

65. The focus should now be ensuring that this CCAA process is a productive use of resources, and is in the best interests of HydRx's stakeholders, including Cobra as its senior secured creditor and, for these past many months, sole funder.

66. I do not believe that Mr. Serafino and his Re-Start Group of minority shareholders have a viable go-forward plan. I believe their plan is certain to fail.

67. This business, which has been in financial crisis for some time, is not capable of simply restarting without committed long-term financing, the repayment in full of Cobra's secured debt, and a clear and viable go-forward plan. For nearly the entirety of 2020, the business was dormant, its employees were laid off and the only remaining consultants were those required to remain with the company to maintain the HydRx cannabis licence, at the expense of Cobra who funded their

continued services. To suggest that this business can be restarted from a practical standstill is simply not realistic or a good use of the CCAA process.

68. More importantly, given the current situation at HydRx, a “restart” of the business does not make any sense until it is known who will own the business going forward. It is that party (once identified as part of a proper and fair process) that should be deciding what their restart plan is. Until that time, restarting operations will only waste money and time and put the assets at unnecessary risk.

69. Therefore, Cobra firmly believes that this CCAA process must proceed as follows:

- (a) Preservation of HydRx’s Business and Assets: There should be no active operations (including no suggested restart) and HydRx should not be entitled to enter into any material or operational contracts without prior approval of the Court (on notice). Instead, operations should be limited to the necessary costs to protect and preserve the assets (including the licenses) which should be retained and safe-guarded.
- (b) Control of HydRx: The Monitor should be charged with overseeing the preservation operations, free from the control of Mr. Serafino and his Re-Start Group and myself/Cobra. If the Monitor is not willing to do so, an appropriate independent chief restructuring officer should be appointed to do so.
- (c) SISP: The Monitor should independently conduct a sale and investment solicitation process (“SISP”) which should also not be controlled by Cobra/myself or Mr. Serafino and his Re-Start Group. Cobra would be willing to act as a stalking horse bidder for such SISP. However, I believe that it is more important for this process to move quickly and expeditiously and so I do not believe that the time and cost

that would be necessary to prepare and negotiate a stalking horse bid is needed or warranted in these circumstances.

- (d) DIP Financing: Cobra is prepared to provide DIP financing to fund the foregoing and has more than sufficient funds available. Cobra is willing to provide the Monitor and the Court with proof, as needed, that its funds are readily available. Given that the Serafino Affidavit indicates that Mr. Serafino intended to seek approval of DIP financing from the Re-Start Group, I am advised by Cobra's counsel that Mr. Bellissimo advised Mr. Dunn that Cobra would be opposed to any DIP financing in priority to its secured debt and that Cobra would be prepared to provide the DIP financing itself. I am further advised that Mr. Bellissimo requested that Mr. Dunn provide a copy of the DIP terms that the Re-Start Group proposed to provide for Cobra to consider. I am advised by Cobra's counsel that, as of the swearing of this affidavit (noted above), no DIP terms have been provided or communicated.

70. Cobra respectfully requests that the Court grant the relief set out in paragraph 6 above and that the parties be directed to discuss and return to Court to seek a further order in accordance with the foregoing.

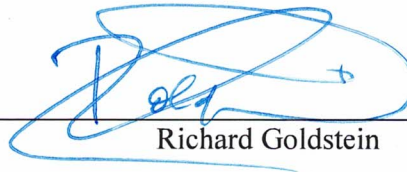
SWORN BEFORE ME by video conference by Richard Goldstein at the City of Toronto in the Province of Ontario, before me at the City of Toronto in the Province of Ontario on March 29, 2021 in accordance with O. Reg. 431/20, Administering Oath of Declaration Remotely.



---

A commissioner for Taking Affidavits  
(or as may be)

Commissioner: Benjamin Goodis, LSO#  
70303H



---

Richard Goldstein

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

AND DOMENICO SERAFINO AS A PERSON INTERESTED IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF HYDRX FARMS LTD., CANNSCIENCE INNOVATIONS INC. AND SCIENTUS PHARMA INC. (the "Applicant")

Court File No.: CV-21-00659187-00CL

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

PROCEEDING COMMENCED AT TORONTO

**AFFIDAVIT OF RICHARD GOLDSTEIN  
(Sworn March 29, 2021)**

**CASSELS BROCK & BLACKWELL LLP**

Scotia Plaza, Suite 2100  
40 King Street West  
Toronto, Ontario M5H 3C2

**Joseph Bellissimo LSO# 46555R**

Tel: 416.860.6572  
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**Ben Goodis LSO# 70303H**

Tel: 416.869.5312  
bgoodis@cassels.com

Lawyers for Cobra Ventures Inc.

This is Exhibit **"B"** referred to in the Affidavit of Richard Goldstein sworn April 23, 2021.

A handwritten signature in black ink, appearing to read "Brian Goody". The signature is written in a cursive style with a horizontal line underlining the name.

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Commissioner for Taking Affidavits (or as may be)

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

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

AND DOMENICO SERAFINO AS A PERSON INTERESTED IN THE  
MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF  
HYDRX FARMS LTD., CANNSCIENCE INNOVATIONS INC. AND  
SCIENTUS PHARMA INC.

Applicant

**SUPPLEMENTAL AFFIDAVIT OF RICHARD GOLDSTEIN  
(sworn March 30, 2021)**

I, Richard Goldstein, of the City of Toronto, in the Province of Ontario, MAKE OATH  
AND SAY:

1. I am the president of Cobra Ventures Inc. ("**Cobra**"), an Ontario corporation that is the senior secured creditor of HydRx Farms Inc. ("**HydRx**"). In my capacity as president of Cobra, I have personal knowledge of the facts deposed to in this affidavit. Where I do not possess such personal knowledge, I have stated the source of my information and, in all such cases, believe the information to be true.

2. On March 29, 2021, I swore an affidavit (the "**First Goldstein Affidavit**") in this proceeding in response to the Affidavit of Domenico Serafino sworn March 19, 2021 (the "**First Serafino Affidavit**") which was filed in support of Mr. Serafino's *ex parte* application heard on March 22, 2021 under the *Companies' Creditors Arrangement Act* ("**CCAA**") in respect of HydRx



and its affiliates Cannscience Innovations Inc. and Scientus Pharma Inc. The First Goldstein Affidavit was also sworn in anticipation of the comeback hearing scheduled to be heard on March 31, 2021 (the “**Comeback Hearing**”).

3. Shortly following the swearing and service of the First Goldstein Affidavit, Cobra was served with Mr. Serafino’s notice of motion with respect to the Comeback Hearing (the “**Comeback Motion**”), along with an accompanying affidavit of Mr. Serafino sworn on March 29, 2021 (the “**Second Serafino Affidavit**”) and the First Report of Schwartz Levitsky Feldman Inc. as CCAA monitor (the “**Monitor**”) dated March 29, 2021 (the “**Monitor’s First Report**”).

4. I swear this affidavit as a supplement to the First Goldstein Affidavit in response to the Comeback Motion and additional matters raised in the Second Serafino Affidavit and the Monitor’s First Report.

5. As set out in the First Goldstein Affidavit and herein, it continues to be Cobra’s position that at the Comeback Hearing, it would be appropriate for the Court to:

- (a) order a brief (15-day) extension of the stay of proceedings for the parties to discuss and return to Court to seek approval of a SISP and DIP financing for the CCAA process; the process for conducting both of these should be under the independent and autonomous control of the Monitor;
- (b) order that during the 15-day period, the status quo be maintained under the supervision of the Monitor, including preservation of HydRx’s assets and no changes to the operations; in particular:
  - (i) new cannabis production that appears to be imminently contemplated by the Re-Start Group should not be permitted;

- (ii) while control should be in the hands of the Monitor, Cobra should have the ability to independently observe activities at the HydRx facility and conduct an asset inventory to ensure preservation of its collateral; and
  - (iii) for the reasons noted below, the C-Tech Machine (as defined below) should not be disposed of; and
- (c) for the reasons noted below, the proposed Administration Charge should be revised to remove Mr. Serafino's counsel as a beneficiary (and reduced accordingly) and should not be indirectly securing any Re-Start Group funding.

***Stay Extension, Development of a SISP and Maintenance of the Status Quo***

6. In his Comeback Motion, Mr. Serafino is seeking an approximately 30-day stay extension to “permit a thorough evaluation of the options available to Hydrx, including, without limitation, a review of and negotiation with each party who has submitted an LOI and arrive at definitive agreements, the potential merits of a SISP and, more generally, the framework of a restructuring plan that will preserve enterprise value while also providing the existing shareholders with the best opportunity to participate in the future economic prosperity of Hydrx”.

7. As noted in the First Goldstein Affidavit, Cobra requested that the Court grant a short (15-day) stay extension for the parties to discuss and return to Court to seek approval of a sale and investment solicitation process (“SISP”) (and related DIP financing).

8. The fundamental flaw with the Mr. Serafino's approach and proposal for this CCAA proceeding is that he is seemingly putting assessment of the “result” ahead of the “process” to achieve the result, and he is attempting to put himself and the “Re-Start Group” (a group of minority shareholders who are one of the potential interested bidding parties) in charge of the

process to assess the options and bids which is an inappropriate conflict of interest and prejudicial to all other interested parties, including Cobra as first secured creditor.

9. Given their interest, it is not Mr. Serafino and the Re-Start Group that should be reviewing and negotiating with interested parties that submitted LOIs. They are themselves competitive bidders. Instead, as discussed in the First Goldstein Affidavit, the Monitor should be charged with independently conducting a SISP approved by the Court.

10. In addition, although not expressly addressed the materials filed by Mr. Serafino and the Monitor in support of the Comeback Motion, Cobra remains very concerned that there may be a premature and unauthorized “restart” of cannabis production operations occurring at the HyDRx facility. Such actions put the assets of HyDRx at unnecessary risk.

11. As detailed in the First Goldstein Affidavit, I believe that such activities are not in the best interest of HyDRx and its stakeholders and significantly prejudices Cobra and its collateral. I also wish to advise the Court that HyDRx’s Responsible Person in Charge (“**RPIC**”) Mr. Hemans (as well as myself as alternate RPIC) have been locked out of the HyDRx facility and so cannot perform any regulatory oversight of any cannabis operations that may be occurring. This could negatively effect HyDRx’s cannabis licence.

12. I continue to strongly believe that this CCAA process needs to be focussed on protecting and preserving HyDRx’s assets on a non-operating basis (as has been the case for the last 13-months) while an expeditious SISP is conducted to determine the path forward. That should be done under the independent and autonomous control of the Monitor and, if needed, an independent chief restructuring officer.

13. I respectfully request that the Court provide clear direction to the parties in this regard.

***DIP Financing Competition Process***

14. The Second Serafino Affidavit indicates that:

It is anticipated that the Re-Start Investor Group will seek debtor-in-possession financing (the “DIP Loan”) and related priority charge at the next comeback date and that, in advance of that hearing, the proposed term sheet in respect of the DIP Loan will be circulated to Cobra (and potentially other parties) to provide them with an opportunity to match the terms of the DIP Loan.

15. As noted in the First Goldstein Affidavit, Cobra is prepared to provide the DIP financing for this CCAA process as the first secured creditor and has already advised that it would object to DIP financing provided by a shareholder group in priority to its security. Cobra therefore welcomes a competitive process to assess DIP proposals. However, that process should be fair, independently managed and focused on SISP-enabling funding proposals.

16. Given that Mr. Serafino and the Re-Start Group are parties interested in bidding for the DIP (as is Cobra), there is no one on behalf of HyDRx to evaluate proposals. Accordingly, the Monitor should be charged with independently running the process and making a recommendation to the Court. The Court should also set firm deadlines for when (i) the Re-Start Group’s proposed DIP terms will be provided to interested parties, (ii) all competing bids are due, and (iii) the Monitor will file its recommendation. This should be an open and transparent process and each bidder should be provided with copies of all bids received by the Monitor.

***Administration Charge***

17. Mr. Serafino is seeking approval of an Administration Charge in the amount of \$250,000 to rank ahead of all other charges and encumbrances, including Cobra’s security. Cobra does not object to the Administration Charge in principle, which I understand is usual and customary in CCAA proceedings.

18. However, Cobra has two concerns with respect to the proposed Administration Charge.

19. Firstly, it is proposed that the Administration Charge will also cover the fees of legal counsel for Mr. Serafino. As expressed in detail in the First Goldstein Affidavit, Mr. Serafino and his Re-Start Group are effectively competitive bidders in any SISP for HydRx and are, as discussed above, competitive bidders for being the DIP lender to HydRx. To be clear, it was Mr. Serafino in his personal capacity and not HydRx that has retained Minden Gross LLP as legal counsel. Mr. Serafino's counsel is not therefore acting for HydRx, they are acting for Mr. Serafino and his and his groups' interests. In the circumstances it is therefore not appropriate that counsel for one of the bidders be funded by the process that they are bidding in and the amount of the Administration Charge should be adjusted accordingly.

20. Secondly, it is not clear to me for whose benefit the Administration Charge is being granted. If it is to protect the risk of the Monitor and its counsel in not being paid its fees that is understandable (and would not be objected to by Cobra), but that does not appear to be the case.

21. The proposed Administration Charge is \$250,000 which is \$50,000 more than the total projected 13-week professional fee budget in the Cash Flow Forecasts contained in the Monitor's First Report.

22. The Comeback Motion materials also indicate that the Re-Start Group has agreed to fund up to \$250,000 for professional fees and the Monitor's First Report states:

19. The Restart Group has agreed to provide initial funding of up to \$250,000 for professional fees in these CCAA Proceedings.

20. The Restart Group seeks and Administration charge for this amount in priority to all other charges against the Applicants' current and future assets, undertakings and properties (the "**Administration Charge**").

23. The intention is therefore not clear to Cobra. Cobra is concerned that since the Re-Start Group is apparently funding an amount greater than the total projected professional fees (ie. agreed funding of \$250,000 for projected fees of only \$200,000), if the Administration Charge's intention is to indirectly backstop and secure the Re-Start Group's funding of professional fees then it is an inappropriate and hidden DIP financing charge that should not be approved. Cobra requests confirmation that the funding arrangements with the Re-Start Group do not contemplate or require a refunding of professional fees through recovery of the fees under the Administration Charge.

***Return of the C-TECH Equipment***

24. In the Comeback Motion, Mr. Serafino seeks Court approval to "return" the C-Tech Machine (as defined in the Comeback Motion) to its manufacturer in the United Kingdom.

25. Cobra opposes that relief. Returning the C-Tech Machine at this time is premature, is not properly supported or justified, and is not necessary or in the best interests of HydRx and its stakeholders, including Cobra who holds a security interest on the C-Tech Machine.

26. The C-TECH Machine is a proprietary piece of equipment that was commissioned and acquired by HydRx in June 2019 under contract with C-Tech Innovation Ltd ("C-Tech" - the 'United Kingdom owner' referenced by Mr. Serafino), to manufacture, supply and install for a total contract price payable by HydRx of £638,150 pounds sterling.

27. Based on a Statement of Claim commenced by C-Tech on February 11, 2021, C-Tech alleges that HydRx did not pay the full contract price and that £288,366.30 pounds sterling remained outstanding. Attached hereto and marked as **Exhibit "A"** is a copy of the C-Tech Statement of Claim.

28. Mr. Serafino seeks Court authorization to send the C-Tech Machine to C-Tech on the basis that “Hydrx is not using the C-Tech Machine and the C-Tech Machine is no longer of value to Hydrx”.<sup>1</sup> The First Report of the Monitor states that:

Hydrx holds a purchase money security interest over a machine from C-Tech Innovations Ltd. for which it owes in excess of \$500,000. Hydrx’s future plans do not include use of the machine and the Applicants wish to return the machine (the “Machine”) to the manufacturer to reduce/extinguish the outstanding debt.

29. This request is not properly supported or justified. In particular:

- (a) There is no evidence before the Court that Hydrx does not have equity in the C-Tech Machine to justify simply returning it to the manufacturer. I believe that there may be equity value in the C-Tech Machine (which is part of Cobra’s collateral). I note that the Hydrx paid £638,150 pounds sterling to have it manufactured less than two years ago and only allegedly owes £288,366.30 pounds sterling to C-Tech on the C-Tech Machine.
- (b) The Monitor’s First Report states that there is a purchase-money security interest (“**PMSI**”) on the C-Tech Machine, but no details of the PMSI are provided nor any statement that the Monitor and its counsel have independently reviewed the PMSI and determined that it is a valid and enforceable security interest in priority to Cobra’s security. There is also nothing offered which indicates that Mr. Serafino or the Monitor have investigated and validated the amount claimed to be owing by C-Tech.

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<sup>1</sup> See Second Serafino Affidavit, paragraph 22.

- (c) While the Second Serafino Affidavit and the Monitor's First Report indicate that the intent is to return the C-Tech Machine to "reduce/extinguish the outstanding debt" there is no disclosure as to what, if anything, C-Tech has agreed to release in return for the C-Tech Machine. There is no disclosure of what agreements or arrangements have been reached with C-Tech in that regard and so it appears that HydrRx would simply be gratuitously returning the C-Tech Machine.
- (d) The Initial Order established a stay of proceedings that prevents C-Tech from taking any enforcement or other action with respect to its claims and rights in connection with the C-Tech Machine. There is therefore no risk of C-Tech taking precipitous action against HydrRx if the C-Tech Machine is not returned. There is also no evidence that there is any cost or harm to HydrRx to continue to have the C-Tech Machine remain in place through this CCAA process (just as it has been for some time before the CCAA filing). Therefore, there is no pressing need to "return" the C-Tech Equipment at this early stage before the issues noted above are properly addressed.

30. Most importantly, Mr. Serafino's stated justification for his request to return the C-Tech Machine further illustrates the fundamental concern that I have expressed with his proposed CCAA process above and in the First Goldstein Affidavit. It is premised on the determination that the C-Tech Machine is not required or needed for Mr. Serafino and the Re-Start Group's own plans for the future of HydrRx. That does not however mean that the C-Tech Machine may not be part of the plans of another party that may be the successful bidder for the business and assets.



31. It is concerning that Mr. Serafino is seeking approval on the first comeback motion to dispose of a HydRx asset (without proper substantiation and process) which might be of value to other parties or bidders simply because he and his group do not need them for their plans.

32. Cobra has a very different view of the value of the asset. As may other interested bidders.

33. Specifically, the C-Tech Machine (of which there are only two in the world – both at HydRx) is a designed-to-spec manufacturing machine that is linked to a series of process patents related to in-line decarboxylation of cannabinoids. Without the associated machines, there is no ability to work the patent and exercise the competitive advantage that the patents provide. In addition, shipping the C-Tech Machine back to the United Kingdom, or in fact, anywhere outside the control of HydRx, empowers the owner to use the machine, which may compromise the patents.

*Correction to the First Goldstein Affidavit*

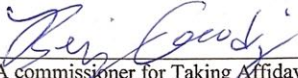
34. Finally, in the First Goldstein Affidavit, I noted concerns with respect to trailers that had appeared at the HydRx facility. I noted that Cobra's counsel had communicated with Mr. Serafino's counsel and the Monitor seeking confirmation that assets were not being removed from the facility and that, at the time of swearing of the First Goldstein Affidavit, Cobra's counsel had not received a response.

35. I am advised by Cobra's counsel that it was subsequently discovered that Mr. Page of the Monitor had responded to Cobra's counsel the morning of the day of the First Goldstein Affidavit but that the email had been blocked by Cobra's counsel's SPAM filter and so was not received. Attached and marked hereto as **Exhibit "B"** is the email from Mr. Page in that regard, the response by Cobra's counsel, and a further reply from Mr. Page.

36. While I remain concerned with the activities occurring at HydrRx's facility as noted above, I want to correct the First Goldstein Affidavit which unintentionally but erroneously stated that Mr. Page had not yet responded to the email when he in fact did respond.

37. The foregoing is respectfully submitted in connection with the Comeback Motion.

SWORN BEFORE ME by video conference  
by Richard Goldstein at the City of Toronto  
in the Province of Ontario, before me at the  
City of Toronto in the Province of Ontario  
on March 30, 2021 in accordance with O.  
Reg. 431/20, Administering Oath of  
Declaration Remotely.

  
A commissioner for Taking Affidavits  
(or as may be)

  
Richard Goldstein

Commissioner: Benjamin Goodis, LSO#  
70303H

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

AND DOMENICO SERAFINO AS A PERSON INTERESTED IN THE MATTER OF A PLAN OF COMPRMISE OR ARRANGEMENT OF HYDRX FARMS LTD., CANNSCIENCE INNOVATIONS INC. AND SCIENTUS PHARMA INC. (the "Applicant")

Court File No.: CV-21-00659187-00CL

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**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

PROCEEDING COMMENCED AT TORONTO

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**AFFIDAVIT OF RICHARD GOLDSTEIN  
(Sworn March 30, 2021)**

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**CASSELS BROCK & BLACKWELL LLP**

Scotia Plaza, Suite 2100  
40 King Street West  
Toronto, Ontario M5H 3C2

**Joseph Bellissimo LSO# 46555R**

Tel: 416.860.6572  
jbellissimo@cassels.com

**Ben Goodis LSO# 70303H**

Tel: 416.869.5312  
bgoodis@cassels.com

Lawyers for Cobra Ventures Inc.

This is Exhibit "C" referred to in the Affidavit of Richard Goldstein sworn April 23, 2021.

A handwritten signature in black ink, appearing to read "Brian Goody". The signature is written in a cursive style with a prominent initial "B".

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Commissioner for Taking Affidavits (or as may be)

UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE THE DATE THAT IS 4 MONTHS AND A DAY AFTER THE LATER OF: (A) AUGUST 14, 2017; (B) THE DATE THE CORPORATION BECOMES A REPORTING ISSUER IN ANY PROVINCE OR TERRITORY.

\$11,500,000

HYDRX FARMS LTD.

**8% SENIOR SECURED CONVERTIBLE DEBENTURE  
DUE AUGUST 14, 2019**

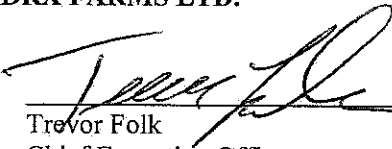
HydRx Farms Ltd. (the "**Corporation**") for value received hereby acknowledges itself indebted and promises to pay to Aphria Inc. (the "**Holder**") on August 14, 2019 (the "**Maturity Date**"), or on such earlier date as the principal amount hereof may become due in accordance with the provisions of this Debenture, the principal sum of \$11,500,000 on presentation and surrender of this Debenture at the offices of the Corporation in Whitby, Ontario and, subject as hereinafter provided, to pay interest on the principal amount hereof from the date hereof at the rate of 8% per annum in accordance with the terms of Schedule "A".

This Debenture is issued pursuant to a subscription agreement dated August 14, 2017 between the Corporation and the Holder (the "**Subscription Agreement**") and is subject to the terms and conditions set out in Schedule "A" hereto which are incorporated herein and constitute a part hereof. Unless the context otherwise requires capitalized expressions herein shall have the meanings ascribed to them in the Subscription Agreement or in Schedule "A" hereto.

**IN WITNESS WHEREOF** the Corporation has caused this Debenture to be signed by its authorized representatives as of the 14 day of August, 2017.

HYDRX FARMS LTD.

By: \_\_\_\_\_

  
Trevor Folk  
Chief Executive Officer

## SCHEDULE "A"

The following terms and conditions are applicable to the \$11,500,000 8% Senior Secured Convertible Debenture, due August 14, 2019:

### ARTICLE 1 INTERPRETATION

#### 1.1 Definitions

In this Debenture, unless there is something in the subject matter or context inconsistent therewith, the expressions following shall have the following meanings, namely:

- (a) “**Act**” means the *Securities Act* (Ontario), as such legislation may be amended, supplemented or replaced from time to time;
- (b) “**Business Day**” means any day other than a Saturday, Sunday or any other day that Canadian chartered banks are not generally open for business in Toronto, Ontario;
- (c) “**Change of Control**” means:
  - (i) a transaction whereby property constituting all or substantially all of the assets of the Corporation are sold, in one or more related transactions, to any Person or to a combination of Persons; or
  - (ii) an event or series of events (whether a share purchase, amalgamation, merger, reorganization, arrangement, consolidation or other business combination or otherwise), by which any Person becomes the “beneficial owner” (as defined in Section 1(5) of the Act) directly or indirectly of fifty-one percent (51%) or more of the combined voting power of the then outstanding securities of the Corporation.

provided that, a Change of Control does not include: (i) a Public Offering; (ii) a reverse takeover following which the shareholders of the Corporation immediately prior thereto own shares (or other securities) of the successor or continuing corporation (or other issuer entity) which would entitle them to cast more than 50% of the aggregate ordinary voting power represented by the outstanding share capital of the successor or continuing corporation (or other issuer entity); or (iii) any other internal reorganization of the Corporation where beneficial ownership of the issued and outstanding Common Shares remains unchanged;

- (d) “**Collateral**” means, as of any particular time, all of the property, undertaking, assets and rights, of the Corporation now owned or hereafter acquired and all of the property and undertaking in which the Corporation now has or hereafter acquires any interest, in each case that is subject to, or intended to be subject to, the Security, and any reference to “Collateral” shall be deemed to be a reference to “**Collateral or any part thereof**” except where otherwise specifically provided and for greater certainty, “**Collateral**” shall include all of the Corporation’s:
  - (i) present and after-acquired personal property;
  - (ii) inventory including goods held for sale, lease or resale, goods furnished or to be furnished to third parties under contracts of lease, consignment or service, goods which are raw materials or work in process, goods used in or procured for packing and materials used or consumed in the business of the Corporation;

- (iii) equipment, machinery, furniture, fixtures, plant, vehicles and other goods of every kind and description and all licences and other rights and all related records, files, charts, plans, drawings, specifications, manuals and documents;
- (iv) accounts due or accruing and all related agreements, books, accounts, invoices, letters, documents and papers recording, evidencing or relating to them;
- (v) money, documents of title, chattel paper, financial assets and investment property;
- (vi) intangibles including all security interests, goodwill, choses in action, contracts, contract rights, licenses and other contractual benefits;
- (vii) Intellectual Property; and
- (viii) all proceeds in any form derived directly or indirectly from any dealing with all or any part of the property described in Section 1.1(b)(i) through Section 1.1(b)(vii), inclusive, including the proceeds of such proceeds;

provided that, Collateral does not include consumer goods;

- (e) “**Common Shares**” means the common shares in the capital of the Corporation;
- (f) “**Conversion Date**” has the meaning given to it in Section 4.3(b);
- (g) “**Conversion Notice**” has the meaning given to it in Section 4.3(a);
- (h) “**Conversion Price**” means \$2.75 per Common Share, subject to adjustment pursuant to the terms hereof;
- (i) “**Counsel**” means a barrister or solicitor or firm of barristers or solicitors retained or employed by the Holder or retained or employed by the Corporation and acceptable to the Holder;
- (j) “**Current Market Price**” of any Common Share at any given date means the closing market price of such Common Shares on a Recognized Exchange on such date (provided that if such date is not a Business Day, the Current Market Price shall be deemed to be the closing market price of such Common Shares on a Recognized Exchange on the immediately preceding Business Day);
- (k) “**Debenture**” means this 8% Senior Secured Convertible Debenture, as supplemented, amended, restated, replaced or otherwise modified from time to time;
- (l) “**Default Rate**” means 8% per annum, compounded annually;
- (m) “**Early Conversion Expiry Date**” has the meaning given to it in Section 4.2;
- (n) “**Event of Default**” has the meaning given to it in Section 8.1;
- (o) “**Holder**” or “**holder**” means Aphria Inc. and its successors and permitted assigns;
- (p) “**Intellectual Property**” means domestic and foreign: (i) patents, applications for patents and reissues, divisions, continuations, renewals, extensions and continuations-in-part of patents or patent applications; (ii) 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; (iii) copyrights, copyright registrations and applications for copyright registration; (iv) mask works, mask work registrations and applications for mask work registrations; (v) designs, design registrations, design registration applications and integrated circuit topographies; (vi) 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; (vii) 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 (viii) any other intellectual property and industrial property;

- (q) “**Issue Date**” means August 14, 2017;
- (r) “**Maturity Date**” means August 14, 2019;
- (s) “**Obligations**” means any and all present and future indebtedness, liabilities and obligations, present or future, direct or indirect, absolute or contingent, matured or unmatured, at any time or from time to time due or accruing due and owing by or otherwise payable by the Corporation to the Holder under this, or in connection with, this Debenture;
- (t) “**Officer’s Certificate**” means a certificate of the Corporation signed by the Chief Executive Officer or Chief Financial Officer of the Corporation, on behalf of the Corporation, in his or her capacity as an officer of the Corporation and not in his or her personal capacity;
- (u) “**Payment Account**” means such account as the Holder may from time to time advise the Corporation in writing;
- (v) “**Person**” includes an individual, corporation, company, partnership, joint venture, association, trust, trustee, unincorporated organization or government or any agency or political subdivision thereof;
- (w) “**Public Offering**” means the sale by the Corporation of Common Shares or other securities to members of the public whereby the Common Shares or securities sold are listed for trading on a Recognized Exchange and the Corporation becomes, if it is not already, a “reporting issuer” (as that term or its equivalent is defined in applicable securities legislation) in any jurisdiction of Canada (or the equivalent in any other jurisdiction);
- (x) “**Recognized Exchange**” means the TSX Venture Exchange, the Toronto Stock Exchange or the Canadian Securities Exchange;
- (y) “**Security**” means the Security Interest granted by the Corporation pursuant to Section 3.1 hereunder and any amendments thereto, and any and all other documents, instruments or agreements to which the Holder is granted or receives a Security Interest pursuant to the terms hereof or thereof;
- (z) “**Security Interest**” means a mortgage, indenture, pledge, deposit by way of security, charge, hypothec, assignment by way of security, security interest, lien (whether statutory, equitable or at common law), title retention agreement, a right of set-off (if created for the purpose of directly or indirectly securing the repayment of money owed), and any other interest in property or assets, howsoever created or arising, that secures payment or performance of an obligation;
- (aa) “**Subscription Agreement**” means the subscription agreement dated as of even date herewith between the Holder, as subscriber, and the Corporation; and



(bb) “**Time of Expiry**” has the meaning given to it in Section 4.1.

## **1.2 Meaning of “Outstanding”**

This Debenture shall be deemed to be outstanding until the later of the date on which:

- (a) monies or securities for the payment of all amounts owing to the Holder hereunder shall have been paid and delivered to the Holder whether on, after or prior to the Maturity Date; and
- (b) the obligations of the Corporation hereunder shall have been duly performed as herein contemplated, or otherwise discharged to the satisfaction of the Holder, acting reasonably.

## **1.3 Interpretation**

In this Debenture:

- (a) “**this Debenture**”, “**hereto**”, “**herein**”, “**hereby**”, “**hereunder**”, “**hereof**” and similar expressions refer to this Debenture and not to any particular Article, Section, Exhibit, subsection, clause, subdivision or other portion hereof and include any and every instrument supplemental or ancillary hereto;
- (b) words importing the singular number or masculine gender shall include the plural number or the feminine or neuter genders, and vice versa;
- (c) all references to Articles, Schedules, and Exhibits refer, unless otherwise specified, to articles of, schedules to and exhibits to this Debenture;
- (d) all references to Sections refer, unless otherwise specified, to sections, subsections or clauses of this Debenture;
- (e) words and terms denoting inclusiveness (such as “include” or “includes” or “including”), whether or not so stated, are not limited by and do not imply limitation of their context or the words or phrases which precede or succeed them; and
- (f) references herein to a statute or laws include, unless otherwise stated, regulations or rules passed or in force pursuant thereto and any amendments to such statute or to such regulations or rules from time to time, and any legislation, regulations or rules substantially replacing the same or substantially replacing any specific provision to which such reference is made.

## **1.4 Headings Etc.**

The division of this Debenture into Articles and Sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Debenture.

## **1.5 Day not a Business Day**

In the event that any day on or before which any action required to be taken hereunder is not a Business Day, then such action shall be required to be taken on or before the requisite time on the next succeeding day that is a Business Day.

## **1.6 Governing Law**

This Debenture shall be construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein and shall be treated in all respects as an Ontario contract. The Corporation and the Holder irrevocably attorn to the exclusive jurisdiction of the courts of the Province of Ontario, in the City of Toronto.

## **1.7 Monetary References**

Whenever any amounts of money are referred to herein, such amounts shall be deemed to be in lawful money of Canada unless otherwise expressed.

## **1.8 Invalidity**

Any provision hereof which is prohibited or unenforceable shall be ineffective only to the extent of such prohibition or unenforceability, without invalidating the remaining provisions hereof.

## **1.9 Successors and Assigns**

All covenants and agreements in this Debenture by the Corporation shall bind its Successors and assigns, whether expressed or not.

## **1.10 Benefits of Debenture**

Nothing in this Debenture, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder, any paying agent and the Holder, any benefit or any legal or equitable right, remedy or claim under this Debenture.

## **ARTICLE 2 INTEREST AND PAYMENTS**

### **2.1 Payment of Interest**

- (a) This Debenture shall bear interest both before and after maturity, default and judgment from and including the Issue Date to the date of repayment in full at the rate of 8% per annum, compounded annually, payable semi-annually in arrears. On June 30 and December 31, in each calendar year (each an “**Interest Payment Date**”), and on the Maturity Date, all unpaid and accrued interest hereunder shall be paid in cash by the Corporation on the applicable Interest Payment Date. Interest on all overdue payments in connection with this Debenture from the date any such payment becomes overdue and for so long as such amount remains unpaid shall also accrue at the rate of 8% per annum, compounded annually.
- (b) Interest for any period of less than six months shall be computed on the basis of a year of 365 days. Whenever interest is computed on a basis of a year (the “**deemed year**”) which contains fewer days than the actual number of days in the calendar year of calculation, such rate of interest shall be expressed as a yearly rate for purposes of the *Interest Act* (Canada) by multiplying such rate of interest by the actual number of days in the calendar year of calculation and dividing it by the number of days in the deemed year.

### **2.2 Payment of Principal**

- (a) On the Maturity Date, the Corporation shall deposit to the Payment Account an amount sufficient to repay all of the Obligations in immediately available funds.

- (b) If and only if the Early Conversion Expiry Date is triggered pursuant to Section 4.2, the Corporation shall thereafter have the right to prepay the principal amount of the Obligations in whole or in part, provided that each such voluntary prepayment be in the minimum principal amount of \$500,000 by providing the Holder with at least 15 Business Days' notice before the date of prepayment). Each such notice shall specify the prepayment date and the principal amount of the Obligations to be prepaid. Prepayments shall be accompanied by accrued interest on the principal amount of the Obligations being prepaid plus an amount equal to the 5% of the principal amount of the Obligations being prepaid.

### **2.3 Time, Place and Currency of Payment**

Payments of the principal amount payable under this Debenture and all other amounts payable by the Corporation pursuant to this Debenture shall be paid in Canadian dollars for value at or before 10:00 a.m. (Toronto time) on the day such amount is due. If any such day is not a Business Day such amount shall be deemed for all purposes of this Debenture to be due on the immediately preceding Business Day. All payments shall be made to the Payment Account.

## **ARTICLE 3 SECURITY; SENIOR INDEBTEDNESS**

### **3.1 Grant of Security Interest**

To secure the payment, performance and satisfaction in full of each and every Obligation, the Corporation hereby (subject to the exceptions contained in Sections 3.3 and 3.4) grants to and in favour of the Holder a Security Interest in and of all the Collateral, of whatever nature and wherever located.

### **3.2 Attachment**

The Corporation acknowledges conclusively that the Corporation and the Holder intend the Security in the Collateral to attach immediately upon the execution of this Debenture, except in the case of Collateral in which the Corporation subsequently acquires rights, in which case, the Security shall attach contemporaneously with the Corporation acquiring rights therein without the need for any further act, deed or consideration. The Security shall be effective and shall attach as of the date hereof whether the monies hereby secured or any part thereof shall become owing by the Corporation before or after or upon the date of execution of this Debenture. The Corporation acknowledges conclusively that (i) value has been given, (ii) it has rights in the Collateral or the power to transfer rights in the Collateral to the Holder (other than after-acquired Collateral), (iii) it has not agreed to postpone the time of attachment of the Security Interest, and (iv) it has received a copy of this Debenture.

### **3.3 Leases**

The last day of any term reserved by any lease, oral or written, or any agreement therefor, now held or hereafter acquired by the Corporation, is hereby excepted out of the Security and does not and shall not form part of the Collateral, but the Corporation shall stand possessed of the reversion remaining in the Corporation of any leasehold premises for the time being demised as aforesaid upon trust to assign and dispose thereof as the Holder shall direct and upon any sale of the leasehold premises, or any part thereof, the Holder, for the purpose of vesting the aforesaid reversion of any such term or any renewal thereof in any purchaser or purchasers thereof, shall be entitled by deed or writing to appoint such purchaser or purchasers or any other Person or Persons as trustee or trustees of the aforesaid reversion of any such term or any renewal thereof in the place of the Corporation and to vest same accordingly in the new trustee or trustees so appointed freed and discharged from any obligation respecting same.

### **3.4 Contractual Rights and Intellectual Property**

In the event the validity and effectiveness of the Security over any of the Collateral requires the consent, approval or waiver of a third Person in order to be effective as against such third Person, the Security with respect to any such Collateral shall be effective as against the Corporation and all Persons other than such third Person and shall be effective as against such third Person when the applicable consent, approval or waiver is obtained, retroactively, to the fullest extent legally possible, to the later of the date hereof or the date such consent, approval or waiver is obtained or becomes effective, as applicable, and until such consent, approval or waiver is obtained, the Corporation shall (subject to the other terms hereof) stand possessed of such Collateral upon trust to assign and dispose thereof as the Holder shall for such purposes direct.

Until the Security Interest is enforceable, the grant of the Security Interest in the Intellectual Property does not affect in any way the Corporation's rights to commercially exploit the Intellectual Property, defend it, enforce the Corporation's rights in it or with respect to it against third parties in any court or claim and be entitled to receive any damages with respect to any infringement of it.

### **3.5 Liability of the Holder**

Neither the Holder nor any receiver shall: (a) be responsible or liable for any debts contracted by it, for damages to Persons or property, for salaries or for non-fulfilment of contracts during any period when the Holder or any receiver shall manage or be in possession of the Collateral; (b) be liable to account as mortgagee in possession or for anything except actual receipts or be liable for any loss on realization or for any default or omission for which a mortgagee in possession may be liable; (c) be bound to do, observe or perform or to see to the observance or performance by the Corporation of any obligations or covenants imposed upon the Corporation; or (d) in the case of any chattel paper, security or instrument, be obligated to preserve rights against any other Persons. The Corporation hereby waives any provision of applicable law permitted to be waived by it which imposes higher or greater obligations upon the Holder or any receiver than aforesaid.

The Holder has no obligation to protect or preserve any Collateral from depreciating in value or becoming worthless and is released from all responsibility for any loss of value, whether such Collateral is in the possession of, is a security entitlement of, or is subject to the control of, the Holder, the Corporation or any other Person.

### **3.6 Mandatory Provisions of Applicable Law**

Subject to Section 3.7, all rights, remedies, and powers provided herein may be exercised only to the extent that the exercise thereof does not violate any mandatory provision of applicable law and all the provisions of this Debenture are intended to be subject to all mandatory provisions of applicable law which may be controlling in the premises and to be limited to the extent necessary so that they will not render this Debenture invalid, unenforceable or not entitled to be recorded, registered or filed under any mandatory provisions of applicable law. Subject to Section 3.7, if any mandatory provision of applicable law shall provide for different or additional requirements than or to those specified herein as prerequisites to or incidental to the realization, sale or foreclosure of the Security or any part thereof, then, to that extent, such laws shall be deemed to have been set forth herein at length, and any conflicting provisions hereof shall be disregarded, and the method of realization, sale or foreclosure of the Security required by any such laws shall, insofar as may be necessary, be substituted herein as the method of realization, sale or foreclosure in lieu of that set forth above. Any provision hereof contrary to mandatory provisions of applicable law shall be deemed to be ineffective and shall be severable from and not invalidate any other provision of this Debenture.

### **3.7 Waivers of Applicable Laws**

To the extent not prohibited by applicable law, the Corporation hereby waives its rights, if any, under all provisions of applicable law that would in any manner, limit, restrict or otherwise affect the Holder's rights and remedies hereunder or impose any additional obligations on the Holder. The Corporation waives the right to receive any notice, financing statement, financing change statement or any verification statement issued by any registry that confirms registration of a requisite notice or financing statement relating to this Debenture.

### **3.8 Further Assurances**

- (a) The Corporation hereby covenants and agrees that it will at all times do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered all such further acts, deeds, mortgages, security agreements, debentures, transfers, assignments and assurances as the Holder may reasonably require for better accomplishing and effectuating the purpose of this Debenture as a result of a change in applicable law or otherwise, including the execution and delivery of debentures or other agreements supplemental hereto more particularly describing the Collateral or to correct or amplify the description of the Collateral or to better assure, convey and confirm unto the Holder any of the Collateral. Upon the execution of any supplemental debentures or other agreements under this Section, this Debenture shall be modified in accordance therewith, and each such supplemental documents shall form part of this Debenture for all purposes.
- (b) The Corporation agrees to deliver from time to time to the Holder any financing statements, continuation statements, extension agreements and other documents, properly completed and executed (and acknowledged when required) by such Persons in form and substance reasonably satisfactory to the Holder, which the Holder requests for the purpose of perfecting, confirming, or protecting any Security Interest or other rights in any property securing any Obligations in respect of this Debenture.
- (c) The Corporation will furnish to the Holder from time to time such statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral as the Holder may reasonably request, all to the extent necessary to permit the Collateral to be sufficiently described.

### **3.9 Discharge; Partial Release**

- (a) Subject to the provisions of Article 9, upon the full and final payment and performance of the Obligations in respect of this Debenture, the rights hereby granted in respect of this Debenture shall, at the request of the Corporation, be terminated and thereupon the Holder shall at the reasonable request and at the expense of the Corporation cancel and discharge the Security in respect of this Debenture and execute and deliver to the Corporation such deeds and other instruments as the Corporation may reasonably require to cancel and discharge the Security. Further, this Debenture shall continue to be effective or be reinstated, as the case may be, if for any reason at any time any payment or performance of the Obligations, or any part thereof, is rescinded, reversed, nullified, rendered void or voidable or such payment must otherwise be restored, refunded, returned or reimbursed by the Holder.
- (b) No postponement or partial release or discharge of the Security in respect of all or any part of the Collateral shall in any way operate or be construed so as to release and discharge the Security except as therein specifically provided, or so as to release or discharge the Corporation from its liability to fully pay and satisfy the Obligations.

### **3.10 Obligations Absolute**

Nothing in this Debenture contained shall detract from or limit the absolute obligation of the Corporation to make payment of all monies owing hereunder at the time and in the manner provided in this Debenture and to perform or observe any other act or condition which it is required to perform or observe hereunder whether or not the Security is operative, and the rights under this Debenture shall be in addition to and not in substitution for any other Security Interests of any and every character now or hereafter held by the Holder for the Obligations.

### **3.11 Senior Debt**

- (a) For all purposes of this Debenture “**Junior Indebtedness**” means all indebtedness for money borrowed by the Corporation, whether outstanding on the date of this Debenture or thereafter created or incurred.
- (b) The indebtedness payable under this Debenture, including the principal amount and interest hereunder (such indebtedness being hereinafter referred to as “**Senior Indebtedness**”), shall be senior in right of payment, to the extent and in the manner set forth herein, to the payment in full of all Junior Indebtedness, and the Corporation by its acceptance hereof agrees to and shall be bound by the provisions hereof.
- (c) If and whenever at any time, or from time to time, an event of default has occurred and is continuing uncured under, or in connection with, any Junior Indebtedness or any agreement or instrument relating thereto, and written notice of such event of default has been given by or on behalf of one or more holders of such Junior Indebtedness to the Corporation, no payment on account of the Junior Indebtedness shall be made to such holders and such holders shall not be entitled to receive any payment or benefit whatever on account of the Junior Indebtedness, unless and until the Senior Indebtedness shall have been first paid in full or the Holder shall have consented to such payment on account of the Junior Indebtedness.

## **ARTICLE 4 CONVERSION OF DEBENTURE**

### **4.1 Voluntary Conversion by Holder**

From the date hereof, the Holder shall have the right at such Holder’s option, at any time prior to the close of business on the last Business Day immediately preceding the Maturity Date or the Early Conversion Expiry Date (the “**Time of Expiry**”), to convert all or any portion of the principal amount and any accrued and unpaid interest of the Obligations hereunder into that number of fully paid and non-assessable Common Shares that is equal to the quotient obtained by dividing the principal amount and any accrued and unpaid interest the Holder elects to so convert by the Conversion Price then in effect on the Conversion Date. Such right of conversion shall extend only to the maximum number of whole Common Shares into which the aggregate principal amount and any accrued and unpaid interest of this Debenture at any one time may be converted. Fractional interests in Common Shares shall be adjusted for in the manner provided in Section 4.5.

### **4.2 Early Conversion Expiry**

Notwithstanding anything to the contrary contained herein, the Corporation shall have the right to accelerate the Holder’s right to convert all of any portion of the principal amount and any accrued and unpaid interest of the Obligations hereunder, into Common Shares in the event that (1) the Common Shares of the Corporation become listed and posted for trading on a Recognized Exchange; and (2) the Current Market Price of the Common Shares equals or exceeds 110% of the Conversion Price then in

effect for a period of 30 consecutive calendar days. The Corporation may, within five days after such an event, provide notice to the Holder of the accelerated expiry and thereafter, the Debenture will be subject to forced conversion and such conversion right shall expire on the date which is 30 days after the date of such notice to the Holder (the “**Early Conversion Expiry Date**”). In the event the Holder elects not to convert the Debenture during on or before the Early Conversion Expiry Date, the Debenture will no longer have any conversion rights attached to it.

#### **4.3 Manner of Exercise of Right to Convert**

- (a) The holder of this Debenture desiring to convert this Debenture in whole or in part into Common Shares shall surrender this Debenture to the Corporation at its principal office in Whitby, Ontario together with a conversion notice in the form attached as Exhibit “A” or any other written notice in a form satisfactory to the Corporation acting reasonably (the “**Conversion Notice**”), in either case duly executed by the Holder or its successors or assigns or its or their attorney duly appointed by an instrument in writing, exercising its right to convert this Debenture in accordance with the provisions of this Article 4. Thereupon the Holder, shall be entitled to be entered in the books of the Corporation as at the Conversion Date (or such later date as is specified in Section 4.3(b)) as the holder of the number of Common Shares into which this Debenture is convertible in accordance with the provisions of this Article 4 and, as soon as practicable thereafter, the Corporation shall deliver to the Holder a certificate or certificates for such Common Shares and make or cause to be made any payment of interest to which such Holder is entitled in accordance with Section 4.3(d) hereof and/or in respect of any fractional interests in Common Shares.
- (b) For the purposes of this Article 4, this Debenture shall be deemed to be surrendered for conversion on the date (herein called the “**Conversion Date**”) on which it is so surrendered in accordance with the provisions of Section 4.3(a).
- (c) If only a part of this Debenture is converted, the Holder shall, upon the exercise of its right of conversion, surrender this Debenture to the Corporation, and the Corporation shall cancel the same and shall without charge forthwith deliver to the Holder a new Debenture in an aggregate principal amount equal to the unconverted part of the principal amount of this Debenture so surrendered.
- (d) The Holder shall be entitled to receive accrued and unpaid interest in respect thereof up to but excluding the Conversion Date and the Common Shares issued upon such conversion shall rank only in respect of distributions or dividends declared in favour of holders of Common Shares of record on and after the Conversion Date or such later date as such holder shall become the holder of record of such Common Shares pursuant to Section 4.3(b), from which applicable date they will for all purposes be and be deemed to be issued and outstanding as fully paid and non-assessable Common Shares.

#### **4.4 Adjustment of Conversion Price**

The Conversion Price in effect at any date shall be subject to adjustment from time to time as set forth below.

- (a) If and whenever at any time prior to the Time of Expiry the Corporation shall:
  - (i) subdivide or re-divide the outstanding Common Shares into a greater number of Common Shares; or

- (ii) reduce, combine or consolidate the outstanding Common Shares into a smaller number of Common Shares;

the Conversion Price in effect on the effective date of such subdivision, re-division, reduction, combination or consolidation, as the case may be, shall in the case of any of the events referred to in (i) and (iii) above be decreased in proportion to the number of outstanding Common Shares resulting from such subdivision or redivision, or shall, in the case of any of the events referred to in (ii) above, be increased in proportion to the number of outstanding Common Shares resulting from such reduction, combination or consolidation. Such adjustment shall be made successively whenever any event referred to in this Section 4.4(a) shall occur.

- (b) If and whenever at any time prior to the Time of Expiry the Corporation shall fix a record date for the issuance of options, rights or warrants to all or substantially all the holders of its outstanding Common Shares entitling them, for a period expiring not more than 90 days and not less than 21 days after such record date, to subscribe for or purchase Common Shares (or securities convertible into Common Shares) at a price per share (or having a conversion or exchange price per share) less than 95% of the Current Market Price on such record date, the Conversion Price shall be adjusted immediately after such record date so that it shall equal the price determined by multiplying the Conversion Price in effect on such record date by a fraction, of which the numerator shall be the total number of Common Shares outstanding on such record date plus a number of Common Shares equal to the quotient obtained by dividing the aggregate price of the total number of additional Common Shares offered for subscription or purchase (or the aggregate conversion or exchange price of the convertible securities so offered) by such Conversion Price per Common Share, and of which the denominator shall be the total number of Common Shares outstanding on such record date plus the total number of additional Common Shares offered for subscription or purchase (or into which the convertible securities so offered are convertible). Such adjustment shall be made successively whenever such a record date is fixed. To the extent that any such options, rights or warrants are not so issued or any such options, rights or warrants are not exercised prior to the expiration thereof, the Conversion Price shall be re-adjusted to the Conversion Price which would then be in effect if such record date had not been fixed or to the Conversion Price which would then be in effect based upon the number of Common Shares (or securities convertible into Common Shares) actually issued upon the exercise of such options, rights or warrants, as the case may be.
- (c) If and whenever at any time prior to the Time of Expiry the Corporation shall fix a record date for the making of a distribution to all or substantially all the holders of its outstanding Common Shares of (i) shares of any class other than Common Shares, (ii) rights, options or warrants (excluding rights, options or warrants entitling the holders thereof for a period of not more than 90 days and not less than 21 days to subscribe for or purchase Common Shares or securities convertible into Common Shares), or (iii) evidences of its indebtedness then, in each such case, the Conversion Price shall be adjusted immediately after such record date so that it shall equal the price determined by multiplying the Conversion Price in effect on such record date by a fraction, of which the numerator shall be the total number of Common Shares outstanding on such record date multiplied by the Conversion Price on such record date, less the fair market value (as determined by the directors of the Corporation, which determination shall be conclusive) of such shares or rights, options or warrants or evidences or indebtedness so distributed, and of which the denominator shall be the total number of Common Shares outstanding on such record date multiplied by the Conversion Price. Such adjustment shall be made successively whenever such a record date is fixed. To the extent that such distribution is not so made, the Conversion Price shall be re-adjusted to the Conversion Price which would then be in effect if such record date had not been fixed or to the Conversion Price which would then be in effect based upon such



shares or rights, options or warrants or evidences of indebtedness or assets actually distributed, as the case may be.

- (d) If and whenever at any time prior to the Time of Expiry, there is a reclassification of the Common Shares or a capital reorganization of the Corporation other than as described in Section 4.4(a) or a consolidation, amalgamation, arrangement or merger of the Corporation with or into any other Person or other entity; or a sale or conveyance of the property and assets of the Corporation as an entirety or substantially as an entirety to any other Person or other entity or a liquidation, dissolution or winding-up of the Corporation, any holder of this Debenture who has not exercised its right of conversion prior to the effective date of such reclassification, capital reorganization, consolidation, amalgamation, arrangement or merger, sale or conveyance or liquidation, dissolution or winding-up, upon the exercise of such right thereafter, shall be entitled to receive and shall accept, in lieu of the number of Common Shares then sought to be acquired by it, the number of shares or other securities or property of the Corporation or of the Person or other entity resulting from such merger, amalgamation or consolidation, or to which such sale or conveyance may be made or which holders of Common Shares receive pursuant to such liquidation, dissolution or winding-up, as the case may be, that such holder of this Debenture would have been entitled to receive on such reclassification, capital reorganization, consolidation, amalgamation, arrangement or merger, sale or conveyance or liquidation, dissolution or winding-up, if, on the record date or the effective date thereof, as the case may be, the holder had been the registered holder of the number of Common Shares sought to be acquired by it and to which it was entitled to acquire upon the exercise of the conversion right. If determined appropriate by the directors of the Corporation, to give effect to or to evidence the provisions of this Section 4.4(d), the Corporation, the Successor, or other entity, as the case may be, shall, prior to or contemporaneously with any such reclassification, capital reorganization, consolidation, amalgamation, arrangement, merger, sale or conveyance or liquidation, dissolution or winding-up, enter into an indenture which shall provide, to the extent possible, for the application of the provisions set forth in this Debenture with respect to the rights and interests thereafter of the Holder to the end that the provisions set forth in this Debenture shall thereafter correspondingly be made applicable, as nearly as may reasonably be, with respect to any shares or other securities or property to which the Holder is entitled on the exercise of its acquisition rights thereafter. Any indenture entered into between the Corporation and the Holder pursuant to the provisions of this Section 4.4(d) shall be a supplemental indenture entered into pursuant to the provisions of Section 10.1(a)(i). Any indenture entered into between the Corporation, any successor to the Corporation or such purchasing Person or other entity and the Holder shall provide for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided in this Section 4.4(d) and which shall apply to successive reclassifications, capital reorganizations, amalgamations, consolidations, mergers, sales or conveyances.
- (e) In any case in which this Section 4.4 shall require that an adjustment shall become effective immediately after a record date for an event referred to herein, the Corporation may defer, until the occurrence of such event, issuing to the Holder converted after such record date and before the occurrence of such event the additional Common Shares issuable upon such conversion by reason of the adjustment required by such event before giving effect to such adjustment; provided, however, that the Corporation shall deliver to such holder an appropriate instrument evidencing such holder's right to receive such additional Common Shares upon the occurrence of the event requiring such adjustment and the right to receive any distributions made on such additional Common Shares declared in favour of holders of record of Common Shares on and after the Conversion Date or such later date as such holder would, but for the provisions of this Section 4.4(e), have become the holder of record of such additional Common Shares pursuant to Section 4.3(b).

- (f) The adjustments provided for in this Section 4.4 are cumulative and shall apply to successive subdivisions, re-divisions, reductions, combinations, consolidations, distributions, issues or other events resulting in any adjustment under the provisions of this Section, provided that, notwithstanding any other provision of this Section, no adjustment of the Conversion Price shall be required unless such adjustment would require an increase or decrease of at least 1% in the Conversion Price then in effect; provided however, that any adjustments which by reason of this Section 4.4(f) are not required to be made shall be carried forward and taken into account in any subsequent adjustment.
- (g) For the purpose of calculating the number of Common Shares outstanding, Common Shares owned by or for the benefit of the Corporation shall not be counted.
- (h) In case the Corporation shall take any action affecting the Common Shares other than action described in this Section 4.4, which in the opinion of the directors of the Corporation, would materially affect the rights of the Holder, the Conversion Price shall be adjusted in such manner and at such time, by action of the directors of the Corporation, as the directors of the Corporation, in their sole discretion may determine to be equitable in the circumstances. Failure of the directors to make such an adjustment shall be conclusive evidence that they have determined that it is equitable to make no adjustment in the circumstances.
- (i) No adjustment in the Conversion Price shall be made in respect of any event described in Sections 4.4(a), 4.4(b) or 4.4(c), other than the events described in Sections 4.4(a)(i) or 4.4(a)(ii), if the Holder is entitled to participate in such event on the same terms *mutatis mutandis* as if they had converted this Debenture prior to the effective date or record date, as the case may be, of such event.

#### **4.5 No Requirement to Issue Fractional Common Shares**

The Corporation shall not be required to issue fractional Common Shares upon the conversion of this Debenture pursuant to this Article 4. The number of whole Common Shares issuable upon conversion of this Debenture shall be computed on the basis of the aggregate principal amount to be converted. If any fractional interest in a Common Share would, except for the provisions of this Section, be deliverable upon such conversion, the Corporation shall, in lieu of delivering any certificate representing such fractional interest, make a cash payment to the Holder of an amount equal to the fractional interest which would have been issuable multiplied by the Conversion Price.

#### **4.6 Corporation to Reserve Common Shares**

The Corporation covenants with the Holder that it will at all times reserve and keep available out of its authorized share capital, solely for the purpose of issuing Common Shares upon conversion of this Debenture in the manner set forth in this Article 4, and conditionally allot to Holder who may exercise their conversion rights hereunder, such number of Common Shares as shall then be issuable upon the conversion of this Debenture. The Corporation covenants with the Holder that all Common Shares that shall be so issuable shall be duly and validly issued as fully paid and non-assessable.

#### **4.7 Cancellation of Converted Debenture**

Subject to the provisions of Section 4.3 as to conversions in part, upon conversion of this Debenture in accordance with the provision of this Article 4, this Debenture shall be forthwith delivered to and cancelled by the Corporation and no Debenture shall be issued in substitution therefore.

#### **4.8 Certificate as to Adjustment**

The Corporation shall from time to time immediately after the occurrence of any event which requires an adjustment or readjustment of the Conversion Price as provided in Section 4.4, deliver an Officer's Certificate to the Holder specifying the nature of the event requiring the same and the amount of the adjustment necessitated thereby and setting forth in reasonable detail the method of calculation and the facts upon which such calculation is based. The Corporation shall, upon the written request at any time of the Holder, furnish or cause to be furnished to such Holder a similar certificate setting forth all such adjustments and readjustments, the Conversion Price in effect at such time, and the number of Common Shares or the amount, if any, of other securities (as determined under Section 4.4(d)), which at such time would be issuable upon the conversion of this Debenture.

#### **4.9 No Impairment**

The Corporation shall not, by amendment of its articles or through any reorganization, transfer of assets, consolidation, merger, amalgamation, arrangement, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance of any of the terms to be observed or performed hereunder by the Corporation, but will at all times in good faith assist in the carrying out of all the provisions of this Article 4 and in the taking of all such action as may be necessary or appropriate in order to protect the conversion rights of the Holder against impairment.

#### **4.10 Notice of Special Matters**

The Corporation covenants with the Holder that so long as this Debenture remains outstanding, it will give notice to the Holder in the manner provided in Section 11.2 of its intention to fix a record date for any event referred to in Section 4.3(d), (b) or (c) (other than the subdivision, re-division, reduction, combination or consolidation of the Common Shares) which may give rise to an adjustment in the Conversion Price, and, in each case, such notice shall specify the particulars of such event and the record date and the effective date for such event; provided that the Corporation shall only be required to specify in such notice such particulars of such event as shall have been fixed and determined on the date on which such notice is given. Such notice shall be given not less than 14 days in each case prior to such applicable record date.

### **ARTICLE 5 TRANSFER AND REPLACEMENT OF DEBENTURE**

#### **5.1 Transfer of the Debenture**

Provided an Event of Default has not occurred, and subject to compliance with applicable securities laws, the Holder may, upon receipt of written consent from the Corporation, transfer or assign, in whole or in part, its rights and obligations hereunder to a third party without restriction. Upon the due transfer of this Debenture, the Holder and the transferee shall be entitled to receive, without charge, new certificates substantially in the form hereof representing the applicable principal amounts in respect thereof after giving effect to such transfer, and the Corporation agrees to make such amendments and modifications to such certificates as may be reasonably requested by the Holder and the transferee to give effect to the rights and obligations so transferred or assigned.

#### **5.2 Replacement Debenture**

If this Debenture becomes mutilated or is lost, destroyed or stolen, the Corporation shall, without cost but on reasonable terms as to indemnity, issue and deliver, a new debenture of like tenor as the one mutilated, lost, destroyed or stolen in exchange for and in place of and upon cancellation of this Debenture.

## **ARTICLE 6 COVENANTS OF THE CORPORATION**

### **6.1 Positive Covenants**

During the term of this Debenture, the Corporation covenants and agrees with the Holder, that the Corporation shall:

- (a) duly and punctually pay or cause to be paid to the Holder the Obligations on the dates, at the places and in the manner mentioned herein;
- (b) maintain and preserve its existence, organization and status in each jurisdiction of organization and make all corporate and other filings and registrations necessary or advisable in connection therewith;
- (c) comply at all times with applicable laws and all covenants and agreements made by the Corporation in the Subscription Agreement;
- (d) provide the Holder with prompt written notice of the occurrence of any Event of Default; and
- (e) provide the Holder with such other documents, consents, acknowledgments and agreements as are reasonably necessary to implement this Debenture from time to time.

### **6.2 Negative Covenants**

During the term of this Debenture, the Corporation covenants and agrees with the Holder, that the Corporation shall not take any action which conflicts with, results in any breach, violation of or default under (with or without notice or lapse of time or both) any of the Debenture or the Subscription Agreement.

## **ARTICLE 7 REPRESENTATIONS AND WARRANTIES**

### **7.1 Representations and Warranties**

The Corporation hereby represents and warrants to the Holder as follows and acknowledges that the Holder is relying upon the following representations and warranties:

- (a) the Corporation has been duly incorporated and organized and is valid and subsisting under the laws of Canada and has all requisite corporate capacity, power and authority to carry on its business as now conducted and to own, lease and operate its properties and assets;
- (b) the Corporation has full corporate capacity, power and authority to enter into this Debenture and to perform its obligations set out herein (including, without limitation, the issuance of this Debenture and the issuance of Common Shares upon conversion of this Debenture), and this Debenture has been duly authorized, executed and delivered by the Corporation and this Debenture is a legal, valid and binding obligation of the Corporation enforceable against the Corporation in accordance with its terms, subject to laws relating to creditors' rights generally and except as rights to indemnity may be limited by applicable law;
- (c) this Debenture has been duly and validly issued as fully paid and non-assessable;

- (d) the Corporation is not in default or breach of, and the execution and delivery of, and the performance of and compliance with the terms of this Debenture by the Corporation or any of the transactions contemplated hereby (including, without limitation, the issuance of this Debenture and the issuance of Common Shares upon conversion of this Debenture), does not and will not result in any breach of, or constitute a default under, and does not and will not create a state of facts which, after notice or lapse of time or both, would result in a breach of or constitute a default under: (i) any term or provision of the constating documents of the Corporation; (ii) any resolutions of shareholders or directors (or any committee thereof) of the Corporation; (iii) any indenture, mortgage, note, contract, agreement (written or oral), instrument, lease or other document to which the Corporation is a party or by which it is bound; or (iv) any applicable law, which default or breach might reasonably be expected to have a material adverse effect on the Corporation; and
- (e) the Corporation has full power and authority to issue the Common Shares issuable upon conversion of this Debenture and upon issuance thereof in accordance with this Debenture, such Common Shares will, at the time of issue, be duly allotted, validly issued and outstanding as fully paid and non-assessable.

## **ARTICLE 8 DEFAULT**

### **8.1 Events of Default**

Each of the following events constitutes, and is herein sometimes referred to as, an “**Event of Default**”:

- (a) failure for 30 days to pay interest on the Debentures when due;
- (b) failure to pay principal or premium, if any, on this Debenture when due whether at maturity or otherwise;
- (c) failure to deliver when due all cash and Common Shares or other consideration deliverable upon conversion of this Debenture, which failure continues for 30 days;
- (d) if any of this Debenture or any Security or any material provision of any of the foregoing shall at any time for any reason cease to be in full force and effect, be declared to be void or voidable (and the same is not forthwith effectively rectified or replaced by the Corporation) or shall be repudiated, or the validity or enforceability thereof shall at any time be contested by the Corporation or the Corporation shall deny that it has any or any further liability or obligation thereunder, or at any time it shall be unlawful or impossible for them to perform any of their respective obligations under this Debenture, or the Security;
- (e) if a decree or order of a Court having jurisdiction is entered adjudging the Corporation a bankrupt or insolvent under the *Bankruptcy and Insolvency Act* (Canada), *Companies Creditors Arrangement Act* (Canada) or any other bankruptcy, insolvency or analogous laws, or issuing sequestration or process of execution against, or against any substantial part of, the property of the Corporation, or appointing a receiver of, or of any substantial part of, the property of the Corporation or ordering the winding-up or liquidation of its affairs, and any such decree or order continues unstayed and in effect for a period equal to 30 days;
- (f) if the Corporation institutes proceedings to be adjudicated a bankrupt or insolvent, or consents to the institution of bankruptcy or insolvency proceedings against it under the *Bankruptcy and Insolvency Act* (Canada), *Companies Creditors Arrangement Act* (Canada) or any other bankruptcy, insolvency or analogous laws, or consents to the filing of any such petition or to the

appointment of a receiver of, or of any substantial part of, the property of the Corporation or makes a general assignment for the benefit of creditors, or admits in writing its inability to pay its debts generally as they become due;

- (g) if a resolution is passed for the winding-up or liquidation of the Corporation except in the course of carrying out or pursuant to a transaction in respect of which the conditions of Section 10.1 are duly observed and performed;
- (h) if, after the date of this Debenture, any proceedings with respect to the Corporation are taken with respect to a compromise or arrangement, with respect to creditors of the Corporation generally, under the applicable legislation of any jurisdiction;
- (i) the failure to perform or observe any of the other covenants, agreements or obligations under this Debenture in any material respect for 30 days after written notice of such failure from the Holder to the Corporation or from the Corporation to the Holder; or
- (j) if a Change of Control shall occur.

If such an event shall occur and be continuing, the Holder may, in its discretion, subject to the provisions of Section 8.2, by notice in writing to the Corporation declare the principal of and interest on this Debenture then outstanding and all other monies outstanding hereunder to be due and payable and the same shall forthwith become immediately due and payable to the Holder, and the Corporation shall forthwith pay to the Holder such principal, accrued and unpaid interest and interest at the Default Rate on amounts in default on this Debenture and all other monies outstanding hereunder, together with subsequent interest at the Default Rate on such principal, interest and such other monies from the date of such declaration until payment is received by the Holder, such subsequent interest to be payable at the times and places and in the monies mentioned in and according to the tenor of this Debenture. Such payment when made shall be deemed to have been made in discharge of the Corporation's obligations hereunder.

## **8.2 Waiver of Default**

Upon the happening of any Event of Default hereunder, the Holder of this Debenture shall have the power to waive any Event of Default. No such act or omission of the Holder shall extend to or be taken in any manner whatsoever to affect any subsequent Event of Default or the rights resulting therefrom.

## **8.3 Enforcement by the Holder**

If the Corporation shall fail to pay to the Holder, forthwith after the same shall have been declared to be due and payable under Section 8.1, the principal of and interest on this Debenture then outstanding, together with any other amounts due hereunder, the Holder may in its discretion, proceed in its name to obtain or enforce payment of such principal of and interest on this Debenture then outstanding together with any other amounts due hereunder by such proceedings authorized herein or by law or equity as the Holder shall deem expedient.

The Holder shall be entitled and empowered to file such proof of debt, amendment of proof of debt, claim, petition or other document as may be necessary or advisable in order to have the claims of the Holder allowed in any insolvency, bankruptcy, liquidation or other judicial proceedings relative to the Corporation or its creditors or relative to or affecting its property.

The Holder, upon the occurrence of an Event of Default, the Security Interest becomes and is enforceable against the Corporation and the Holder may, in its absolute discretion, sell or dispose of the Collateral, either as a whole or in separate parcels, by private contract, at public auction, by public tender, by lease or

by deferred payment arrangement. The Holder may make any such sale or disposition of the Collateral either for cash or upon credit and upon such reasonable conditions as to upset or reserve bid or price and terms of payment as it may deem proper; to rescind or vary any contract or sale that may have been entered into and re-sell with or under any of the powers conferred herein; to adjourn such sale from time to time; and to execute and deliver to the purchaser or purchasers of the Collateral or any part thereof, good and sufficient deed or deeds for the same, and any such sale or disposition made as aforesaid shall be a perpetual bar at law and in equity against the Corporation and all other Persons claiming the Collateral or any part or parcel thereof, by, from, through, or under the Corporation. The Holder may become a purchaser at any sale of the Collateral or any part thereof.

The Holder shall also have the power at any time and from time to time to institute and to maintain such suits and proceedings as it may be advised shall be necessary or advisable to preserve and protect its interests and the interests of the Holder.

#### **8.4 Proceeds of Realization**

The proceeds of realization or enforcement hereunder or any other amount from time to time received by the Holder or the receiver will be applied as follows: first, to the payment in full of all reasonable fees of the Holder and all reasonable out-of-pocket costs, fees and expenses (including, without limitation, reasonable legal fees on a solicitor and his own client full indemnity basis) incurred by the Holder and any receiver or other enforcement agent appointed by the Holder or a court of competent jurisdiction, as the case may be, in connection with the collection or enforcement of the Obligations owed the Holder, the enforcement of the Security or the preservation of the Collateral; second, in payment to the Holder of the Obligations and other amounts payable hereunder; and third, the balance, if any, will be paid, subject to applicable laws, to the Corporation.

#### **8.5 Remedies Cumulative and Not Exclusive**

No right, power or remedy herein conferred upon or reserved to the Holder is intended to be exclusive of any other right, power or remedy, but each and every such right, power or remedy shall be cumulative and shall be in addition to every other right, power or remedy given hereunder or now existing or hereafter to exist by law or by statute. Every right, power and remedy given to the Holder or to a receiver by this Debenture or under applicable laws may be exercised from time to time and as often as may be deemed expedient by the Holder or such receiver, as applicable. In case the Holder shall have proceeded to enforce any right under this Debenture and the proceedings for the enforcement thereof shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Holder, then and in every such case the Corporation and the Holder shall, without any further action hereunder, to the fullest extent permitted by applicable laws, subject to any determination in such proceedings, severally and respectively, be restored to their former positions and rights hereunder and thereafter all rights, remedies and powers of the Holder shall continue as though no such proceeding had been taken.

#### **8.6 Additional Rights**

In addition to the remedies set forth in Section 8.3 and elsewhere in this Debenture, whenever the Security Interest is enforceable, the Holder may:

- (a) require the Corporation, at the Corporation's expense, to assemble the Collateral to the extent reasonably practicable at a place or places designated by notice in writing and the Corporation agrees to so assemble the Collateral immediately upon receipt of such notice;
- (b) require the Corporation, by notice in writing, to disclose to the Holder the location or locations of the Collateral and the Corporation agrees to promptly make such disclosure when so required; and

- (c) repair, process, modify, complete or otherwise deal with the Collateral and prepare for the disposition of the Collateral, whether on the premises of the Corporation or otherwise.

### **8.7 Immunity of Holder and Others**

The Holder hereby waives and releases any right, cause of action or remedy now or hereafter existing in any jurisdiction against any past, present or future officer or director of the Corporation or holder of Common Shares or of any successor for the payment of the principal of or interest on any of this Debenture or on any covenant, agreement, representation or warranty by the Corporation herein or in this Debenture contained.

### **8.8 Judgment Against the Corporation**

The Corporation covenants and agrees with the Holder that, in case of any judicial or other proceedings to enforce the rights of the Holder, judgment may be rendered against it in favour of the Holder for any amount which may remain due in respect of this Debenture and the interest thereon and any other monies owing hereunder.

### **8.9 Receiver**

Upon the occurrence of an Event of Default, the Holder may in its absolute discretion, appoint a receiver of the Collateral or any part thereof and upon any such appointment by the Holder the following provisions shall apply:

- (a) such appointment shall be made in writing signed by the Holder and such writing shall be conclusive evidence for all purposes of such appointment; the Holder may from time to time in the same manner remove any receiver so appointed and appoint another in its stead; in making any such appointment the Holder shall be deemed to be acting as the attorney for the Corporation and the Corporation hereby consents to the appointment of a receiver;
- (b) any such appointment may be limited to any part or parts of the Collateral or may extend to the whole thereof;
- (c) every receiver may, in the discretion of the Holder, be vested with all or any of the powers, rights, benefits, discretions, protection and relief of the Holder hereunder and shall be vested with all of the powers and protections afforded to a receiver under applicable law;
- (d) the Holder may from time to time fix the reasonable remuneration of the receiver and direct the payment thereof, in priority to the other Obligations, out of the Collateral, the income therefrom or the proceeds thereof;
- (e) the Holder may from time to time require any receiver to give security for the performance of its duties and may fix the nature and amount thereof, but the Holder shall not be bound to require such security;
- (f) every such receiver may, with the consent in writing of the Holder, borrow money for the purpose of carrying on the business of the Corporation in respect of any part of the Collateral or for the maintenance, protection or preservation of the Collateral or any part thereof, and any receiver may issue certificates (in this Section 8.9 called "**Receiver's Certificates**"), for such sums as will in the opinion of the Holder be sufficient for carrying out the foregoing, and such Receiver's Certificates may be payable either to order or bearer and may be payable at such time or times as the Holder may consider expedient, and shall bear such interest as shall therein be declared and the receiver may sell, pledge or otherwise dispose of the same in such manner as the Holder may



consider advisable and may pay such commission on the sale thereof as the Holder may consider reasonable, and the amounts from time to time payable by virtue of such Receiver's Certificates shall at the option of the Holder form a charge upon the Collateral in priority to this Debenture;

- (g) every receiver shall, regarding its acts or omissions, be deemed the agent of the Corporation and in no event the agent of the Holder and the Holder shall not, in making or consenting to such appointment, incur any liability to any receiver for its remuneration or otherwise howsoever;
- (h) except as may be otherwise directed by the Holder, all monies from time to time received by any receiver shall be paid over to the Holder at the place where this Debenture is payable; and
- (i) the Holder may pay over to any receiver any monies constituting part of the Collateral to the extent that the same may be applied for the purposes hereof by such receiver and the Holder may from time to time determine what funds any receiver shall be at liberty to keep on hand with a view to the performance of its duties as such receiver.

## **ARTICLE 9 SATISFACTION AND DISCHARGE**

### **9.1 Cancellation and Destruction**

This Debenture shall forthwith after payment of all Obligations, be delivered to the Corporation for cancellation and shall be destroyed by the Corporation.

### **9.2 Discharge**

The Holder shall at the written request of the Corporation release and discharge this Debenture and execute and deliver such instruments as it shall be advised by Counsel are requisite for that purpose and to release the Corporation from its covenants herein contained, upon satisfaction or payment of the principal of and interest (including interest on amounts in default, if any), on this Debenture and all other monies payable hereunder or that this Debenture having matured, payment of the principal of and interest (including interest on amounts in default, if any) on this Debenture and of all other monies payable hereunder has been duly and effectually provided for in accordance with the provisions hereof.

### **9.3 Satisfaction**

- (a) The Corporation shall be deemed to have fully paid, satisfied and discharged this Debenture and the Holder shall execute and deliver proper instruments acknowledging the full payment, satisfaction and discharge of this Debenture, when the Corporation has deposited or caused to be deposited with the Holder for the purpose of making payment on this Debenture, an amount in money sufficient to pay, satisfy and discharge the entire amount of principal and interest, if any, to maturity or any repayment date, as the case may be, of this Debenture, and the Corporation has paid, caused to be paid or made provisions to the satisfaction of the Holder for the payment of all other sums payable with respect to all of this Debenture (together with all applicable expenses of the Holder in connection with the payment of this Debenture).
- (b) Upon the satisfaction of the conditions set forth in this Section 9.3, the terms and conditions of this Debenture, including the terms and conditions with respect thereto set forth in this Debenture (other than those contained in Article 2 and the provisions of Article 1 pertaining to Article 2) shall no longer be binding upon or applicable to the Corporation.

## ARTICLE 10 SUCCESSORS

### 10.1 Restrictions on Amalgamation, Merger and Sale of Certain Assets, etc.

The Corporation shall not enter into any transaction or series of transactions whereby all or substantially all of its undertaking, property or assets would become the property of any other Person (herein called a “**Successor**”) whether by way of reorganization, consolidation, amalgamation, arrangement, merger, transfer, sale or otherwise, unless:

- (a) prior to or contemporaneously with the consummation of such transaction the Corporation and the Successor shall have executed such instruments and done such things as, in the opinion of Counsel, are necessary or advisable to establish that upon the consummation of such transaction:
  - (i) the Successor will have assumed all the covenants and obligations of the Corporation under this Debenture;
  - (ii) this Debenture will be valid and binding obligations of the Successor entitling the Holder thereof, as against the Successor, to all the rights of Holder under this Debenture; and
  - (iii) in the case of an entity organized otherwise than under the laws of the Province of Ontario, shall attach to the jurisdiction of the courts of the Province of Ontario; and
- (b) such transaction shall be on such terms as to substantially preserve and not impair any of the rights and powers of the Holder hereunder; and
- (c) no condition or event shall exist as to the Corporation (at the time of such transaction) or the Successor (immediately after such transaction) and after giving full effect thereto or immediately after the Successor shall become liable to pay the principal monies, premium, if any, interest and other monies due or which may become due hereunder, which constitutes or would constitute an Event of Default hereunder.

### 10.2 Vesting of Powers in Successor

Whenever the conditions of Section 10.1 shall have been duly observed and performed, any Successor formed by or resulting from such transaction shall succeed to, and be substituted for, and may exercise every right and power of the Corporation under this Debenture with the same effect as though the Successor had been named as the Corporation herein and thereafter, except in the case of a lease or other similar disposition of property to the Successor, the Corporation shall be relieved of all obligations and covenants under this Debenture forthwith upon the Corporation delivering to the Holder an opinion of Counsel to the effect that the transaction shall not result in any material adverse tax consequences to the Corporation or the Successor. The Holder will, at the expense of the Successor, execute any documents which it may be advised by Counsel are necessary or advisable for effecting or evidencing such release and discharge.

## ARTICLE 11 NOTICES

### 11.1 Notice to Corporation

Any notice to the Corporation under the provisions of this Debenture shall be valid and effective if delivered to the Corporation at the following address: 209 Dundas Street East, P.O. Box 31, Whitby, Ontario, Attention: Rav Grover, Email: [rgrover@scientuspharma.com](mailto:rgrover@scientuspharma.com) or if given by registered letter,

postage prepaid, to such offices and so addressed and if mailed, shall be deemed to have been effectively given three days following the mailing thereof. The Corporation may from time to time notify the Holder in writing of a change of address which thereafter, until changed by like notice, shall be the address of the Corporation for all purposes of this Debenture.

If by reason of any interruption of mail service, actual or threatened, any notice to be given to the Corporation would reasonably be unlikely to reach its destination by the time notice by mail is deemed to have been given pursuant to this Section 11.1, such notice shall be valid and effective only if delivered at the appropriate address in accordance with this Section 11.1.

## **11.2 Notice to Holder**

Any notice to the Holder under the provisions of this Debenture shall be valid and effective if delivered to the Holder at the following address: 265 Talbot Street West, Leamington, Ontario, N8H 4H3 Attention: Chief Financial Officer, Email: [carlm@aphria.com](mailto:carlm@aphria.com), or if given by registered letter, postage prepaid, to such office and so addressed and, if mailed, shall be deemed to have been effectively given three days following the mailing thereof. The Holder may from time to time notify the Corporation in writing of a change of address which thereafter, until changed by like notice shall be the address of the Holder to receive notices from the Corporation.

If by reason of any interruption of mail service, actual or threatened, any notice to be given to the Holder would reasonably be unlikely to reach its destination by the time notice by mail is deemed to have been given pursuant to this Section 11.2, such notice shall be valid and effective only if delivered at the appropriate address in accordance with this Section 11.2.

**EXHIBIT "A"**

**NOTICE OF CONVERSION**

**TO: HYDRX FARMS LTD.** (the "Corporation")

REFERENCE IS MADE TO the 8% Senior Secured Convertible Debenture dated August 14, 2017 of the Corporation in favour of Aphria Inc. (the "Holder") in the original principal amount of \$11,500,000 (the "Debenture"). Capitalized terms used but not defined herein have the respective meanings ascribed to those terms in the Debenture.

THE UNDERSIGNED hereby certifies that it is the current Holder of the Debenture.

THE UNDERSIGNED hereby gives notice of its exercise of its right of conversion pursuant to the Debenture as to \$\_\_\_\_\_ principal amount and any accrued and unpaid interest of the Debenture on the basis that the undersigned will receive Common Shares at the current Conversion Price of \$\_\_\_\_\_ per Common Share. The undersigned directs that these Common Shares be registered and the share certificate be delivered as follows:

**Registration Instructions**

**Delivery Instructions**

\_\_\_\_\_  
(Name of Registered Owner)

\_\_\_\_\_  
(Name)

\_\_\_\_\_  
(Address of Registered Owner)

\_\_\_\_\_  
(Address)

**DATED** this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, in the City of \_\_\_\_\_ in the \_\_\_\_\_ of \_\_\_\_\_.

(Print Name of Holder)

By: \_\_\_\_\_  
(Authorized Signatory)

\_\_\_\_\_  
(Print Title & Name of Signatory)

This is Exhibit “D” referred to in the Affidavit of Richard Goldstein sworn April 23, 2021.

A handwritten signature in black ink, appearing to read "Brian Goody". The signature is written in a cursive style with a prominent initial "B".

---

Commissioner for Taking Affidavits (or as may be)

Aphria Inc.  
 103-245 Talbot Street West  
 Leamington ON N8H 1N8

We're not a bank.  
 We're better.

### Contact us

**Central**  
 2800 Tecumseh Road East  
 Windsor, ON N8W 1G4

**P** (519) 974-3100  
**F** (519) 974-9098  
**W** www.wfcu.ca  
**E** info@windsorfamily.com

### Legend

DR - Within LOC Limit  
 EX - Credit Limit Exceeded  
 OD - Unauthorized Overdraft

## Account Summary

[REDACTED ACCOUNT SUMMARY TABLE]

## Chequing & Savings

[REDACTED SECTION HEADER]

[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
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[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

## Quick & Easy Loan

# 6.999%\*

## QUICK LOANS

EASY & HASSLE FREE

INSTANT APPROVALS • UP TO \$10,000 • CALL 519-974-WFCU TODAY!

\*Personal loan interest rate subject to change. Terms and conditions apply. Credit granting criteria apply. Special rate of 6.99% is for new funds only. Rate based on a four year term.

Members agree to promptly check and advise WFCU Credit Union, in writing, of any errors or omissions on their statement. If members have not advised WFCU Credit Union within thirty days of receipt of their statement, WFCU Credit Union will assume the statement and the recorded transactions are correct and WFCU Credit Union will not be liable for errors or omissions which are brought to our attention later.

Date	Description	Withdrawals (\$)	Deposits (\$)	Balance (\$)
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
14Aug2017	Outgoing Wire wire to Torys LLP, In Trust	1,779,368.89		[REDACTED]
	Service Charge	22.00		[REDACTED]
14Aug2017	Outgoing Wire wire to HydRx Farms Ltd.	9,720,631.11		[REDACTED]
	Service Charge	22.00		[REDACTED]
[REDACTED]	[REDACTED]		[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]		[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]		[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]		[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]		[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]		[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]		[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]		[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]		[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]		[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]		[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]		[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]		[REDACTED]
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[REDACTED]	[REDACTED]	[REDACTED]		[REDACTED]
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[REDACTED]	[REDACTED]	[REDACTED]		[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]		[REDACTED]

[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

[REDACTED]

[REDACTED]

Date	Description	Withdrawals (\$)	Deposits (\$)	Balance (\$)
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]



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[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]

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[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]
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[Redacted]	[Redacted]	[Redacted]	[Redacted]	[Redacted]

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[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

[REDACTED]

[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

[REDACTED]

[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
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[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

[REDACTED]

[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
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[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
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[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Total

Withdrawals (\$)

Deposits (\$)

[REDACTED]

[REDACTED]

This is Exhibit “E” referred to in the Affidavit of Richard Goldstein sworn April 23, 2021.

A handwritten signature in black ink, appearing to read "Brian Goody". The signature is written in a cursive, flowing style.

---

Commissioner for Taking Affidavits (or as may be)

**Properties**

*PIN* 26488 - 0029 LT *Interest/Estate* Fee Simple  
*Description* LT 13, PL 871; TOWN OF WHITBY  
*Address* 1130 CHAMPLAIN AVENUE  
 WHITBY

**Chargor(s)**

The chargor(s) hereby charges the land to the chargee(s). The chargor(s) acknowledges the receipt of the charge and the standard charge terms, if any.

*Name* HYDRX FARMS LTD.  
*Address for Service* 290 Dundas Street East  
 P.O. Box 31  
 Whitby, Ontario  
 L1N 7H8

I, Trevor Folk, and I, Rav Grover, have the authority to bind the corporation.  
 This document is not authorized under Power of Attorney by this party.

**Chargee(s)***Capacity**Share*

*Name* APHRIA INC.  
*Address for Service* 263 Talbot Street West  
 Leamington, Ontario  
 N8H 4H3

**Statements**

Schedule: THIS CHARGE IS A DEBENTURE

**Provisions**

*Principal* \$11,500,000.00 *Currency* CDN  
*Calculation Period* SEE SCHEDULE  
*Balance Due Date* ON DEMAND  
*Interest Rate* 8% PER ANNUM  
*Payments*  
*Interest Adjustment Date*  
*Payment Date* ON DEMAND  
*First Payment Date*  
*Last Payment Date*  
*Standard Charge Terms* N/A  
*Insurance Amount* full insurable value  
*Guarantor* N/A

**Additional Provisions**

See Schedules

**Signed By**

Kimberley Anne Newman 199 Bay Street, Suite 5300 acting for Signed 2017 08 15  
 Toronto Chargor(s)  
 M5L 1B9

Tel 416-869-5500

Fax 416-947-0866

I have the authority to sign and register the document on behalf of the Chargor(s).

**Submitted By**

STIKEMAN ELLIOTT

199 Bay Street, Suite 5300

2017 08 15

**Submitted By**

Toronto  
M5L 1B9

Tel 416-869-5500  
Fax 416-947-0866


**Fees/Taxes/Payment**

Statutory Registration Fee	\$63.35
Total Paid	\$63.35

**File Number**

Chargee Client File Number : 1365461009

This is Exhibit “F” referred to in the Affidavit of Richard Goldstein sworn April 23, 2021.

A handwritten signature in black ink, appearing to read "Brian Goody". The signature is written in a cursive style with a prominent initial "B".

---

Commissioner for Taking Affidavits (or as may be)

## **DEBENTURE AMENDMENT AGREEMENT**

**THIS DEBENTURE AMENDMENT AGREEMENT** (the “**Agreement**”) is dated effective August 14, 2019.

**Between:**

**HYDRX FARMS LTD.** (the “**Corporation**”)

- and -

**APHRIA INC.** (the “**Holder**”)

**WHEREAS** the Corporation issued a \$11,500,000 8% senior secured convertible debenture to the Holder dated August 14, 2017 (the “**Debenture**”);

**AND WHEREAS** the parties desire to amend the terms of the Debenture as set forth in this Agreement;

**AND WHEREAS** capitalized terms used but not defined in this Agreement shall have the meanings assigned to such terms in the Debenture;

**NOW THEREFORE** in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. All references to “August 14, 2019” under the definitions of “Maturity Date” are hereby deleted and replaced with “November 12, 2019” and, for greater certainty, all references to the “Maturity Date” in the Debenture shall mean “November 12, 2019”.
2. Section 2.1 is hereby amended by adding a new section (a)(i):

This Debenture shall bear interest both before and after maturity, default and judgement from and including August 14, 2019 to the date of repayment in full at the rate of 12% per annum, compounded annually, payable semi-annually in arrears. Interest on all overdue payments in connection with the Debenture from the date any such payment becomes overdue and for so long as such amount remains unpaid shall also accrue at the rate of 12% per annum, compounded annually.
3. The Corporation and the Holder agree that this Agreement is conditional on the Corporation engaging, on terms satisfactory to the Holder and with immediate effect and at the Corporation’s sole expense, a monitor to report to the Holder on the Corporation’s business and financial affairs as set forth in the engagement letter dated as of the date hereof.
4. The Debenture and this Agreement shall together constitute and be read as one and the same written instrument.
5. Except as otherwise amended by the foregoing, the provisions of the Debenture shall be and continue in full force and effect and are hereby confirmed as of the date hereof.
6. This Agreement enures to the benefit of and binds the parties and their respective successors and permitted assigns.

7. This Agreement is governed by and is to be construed and interpreted in accordance with, the laws of the Province of Ontario and the laws of Canada applicable therein.
8. This Agreement may be executed and delivered in any number of original or facsimile counterparts, each of which when executed and delivered shall be considered an original and all of which taken together shall constitute one and the same instrument.



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

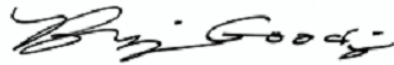
**HYDRX FARMS LTD.**

Per:  \_\_\_\_\_

**APHRIA INC.**

Per:  \_\_\_\_\_

This is Exhibit "G" referred to in the Affidavit of Richard Goldstein sworn April 23, 2021.

A handwritten signature in black ink, appearing to read "Brian Goody". The signature is written in a cursive style with a prominent initial "B".

---

Commissioner for Taking Affidavits (or as may be)

## SUPPORT AGREEMENT

**THIS SUPPORT AGREEMENT** is made with effect as of the 14<sup>th</sup> day of November, 2019 and is entered into by and among:

**APHRIA INC.**, as holder (the “**Lender**”)

- and -

**HYDRX FARMS LTD.**, as debtor (the “**Borrower**”)

### RECITALS:

- A. Capitalized terms not otherwise defined are defined in the Definitions Section 1.1 below.
- B. The Borrower is a corporation incorporated under the laws of Canada.
- C. The Lender was incorporated under the *Business Corporations Act* (Alberta), and subsequently continued into the Province of Ontario.
- D. The Borrower issued a CAD \$11,500,000, 8% senior secured convertible debenture to the Lender dated August 14, 2017, bearing a maturity date of August 14, 2019 (the “**Original Debenture**”).
- E. The Original Debenture was amended pursuant to a debenture amendment agreement dated effective August 14, 2019 (the “**Debenture Amendment Agreement**”), to *inter alia*, (i) extend the maturity date from August 14, 2019 to November 12, 2019 (the “**Maturity Date**”) and (ii) increase the rate of interest from 8% *per annum* to a rate of 12% *per annum*.
- F. As at November 13, 2019, the Borrower is indebted to the Lender in the principal amount of CAD\$11,500,000 plus accrued interest in the amount of CAD\$340,273.97 plus Fees and Expenses (collectively, the “**Outstanding Amount**”).
- G. The Borrower requested, and the Lender agreed, to extend the Maturity Date to allow the RISP to be implemented and administered by FTI Capital Advisors – Canada ULC (“**FTI**”), as the Borrower’s financial advisor, at all times in consultation with the Lender and in accordance with the terms of this Support Agreement.
- H. The RISP delineates, *inter alia*, the following key milestones (the “**Key Milestones**”):
  - 1. deadline to submit non-binding offers by December 16, 2019;
  - 2. selection of a Successful Bid by December 23, 2019; and
  - 3. closing of a transaction by January 31, 2020.

- I. The Borrower requested, and the Lender agreed, to extend the Maturity Date under the Existing Debenture from November 12, 2019 to the earlier of (i) January 31, 2020, and (ii) the date upon which any Support Termination Event occurs, on the terms and conditions set out herein (the “**Extended Maturity Date**”).

**NOW THEREFORE**, in consideration of the premises above, the respective covenants of the Parties hereto as herein contained, and other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged) the Parties agree as follows:

## **ARTICLE 1 INTERPRETATION**

### **1.1 Definitions**

In this Support Agreement, unless the context otherwise requires, the following terms shall have the following meanings:

“**Applicable Law**” means, with respect to any Person, property, transaction, event or other matter: (i) any foreign or domestic constitution, treaty, law, statute, regulation, restriction, code, ordinance, principle of common law or equity, rule, by-law, order or other requirement having the force of law, (ii) any policy, directive, practice, protocol, standard or guideline or (iii) any franchise, licence, qualification, authorization, consent, exemption, waiver, right, permit or other approval of any Governmental Authority, binding on or affecting the Person referred to in the context in which the term is used or binding on or affecting the property of such Person, in each case whether or not having the force of law, but if not having the force of law, compliance therewith is generally regarded as mandatory by any Person subject thereto, or customary business practice.

“**BDO**” means BDO Canada Limited.

“**BIA**” means the *Bankruptcy and Insolvency Act* (Canada), as amended or replaced from time to time.

“**Borrower**” has the meaning set out in the recitals hereto.

“**Borrower Obligations**” means all loans, advances, debts, liabilities and obligations, howsoever arising and of every kind and description, owed by the Borrower to the Lender from time to time under the Loan Documents and all interest accrued and accruing thereon.

“**Cannabis**” has the meaning ascribed to the term “cannabis” under Cannabis Laws.

“**Cannabis Act**” means the *Cannabis Act* (Canada), as amended or replaced from time to time.

“**Cannabis Activities**” means any activities (including advertising or promotional activities) relating to or in connection with the possession, exportation, importation, cultivation, production, processing, purchase, distribution or sale of Cannabis or

Cannabis products, whether such activities are for medical, scientific, recreational or any other purpose.

“**Cannabis Authorizations**” means, at any time, all authorizations, licences, permits and any other analogous documents necessary for the conduct of Cannabis Activities by the Borrower. For avoidance of doubt, each of the Health Canada Licences and any security clearance shall constitute a Cannabis Authorization.

“**Cannabis Laws**” means laws with respect to Cannabis Activities (other than laws of general application), including without limitation the Cannabis Act, the Cannabis Regulations and the *Controlled Drugs and Substances Act* (Canada).

“**Cannabis Regulations**” means the regulations made from time to time under the *Cannabis Act*, the *Controlled Drugs and Substances Act* (Canada) and any other similar statute with respect to Cannabis Activities.

“**Cash Flows**” has the meaning set out in section 5.1(a)(ii).

“**Charge**” means the mortgage granted by the Borrower in favour of the Lender over the Lands registered at the Land Registrar on August 15, 2017, as may be amended, modified or supplemented from time to time.

“**Court**” means the Ontario Superior Court of Justice (Commercial List).

“**Debenture**” means the Original Debenture, as amended by (i) the Debenture Amendment Agreement, (ii) the amendments set forth herein and (iii) as may be further supplemented, amended, restated, replaced, or otherwise modified from time to time.

“**Enforcement Actions**” mean any and all rights, remedies, actions, proceedings and claims available to the Lender, under or in respect of any Loan Documents (as applicable) or otherwise under Applicable Law, including, the appointment of a receiver, or other person having similar powers, receiver and manager, interim receiver or trustee in bankruptcy under the BIA or any other Applicable Law.

“**Event of Default**” has the meaning given to such term in each of the Loan Documents and “**Events of Default**” means more than one Event of Default.

“**Existing Debenture**” means the Original Debenture, as amended by the Debenture Amendment Agreement.

“**Fees and Expenses**” means all reasonable out-of-pocket costs and expenses of the Lender, including all legal fees incurred to date in connection with the Loan Documents, amendments, supplements and modifications thereto and the performance thereof, including, without limitation any steps related to the enforcement thereunder, and any actions taken in pursuit of collection of the Borrower Obligations and the enforcement thereof, or any actions related to the enforcement of the Loan Security (if necessary).

“**FTI**” has the meaning set out in the recitals hereto.

**“Governmental Authority”** means: (i) Health Canada, any domestic or foreign government, whether national, federal, provincial, state, territorial, municipal or local (whether administrative, legislative, executive or otherwise); (ii) any agency, authority, ministry, department, regulatory body, court, central bank, bureau, board or other instrumentality having legislative, judicial, taxing, regulatory, prosecutorial or administrative powers or functions of, or pertaining to, government; (iii) any court, tribunal, commission, individual, arbitrator, arbitration panel or other body having adjudicative, regulatory, judicial, quasi-judicial, administrative or similar functions; and (iv) any other body or entity created under the authority of or otherwise subject to the jurisdiction of any of the foregoing, including any stock or other securities exchange, securities commission or professional association.

**“Health Canada Licences”** means each of the licences issued by Health Canada in respect of the Borrower attached hereto as **Schedule “A”**, as may be supplemented from time to time.

**“Lands”** means lands known municipally as 1130 Champlain Avenue, Whitby, Ontario and legally described by PIN: 26488-0029, LT 13, PL 871.

**“Lender”** has the meaning set out in the recitals hereto.

**“Loan Documents”** means, collectively, the Debenture, the Charge, the Loan Security, this Support Agreement any and all other documents, agreements, letters or understandings delivered by the Borrower pursuant to or in connection with the foregoing, as the same are amended by this Support Agreement, and as they may be further amended, restated, supplemented or modified from time to time.

**“Loan Security”** means all security granted to and in favour of the Lender to secure the payment and performance of the Borrower Obligations.

**“Parties”** means the parties to this Support Agreement.

**“Person”** is to be broadly interpreted and includes an individual, a corporation, a partnership, a trust, an unincorporated organization, a Governmental Authority, and the executors, administrators or other legal representatives of an individual in such capacity.

**“Property”** means all of the present and after acquired future property, assets and undertaking of the Borrower of whatsoever nature or kind.

**“Released Matters”** has the meaning set out in section 7.1.

**“Released Parties”** has the meaning set out in section 7.1.

**“Responsible Person”** means a person designated by the Borrower who has authority to bind the Borrower, as license holder, and who has overall responsibility for the activities conducted by the Borrower for the purposes of the *Cannabis Act* and the Cannabis Regulations, and includes a “master grower”, as such term is referred to in the *Cannabis Act* and the Cannabis Regulations, if applicable, or any person designated by the

Borrower as a responsible person holding a valid security clearance under the *Cannabis Act* and the Cannabis Regulations.

“**RISP**” means the refinancing and investment solicitation process in respect of the business and assets of the Borrower which is to be implemented and administered on their behalf by FTI on the terms and by the milestones set out in **Schedule “B”** hereto.

“**Successful Bid**” means the formal offer submitted by a Qualified Bidder (as defined in the RISP) to FTI, substantially upon the terms set forth in Section 14 of the RISP, and, following FTI’s consultation with the Borrower, is approved by the Borrower.

“**Support Agreement**” means this Support Agreement, including the preamble and recitals hereto and all schedules attached hereto, as each may be amended, restated, supplemented or modified from time to time in accordance with the terms hereof.

“**Support Effective Date**” means the date on which the conditions precedent set out in section 4.2(a) hereof are confirmed, satisfied or waived by the Lender in writing.

“**Support Period**” means the period commencing on the Support Effective Date and ending on the earliest of (a) the date upon which any Support Termination Event occurs, and (b) January 31, 2020, or such later date as agreed to in writing by the Lender and the Borrower.

“**Support Termination Event**” has the meaning set out in section 6.1.

## **1.2 Extended Meanings & Words of Inclusion**

Words importing the singular include the plural and vice versa and words importing gender include all genders. All references to dollars or “\$” in this Support Agreement mean Canadian dollars unless otherwise specified. Wherever the words “include”, “includes” or “including” are used in this Support Agreement, they shall be deemed to be followed by the words “without limitation” and the words following “include”, “includes” or “including” shall not be considered to set forth an exhaustive list.

## **1.3 Headings**

The division of this Support Agreement into articles, sections and clauses, and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Support Agreement.

# **ARTICLE 2 ACKNOWLEDGEMENTS AND CONFIRMATIONS**

## **2.1 Acknowledgements and Confirmations by the Borrower**

The Borrower hereby irrevocably and unconditionally acknowledges, represents, warrants, confirms and agrees as follows:

- (a) it has the corporate power and authority to execute, deliver and carry out the terms and provisions of this Support Agreement and the transactions and obligations contemplated herein and in connection hereby;
- (b) no consent of any person and no action of, or filing with any governmental or public body or authority is required to authorize, or is otherwise required in connection with the execution, delivery and performance of this Support Agreement and the other instruments and documents contemplated hereby which has not been obtained;
- (c) each Loan Document constitutes valid, binding and enforceable obligations of the Borrower to the Lender and the Borrower has no defence to any obligation or liability thereunder or in respect thereof;
- (d) the Loan Security creates, and the Borrower intended that it create, a valid security interest in favour of the Lender in: (i) all present and after-acquired personal property of the Borrower and (ii) the Lands, in each case to secure the payment and performance of the Borrower Obligations;
- (e) as at the date of this Support Agreement, the Borrower is indebted to the Lender in the Outstanding Amount, as particularized in **Schedule "C"** hereto;
- (f) the Borrower Obligations are owing and the Borrower is unconditionally liable to pay such amounts on the Extended Maturity Date, without any set-off, defence, or counterclaim of any kind, nature or description whatsoever;
- (g) unless otherwise expressly agreed by all relevant Parties, the Borrower will continue to be liable, both during and after the Support Period, for all present and future Borrower Obligations;
- (h) nothing in this Support Agreement constitutes a waiver by or on behalf of the Lender or any other Person of any existing or future Events of Default or existing or future defaults under the Loan Documents, or a waiver of any Enforcement Actions relating to any existing or future Events of Default or existing or future defaults under the Loan Documents, or Applicable Law, or a waiver of the obligation of the Borrower to pay the entirety of the Borrower Obligations to the Lender, as applicable and when due;
- (i) except as otherwise provided for herein, nothing in this Support Agreement shall require or constitute an agreement on the part of the Lender or any other Person to: (i) forbear from taking or exercising any Enforcement Action at any time in respect of any present or future Event of Default under any of the Loan Documents or (ii) forbear in the exercise of any Enforcement Action at any time upon or following the occurrence of any Support Termination Event;
- (j) each of the Loan Documents and the obligations and liabilities of the Borrower thereunder (including the Borrower Obligations) are in full force and effect, constitute legal, valid and binding obligations of the Borrower enforceable against



it in accordance with their terms, and the Borrower hereby waives and agrees not to assert or cause to be asserted on its behalf, and is hereby estopped from asserting or causing to be asserted on its behalf, any rights of defense, dispute, counterclaim, set-off, deduction or other rights, claims, demands, challenges, objections or appeals of any kind whatsoever arising from or relating to any matter, cause or thing whatsoever existing as of the date of this Support Agreement, whether in respect to the legal effect of any of the Loan Documents or the legality, validity or binding effect of the obligations of the Borrower thereunder (including the Borrower Obligations) or the enforceability of same;

- (k) (i) all financial and other information provided by the Borrower or BDO to the Lender and its advisors with respect to the business, Property, assets and/or liabilities of the Borrower is true, accurate and complete in all material respects as of the date of preparation, (ii) any projections provided by the Borrower or BDO to the Lender and its advisors, are based upon assumptions believed by the Borrower to be reasonable as of the date of preparation and (iii) there has been no material change in any such assumptions (or in their reasonableness) or in actual results in operations to date which has not been disclosed in writing to the Lender and its advisors;
- (l) it has all necessary Cannabis Authorizations, and all Cannabis Authorizations remain in full force and effect on the date hereof;
- (m) this Support Agreement has been fairly and freely negotiated between sophisticated commercial parties having received the benefit of legal advice of experienced legal counsel, and the Borrower is entering into this Support Agreement voluntarily and without duress, bad faith, unreasonable or oppressive conduct, undue influence or other unfair advantage of any kind by or on behalf of any Person;
- (n) it is in possession and control of its businesses, Property and assets, and, for greater certainty, the Borrower confirms that neither the Lender nor any of its advisors, is, or has ever been, in possession or control of the business, Property and assets of the Borrower;
- (o) the Lender has been acting in a commercially reasonable manner toward the Borrower in all matters related to, or in connection with, the Loan Documents;
- (p) the statements contained in the Recitals of this Support Agreement are true and accurate in every respect; and
- (q) in entering into this Support Agreement, the Borrower understands and acknowledges that the Lender is relying on the covenants, acknowledgements, agreements, representations and warranties of the Borrower being true and correct at all times and that all such covenants, acknowledgements, agreements, representations and warranties are and will continue to be in full force and effect

at all times, notwithstanding that any of the conditions in section 4.2 herein may not be satisfied or may be waived.

### **ARTICLE 3 AMENDMENTS TO LOAN DOCUMENTS**

#### **3.1 Amendments to Existing Debenture**

The Parties agree that the Existing Debenture shall be amended as follows, effective as of the Support Effective Date:

- (a) Each Support Termination Event hereunder shall constitute an Event of Default under the Existing Debenture and each other Loan Document.
- (b) As of the date hereof, the definition of "Maturity Date" in the Existing Debenture is deleted in its entirety and replaced in all instances with the following:

**"Extended Maturity Date"** means the earlier of (i) January 31, 2020, and (ii) the date upon which any Event of Default occurs."

- (c) Notwithstanding any other provision under the Loan Documents, upon the occurrence of an Event of Default under the Loan Documents the Borrower Obligations shall become immediately enforceable thereunder and otherwise in accordance with Applicable Law and the Lender shall be entitled to exercise all rights and remedies in respect of such Event of Default under this Support Agreement and the Loan Documents or as otherwise available under Applicable Law.

#### **3.2 Continuation of Loan Documents**

Save and except as expressly amended herein, all terms and conditions of the Loan Documents shall continue in full force and effect, and to the extent that any provision thereof is inconsistent with this Support Agreement, this Support Agreement shall prevail, unless it would be prejudicial to the Lender, in which case, the applicable Loan Document shall prevail.

### **ARTICLE 4 LENDER SUPPORT**

#### **4.1 Lender Support**

Effective as of the Support Effective Date and until the expiration of the Support Period, in reliance upon the acknowledgments, representations, warranties and covenants of the Borrower contained in this Support Agreement, the Lender shall extend the Maturity Date under the Loan Documents to the earlier of (i) January 31, 2020, and (ii) the date upon which any Support Termination Event occurs, on the terms and conditions set out herein.

## 4.2 Conditions Precedent

The effectiveness of this Support Agreement is subject to the satisfaction of the following conditions precedent, which cannot be waived by the Borrower and may only be waived by the Lender in its absolute discretion:

- (a) the Borrower shall have duly executed and delivered this Support Agreement;
- (b) all representations and warranties contained in this Support Agreement, or otherwise made in writing to the Lender in connection herewith shall be true and correct in all respects; and
- (c) the Borrower shall have obtained appropriate board resolutions and taken such other steps as may be necessary to enter into, execute, deliver and perform its obligations and any other steps contemplated by this Support Agreement and the RISP and shall, in taking such steps and carrying out such obligations, comply with Applicable Laws.

## ARTICLE 5 COVENANTS OF BORROWER

### 5.1 Operation of the Borrower's Business and the RISP

#### Operation of the Borrower's Business

- (a) The Borrower shall comply with, and operate its business in a manner strictly consistent with:
  - (i) the Key Milestones;
  - (ii) the 13-week cash flow projections and budget set out at **Schedule "D"** hereto (as may be amended, restated, supplemented, modified or updated from time to time, the "**Cash Flows**");
  - (iii) Applicable Laws;
  - (iv) the RISP; and
  - (v) this Support Agreement.
- (b) The 13-week cash flow projects and budget set forth at **Schedule "D"** hereto may only be amended, restated, supplemented, modified or updated by the Borrower with the assistance of FTI, following the explicit written consent of the Lender.
- (c) As soon as reasonably practicable following execution of this Support Agreement and in any event, no later than November 15, 2019, the Borrower shall commence the RISP and shall instruct its advisors, officers, employees and representatives to

adhere to and otherwise comply with all terms and conditions of the RISP, including all milestones and timelines contained therein.

- (d) The Borrower shall maintain its corporate existence in good standing, continue to carry on its business, preserve its rights, powers, licences, privileges, franchises and goodwill, exercise any rights of renewal or extensions of the Health Canada Licences and any other Cannabis Authorizations, maintain all qualifications to carry on business, in each case, in each jurisdiction in which such qualifications are required, carry on and conduct its business in a proper and efficient manner so as to protect its business and income and not materially change the nature of its business.
- (e) The Borrower shall:
  - (i) except where the Borrower reasonably believes it has cause for termination, provide the Lender with at least 30 days' prior written notice before issuing a notice of termination of employment to a Responsible Person (or such shorter period of time after consultation with the Lender);
  - (ii) advise the Lender within 24 hours of becoming aware of the resignation of a Responsible Person, or of any rejection notice for new or renewal security clearance application for a Responsible Person;
  - (iii) deliver to the Lender a copy of each Cannabis Authorization upon the request of the Lender;
  - (iv) be and remain the sole legal and beneficial owner of all Cannabis Authorizations;
  - (v) maintain as valid and in full force and effect each Cannabis Authorization, and, procure the renewal thereof prior to its expiration;
  - (vi) comply in all material respects with the terms and conditions of each Cannabis Authorization (including, without limitation, with respect to the composition of the Borrower's board of directors, maintenance of security clearances, and continued employment of Responsible Persons) and do all material things required of a holder thereof by applicable Cannabis Law with due diligence and in a reasonable manner, enforce the material rights granted to it under and in connection with each Cannabis Authorization;
  - (vii) not dispose of or abandon any material right, title or interest in any Cannabis Authorization;
  - (viii) apply for and obtain each future Cannabis Authorization at or before such time as it shall be required by Applicable Law; and
  - (ix) timely pay all taxes, assessments, maintenance fees and other amounts required to be paid to maintain the Cannabis Authorizations.

- (f) The Borrower will cause FTI to keep the Lender apprised on a weekly basis on the progress of the RISP and to provide the Lender with copies of all letters of intent, bids and agreements received or entered into relating to the RISP, subject to such terms as to confidentiality as may be reasonably required and agreed to in the circumstances.
- (g) The Borrower will cooperate fully with the Lender including providing all information reasonably requested by the Lender and providing the Lender and any agent, consultants and advisors (including, without limitation, any financial advisor) full access to its books, records, properties and assets, wherever they may be located, which right of access will include the right to inspect and appraise those properties and assets.
- (h) Upon the occurrence of a Support Termination Event, the Borrower will cooperate fully with the Lender at all times in exercising any Enforcement Actions, including, without limitation, consenting to the abridgement of the 10 day notice period under the BIA, or such other notice periods as may apply to the Enforcement Actions, so that the Lender may proceed with the immediate enforcement of the Loan Security.

#### Cost Reduction & Value Preservation

- (i) The Borrower shall not pay or incur any category of expense that is not provided for in, or contemplated by, the Cash Flows, including declaring or paying any dividends.
- (j) The Borrower shall: (i) seek to identify cost saving and expense reduction opportunities, and (ii) if appropriate in the circumstances, implement such cost saving and expense reduction measures, in each case in consultation with FTI.
- (k) The Borrower shall not: (i) use or allow the use of, any of their resources or Property for any commercial ventures outside the normal course of business, (ii) settle, compromise or forgive any indebtedness or amounts (or any portion thereof) owing to them by any Person, (iii) act in a manner that would erode the value of their assets or business or increase their liabilities, or (iv) create, incur, assume or suffer to exist any encumbrance on, against or with respect to the Property or any portion thereof without the prior written consent of the Lender.
- (l) The Borrower shall advise the Lender within 24 hours of becoming aware of the occurrence of any circumstance or event that would negatively impact or could negatively impact the Loan Security provided by the Borrower to the Lender.

#### Financial Performance and Reporting

- (m) The Borrower shall continue to honour all reporting requirements as are presently provided for in the Loan Documents or any other agreements between the Lender and the Borrower.

## ARTICLE 6 SUPPORT TERMINATION EVENTS

### 6.1 Support Termination Events

Each and every of the following shall be a support termination event (“**Support Termination Event**”) under this Support Agreement, unless, in the case of subsections 6.1(a)(ii) or (iii), 6.1(c) or 6.1(f), (h)-(n), (p) and (q) is either cured or vigorously defended as the context may dictate within five (5) Business Days, or unless otherwise waived by the Lender in writing:

- (a) if at any time, the Borrower: (i) consents to or takes any steps to (a) wind-up, liquidate or dissolve, or (b) take advantage of, any insolvency, restructuring, reorganization or similar legislation; (ii) commits an act of bankruptcy; (iii) has a liquidator, trustee in bankruptcy, custodian, interim receiver, receiver or receiver and manager, sale officer or other officer with similar powers appointed with respect to it; or (iv) takes any step or action in furtherance of the foregoing (including passing any resolution authorizing the foregoing), or has any third party commence any originating process in respect of the foregoing;
- (b) if at any time, the Borrower ceases or threatens to cease to carry on its business, or a substantial part thereof, unless with the consent of the Lender;
- (c) if at any time, the Borrower does not comply with the Key Milestones;
- (d) if at any time, the Borrower accepts an offer in respect of a transaction involving any of its assets or business which offer is not satisfactory to the Lender, unless such offer will result in the indefeasible repayment in full of all of the Borrower Obligations upon closing, and not later than January 31, 2020;
- (e) if (i) no LOI (as defined in the RISP) is received under the RISP by the LOI Deadline (as defined in the RISP), including for greater certainty, any permitted extensions thereof, or if no LOI received by the LOI Deadline is satisfactory to the Lender; or (ii) a Successful Bid is not selected by December 23, 2019, or any permitted extension thereof, or if any Successful Bid is selected but is not satisfactory to the Lender; or (iii) the transaction contemplated by the Successful Bid has not closed by the deadlines set forth in the RISP, including any permitted extensions thereof;
- (f) if the Borrower fails to comply with, or defaults in any respect of, the performance or observance of the RISP;
- (g) if at any time, the Borrower seeks interim or debtor-in-possession financing outside of the RISP that would rank in priority or *pari passu* to the Borrower Obligations, without the prior written approval of the Lender;
- (h) the occurrence of any Event of Default under any of the Loan Documents;

- (i) the failure of the Borrower in the performance or observance of any covenant, term, agreement or condition in any of the Loan Documents;
- (j) if the Borrower experiences a negative aggregate variance from the Cash Flows of cash receipts, expenditures, cash balances and cash flow, in the aggregate, by more than 20% on a cumulative basis commencing in week three;
- (k) if the Borrower fails to maintain and keep current payments to any Governmental Authority holding any statutory deemed trust on their assets, which may result in any claim ranking in priority or *pari passu* to any claims of the Lender, including remissions for deductions at source for employees, retail sales tax, pension contributions, goods and services tax and vacation pay;
- (l) if an encumbrancer takes possession of the Property of the Borrower or any part thereof, or if a distress or execution or any similar process be levied or enforced thereagainst;
- (m) the commencement of legal proceedings against the Borrower, which, in the view of the Lender acting reasonably, would materially impair either (a) the realizable value of the Property to the Lender; or (b) the ability of the Borrower to repay the Borrower Obligations;
- (n) if any confirmation, acknowledgment, representation or warranty given by the Borrower hereunder or in any of the Loan Documents shall prove untrue or incorrect in any material respect as of the time made, or to have been untrue or incorrect in any material respect on the date hereof, or shall become untrue or incorrect in any material respect at any time during the term hereof, each representation and warranty being deemed to be continuously restated with a current effective date;
- (o) if the Borrower challenges, in any manner, the legality, validity, or enforceability of any of the Loan Documents or challenge the validity or quantum of any of the Borrower Obligations;
- (p) if at any time, the Borrower has no Responsible Person;
- (q) if the engagement of FTI is (i) terminated; or (ii) narrows in scope such that the FTI, as applicable, no longer has such authority as is required for FTI to carry out its mandate as provided for in this Support Agreement and the RISP, as applicable, in each case without the written consent of the Lender; or
- (r) the expiry of the Support Period.

## 6.2 Notice of Support Termination Events

The Borrower shall immediately give the Lender written notice upon becoming aware of any Support Termination Event, or any circumstance or event that, with the giving of notice or the passage of time, would give rise to a Support Termination Event.

### 6.3 Default

Upon the occurrence of a Support Termination Event:

- (a) the accommodation by the Lender provided for in this Support Agreement shall immediately and automatically (without any further action, notice or step) terminate;
- (b) the Loan Documents shall become immediately enforceable;
- (c) the Borrower Obligations shall be due and payable immediately; and
- (d) the Lender shall be entitled to commence the Enforcement Actions, and the Borrower hereby consents to the commencement of the Enforcement Actions (including to the appointment of a receiver over all or any part of the Property) and hereby waives and agrees not to assert or cause to be asserted on its behalf, and is hereby estopped from asserting or causing to be asserted on its behalf, any rights of defense, dispute, or other rights, claims, demands, challenges, objections or appeals of any kind whatsoever arising from or relating to the Enforcement Actions.

## ARTICLE 7 GENERAL PROVISIONS

### 7.1 Release

The Borrower releases, remises, acquits and forever discharges the Lender and its employees, agents, representatives, consultants, attorneys, advisors, fiduciaries, servants, officers, directors, partners, predecessors, successors and assigns, principals, affiliates, subsidiary corporations, parent corporations, related corporate divisions, shareholders, participants and assigns (all of the foregoing hereinafter called the “**Released Parties**”), from any and all actions and causes of action, judgments, executions, suits, debts, claims, demands, liabilities, obligations, setoffs, recoupments, counterclaims, defences, damages and expenses of any and every character, known or unknown, suspected or unsuspected, direct or indirect, at law or in equity, of whatsoever kind or nature, whether heretofore or hereafter arising, for or because of any matter or things done, omitted or suffered to be done by any of the Released Parties prior to the date hereof, regardless of whether it is directly or indirectly arising out of or in any way connected to the Loan Documents or the RISP, save and except as may result from such Released Parties’ gross negligence or wilful misconduct (all of the foregoing hereinafter called the “**Released Matters**”). The Borrower acknowledges that the agreements in this section are intended to be in full satisfaction of all or any alleged injuries or damages arising in connection with the Released Matters and constitute a complete waiver of any right of setoff or recoupment, counterclaim or any defence of any nature whatsoever with respect to the Released Matters or which might limit or restrict the effectiveness or scope of its agreements in this section. The Borrower represents and warrants that it has no knowledge of any claim by it against the Released Parties or of any facts or acts or omissions of the Released Parties which on the date hereof would be the basis of a claim by the Borrower against



the Released Parties which is not released hereby. The Borrower represents and warrants that it has not purported to transfer, assign, pledge or otherwise convey any of its right, title or interest in any Released Matter to any other Person or entity and that the foregoing constitutes a full and complete release of all Released Matters. The Borrower has granted this release freely, and voluntarily and without duress.

## **7.2 Indemnity**

The Borrower shall defend, indemnify and hold each of the Released Parties harmless from and against any losses, damages, costs (including reasonable legal Fees and Expenses on a substantial indemnity basis, and costs of appeal), expenses, judgments, encumbrances, decrees, fines, penalties, liabilities, claims, actions, suits, and causes of action arising, directly or indirectly, from any breach by the Borrower or their successors or assigns of any covenant, representation, warranty or release made in this Support Agreement save and except as may result from such Released Parties' gross negligence or wilful misconduct.

## **7.3 Effect of this Agreement and No Novation**

This Support Agreement will not discharge or constitute novation of any debt, obligation, covenant or agreement contained in the Loan Documents, which shall remain in full force and effect save to the extent same are amended by the provisions of this Support Agreement. For greater certainty, except as modified pursuant hereto, no other changes or modifications to the terms of the Loan Documents, and/or the Borrower Obligations are intended or implied and in all other respects the terms of the Loan Documents and the Borrower Obligations are confirmed. The Borrower reaffirms and admits (i) the grant of security under the Loan Documents and (ii) the validity and enforceability of each of the Loan Documents.

## **7.4 Further Assurances**

The Parties hereto shall execute and deliver such supplemental documents and take such supplemental action as may be necessary or desirable to give effect to the provisions and purposes of this Support Agreement.

## **7.5 Binding Effect**

This Support Agreement shall be binding upon and enure to the benefit of each of the Parties hereto and their heirs, executors, administrators, estate trustees, successors and permitted assigns.

## **7.6 Survival of Representations, Warranties, Confirmations and Acknowledgments**

All representations, warranties, confirmations and acknowledgments made in this Support Agreement or any other document furnished in connection herewith shall survive the execution and delivery of this Support Agreement and such other document, and no investigation by the Lender shall affect such representations, warranties, confirmations

and acknowledgments or the rights of the Lender to rely upon such representations, warranties, confirmations and acknowledgments.

### 7.7 **Third Party Beneficiaries**

Except for the Released Parties with respect to section 7.1 hereto, no Person other than the Parties shall have any rights hereunder or be entitled to rely on this Support Agreement and all third-party beneficiary rights are hereby expressly disclaimed.

### 7.8 **Notice**

Any notice, demand or other communication required or permitted to be given to any Party hereunder shall be given in writing and shall be effectively given and made if (i) delivered personally; or (ii) sent by e-mail, in each case to the applicable address set out below (and in each such case shall be deemed to have been received by the other Party on the same day on which it was personally delivered or sent by e-mail, if such day is a business day in Ontario, Canada, and, if not, on the next following business day):

(a) in the case of the Borrower:

**HydRx Farms Ltd. dba Scientus Pharma**

4100 Yonge Street, Suite 401

Toronto, ON

M2P 2B5

Attention: Mark A. Fletcher, Senior Vice-President & General Counsel

Email: mletcher@scientuspharma.com

with a copy (which shall not constitute notice) to:

**Minden Gross LLP**

145 King Street West, Suite 2200

Toronto, ON

M5H 4G2

Attention: Timothy R. Dunn

Email: tdunn@mindengross.com

with a copy (which shall not constitute notice) to:

**FTI Capital Advisors – Canada ULC.**

79 Wellington Street, Suite 2010

Toronto, ON M5K 1G8

Attention: Adam Zalev / Dean Mullett

Email: Adam.Zalev@fticonsulting.com / Dean.Mullett@fticonsulting.com

(b) in the case of the Lender:

**Aphria Inc.**

1 Adelaide Street East, Suite 2310  
Toronto, ON M5C 1J4

Attention: Carl Merton, Chief Financial Officer  
Email: Carl.Merton@Aphria.com  
Attention: Christelle Gedeon, Chief Legal Officer  
Email: Christelle.Gedeon@Aphria.com

**7.9 Execution in Counterparts**

This Support Agreement may be executed in any number of counterparts by the undersigned hereunder in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same instrument. Delivery of an executed signature page of the undersigned to this Support Agreement by facsimile or "pdf" e-mail transmission shall be effective as delivery of a manually executed copy of this Support Agreement by such undersigned. The Lender and the Borrower hereby acknowledge and agree that, notwithstanding anything contained herein, upon execution of this Support Agreement by the Lender and the Borrower, such Parties will be bound by the terms contained herein as of the date hereof.

**7.10 Governing Law**

This Support Agreement shall be exclusively (without regard to any rules or principals relating to conflict of laws) governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

**7.11 Severability**

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

**7.12 Attornment**

The Parties hereto irrevocably and unconditionally (i) submit and attorn to the exclusive jurisdiction of the Court with respect to any and all matters or disputes arising out of or in connection with this Support Agreement, (ii) waive any right to, and shall not, oppose any such legal proceeding in the Province of Ontario on any jurisdictional basis, including *forum non conveniens*. Each of the Parties hereto agrees not to oppose the enforcement against it in any other jurisdiction of any order duly obtained from the Court.

**7.13 Entire Agreement**

This Support Agreement constitutes the entire agreement between the Parties pertaining to the subject matter of this Support Agreement and supersedes any and all prior agreements, understandings, negotiations and discussions, whether oral or written, but for greater certainty does not supersede the Loan Documents, which shall all continue in full force and effect, except as expressly amended herein. There are no conditions, warranties, representations or other agreements between the Parties in connection with the subject matter of this Support Agreement (whether oral or written, express or implied, statutory or otherwise) except as specifically set out in this Support Agreement and the Loan Documents.

**7.14 Amendments**

This Support Agreement may be amended or supplemented only by written agreement signed by each Party.

*[Remainder of page intentionally left blank]*

**IN WITNESS WHEREOF**, the Parties have entered into this Support Agreement, effective as of the date first above mentioned.

**APHRIA INC.**

By:   
Name: Carl Merton  
Title: CFO  
Authorized Signing Officer

**HYDRX FARMS LTD.**

By: \_\_\_\_\_  
Name:  
Title:  
Authorized Signing Officer

**IN WITNESS WHEREOF**, the Parties have entered into this Support Agreement, effective as of the date first above mentioned.

**APHRIA INC.**

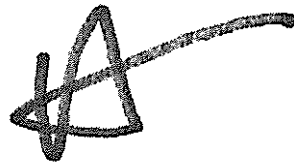
By: \_\_\_\_\_

Name:

Title:

Authorized Signing Officer

**HYDRX FARMS LTD.**



By: \_\_\_\_\_

Name: Mark A. Fletcher

Title: Senior Vice-President &

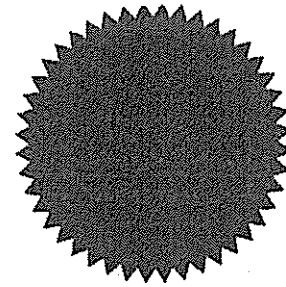
General Counsel

Authorized Signing Officer

**SCHEDULE "A"**  
**HEALTH CANADA LICENCES**

*(attached)*

Licence No. - N° de licence  
LIC-WQZAS68WY2-2018-2



LICENCE

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

LICENCE

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

Licence Holder / Titulaire de la licence :  
HydRx Farms Ltd.

Licensed Site / Lieu autorisé :  
1130 CHAMPLAIN COURT  
WHITBY, ON, CANADA, L1N 6K9

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

- Standard Cultivation
- Standard Processing
- Sale for Medical Purposes

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

- Culture standard
- Transformation standard
- Vente à des fins médicales

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

Building 1

Activités	Activités
<ul style="list-style-type: none"> <li>• to possess cannabis</li> <li>• to obtain dried cannabis, fresh cannabis, cannabis plants or cannabis plant seeds by cultivating, propagating and harvesting cannabis</li> <li>• to sell cannabis in accordance with subsection 11(5) of the <i>Cannabis Regulations</i></li> <li>• to produce cannabis, other than obtain it by cultivating, propagating or harvesting it</li> <li>• to sell cannabis in accordance with subsection 17(5) of the <i>Cannabis Regulations</i></li> <li>• to sell cannabis products in accordance with section 27 and Part 14, Division 1 of the <i>Cannabis Regulations</i></li> </ul>	<ul style="list-style-type: none"> <li>• avoir du cannabis en sa possession</li> <li>• obtenir du cannabis séché, du cannabis frais, des plantes de cannabis ou des graines provenant de telles plantes par la culture, la multiplication et la récolte de cannabis</li> <li>• vendre du cannabis en vertu du paragraphe 11(5) du <i>Règlement sur le cannabis</i></li> <li>• produire du cannabis, sauf en l'obtenant par la culture, la multiplication et la récolte</li> <li>• vendre du cannabis en vertu du paragraphe 17(5) du <i>Règlement sur le cannabis</i></li> <li>• vendre des produits du cannabis en vertu de l'article 27 et la section 1 de la partie 14 du <i>Règlement sur le cannabis</i></li> </ul>

Outdoor Area(s) / Zone(s) extérieure(s)

Conditions

HydRx Farms Ltd. must meet the requirements set out in the Health Canada document entitled "Mandatory cannabis testing for pesticide active ingredients-Requirements".
The only cannabis products that HydRx Farms Ltd. may sell or distribute to (i) a holder of a licence for sale, and (ii) a person that is authorized under a provincial Act referred to in subsection 69(1) of the Act to sell cannabis, are as follows: cannabis plants; cannabis plant seeds; dried cannabis; fresh cannabis; cannabis oil; cannabis topicals; cannabis extracts; and edible cannabis.
The only cannabis products that HydRx Farms Ltd. may sell or deliver to the purchaser at the request of (i) a holder of a licence for sale, and (ii) a person that is authorized under a provincial Act referred to in subsection 69(1) of the Act to sell cannabis, are as follows: cannabis plants; cannabis plant seeds; dried cannabis; fresh cannabis; cannabis oil; cannabis topicals; cannabis extracts; and edible cannabis.

Conditions

HydRx Farms Ltd. doit respecter les exigences énoncées dans le document de Santé Canada intitulé « Analyse obligatoire du cannabis pour les résidus de principes actifs de pesticides-Exigences ».
Les seuls produits du cannabis que HydRx Farms Ltd. peut vendre ou distribuer (i) à un titulaire d'une licence de vente et (ii) à une personne autorisée sous le régime d'une loi provinciale visée au paragraphe 69(1) de la Loi à vendre du cannabis sont les suivants : plantes de cannabis; graines provenant d'une plante de cannabis; cannabis séché; cannabis frais; huile de cannabis; cannabis pour usage topique; extrait de cannabis; et cannabis comestible.
Les seuls produits du cannabis que HydRx Farms Ltd. peut expédier ou livrer à l'acheteur à la demande (i) d'un titulaire d'une licence de vente et (ii) d'une personne autorisée sous le régime d'une loi provinciale visée au paragraphe 69(1) de la Loi à vendre du cannabis sont les suivants : plantes de cannabis; graines provenant d'une plante de cannabis; cannabis séché; cannabis frais; huile de cannabis; cannabis pour usage topique; extrait de cannabis; et cannabis comestible.

Authorized Official, Controlled Substances and Cannabis Branch  
Officiel autorisé, Direction générale des substances contrôlées et du cannabis





**Effective date of the licence:**

This licence is effective as of **October 22, 2019**

**Expiry date of the licence:**

This licence expires on **September 22, 2020**

**Date d'entrée en vigueur de la licence:**

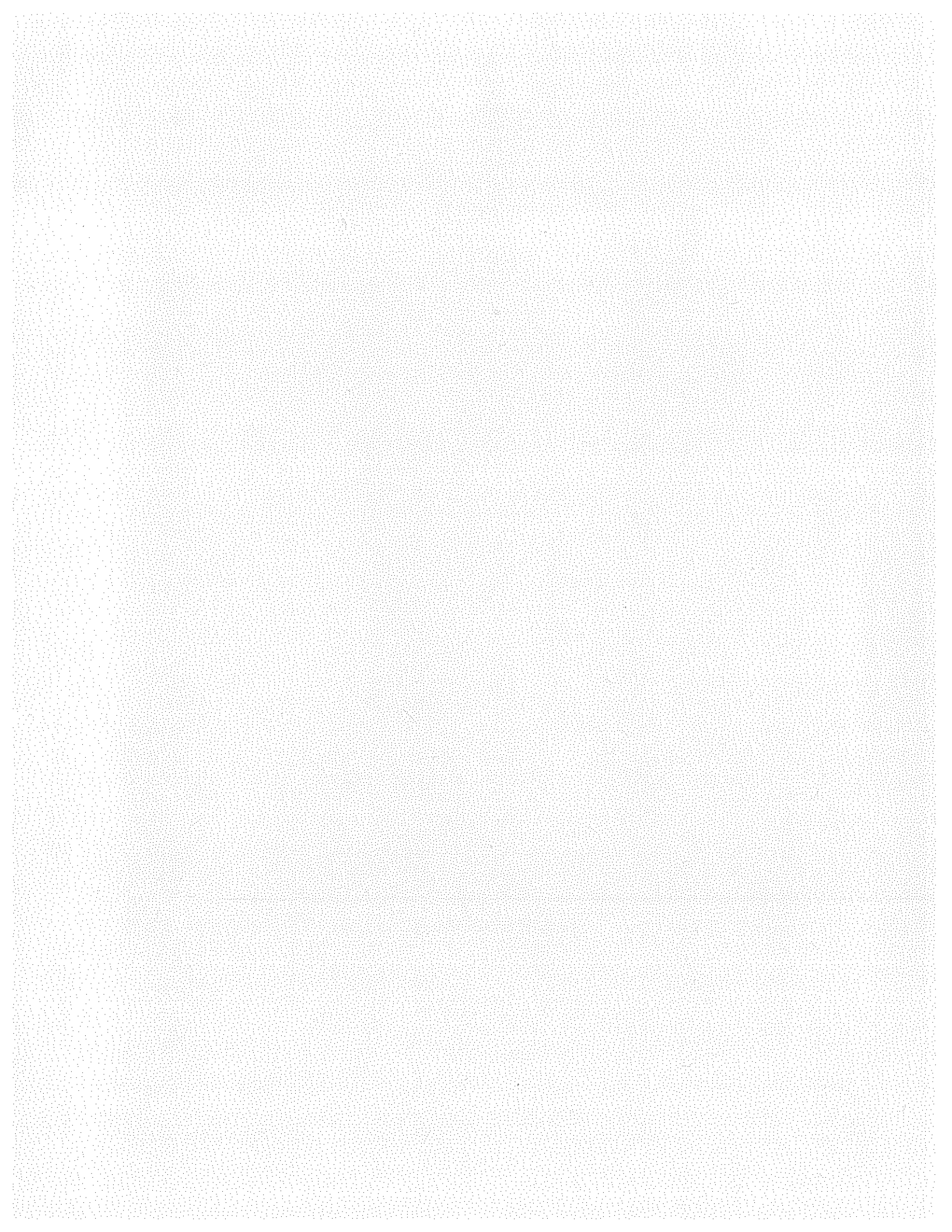
Cette licence entre en vigueur à compter du **22 octobre 2019**

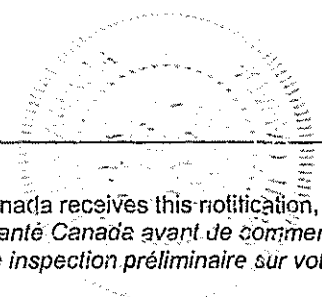
**Date d'expiration de la licence:**

La présente licence expire le **22 septembre 2020**

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Authorized Official, Controlled Substances and Cannabis Branch  
Officiel autorisé, Direction générale des substances contrôlées et du cannabis





**Conditions and Remarks / Conditions et Commentaires:**

HydRx Farms Ltd. must notify Health Canada prior to starting cultivation. Note: Once Health Canada receives this notification, Health Canada may schedule an Introductory Inspection at your site. / HydRx Farms Ltd. doit aviser Santé Canada avant de commencer la culture. Remarque: Une fois que Santé Canada reçoit cet avis, Santé Canada peut planifier une inspection préliminaire sur votre site.

This licence is restricted, in addition to all other applicable conditions, in that the substances inventory cannot exceed at any given time a maximum storage capacity value of \$31,250,000 for the security level 9 vault. / Cette licence est restreinte, en plus des autres conditions qui s'appliquent, du fait que l'inventaire des substances ne peut dépasser en tout temps une valeur maximale de capacité de stockage de 31 250 000 \$ pour la voûte de niveau de sécurité 8.

The level 9 vault issued to HydRx (10-MM0605) on this licence cannot be used for the purpose of storing and/or conducting activities with substances related to HydRx's dealer's licence issued under the *Narcotic Control Regulations* (NCR) number 2017/6914; this vault will be removed from HydRx's dealer's licence in the near future. The level 9 vault can only be used to store and/or conduct activities with cannabis substances related to HydRx's producer's licence issued under the *Access to Cannabis for Medical Purposes Regulations* (ACMPR). / La voûte de niveau 9 apparaissant sur cette licence de producteur autorisé délivrée à HydRx (10-MM0605) ne peut pas être utilisée pour stocker et / ou mener des activités avec des substances liées à la licence de distributeur autorisé d'HydRx délivrée en vertu du Règlement sur les stupéfiants (LRCDS), numéro 2017/6914; cette voûte sera retirée de la licence de distributeur autorisé d'HydRx dans un proche avenir. La voûte de niveau 9 ne peut être utilisée que pour stocker et / ou mener des activités avec des substances de cannabis liées à la licence de producteur autorisé d'HydRx délivrée en vertu du Règlement sur l'accès au cannabis à des fins médicales (RACFM).

HydRx Farms Ltd. must conduct pesticide testing and report results at the request of the Minister of Health, in accordance with applicable mandatory pesticide testing guidance documents. / HydRx Farms Ltd. doit effectuer des tests pour pesticides et rapporter les résultats à la demande du ministre de la Santé, conformément aux documents d'orientation applicables aux pesticides.

If necessary, products targeted for destruction must be stored in a designated Subdivision C area, and/or in an area with an assigned security level. Cannabis waste destruction must be conducted on-site at HydRx Farms Ltd.'s site, and in accordance with the requirements of section 30 of the ACMPR. / Si nécessaire, les produits destinés à la destruction doivent être entreposés dans une zone désignée comme Subdivision C, et/ou dans une zone ayant un niveau de sécurité approuvé. La destruction des déchets de cannabis doit avoir lieu au site de HydRx Farms Ltd., et doit être en conformité avec les exigences de l'article 30 du RACFM.

This licensed producer may receive bulk shipments of products that they have the authority to possess under this licence from other licenced producers of cannabis for medical purposes for the purpose of using them as starting material to produce substances that they are authorized to produce under this licence, provided that the bulk product has not already been packaged into immediate containers for provision or sale under subsection 22(4) of the ACMPR, and on the condition that the licensed producer has completed the Licensed Producer Bulk Transfer Transaction Form, and provided it to Health Canada at a minimum of ten business days in advance of each planned shipment. / Ce producteur autorisé peut recevoir des expéditions en vrac de produits qu'il est autorisé à posséder sous cette licence de la part d'autres producteurs autorisés de cannabis à des fins médicales, dans le but d'utiliser ces produits comme produits de départ pour produire des substances qu'il est autorisé à produire sous cette licence, à condition que le produit en vrac n'a pas déjà été emballé dans des contenants immédiats pour la fourniture ou à la vente en vertu du paragraphe 22(4) du RACFM, et à condition que le producteur autorisé ait complété le formulaire de transaction en vrac entre producteurs autorisés, et l'ait soumis à Santé Canada, au minimum de dix jours ouvrables à l'avance de chaque expédition prévue.

\*This licensed producer may sell, provide, ship, transport and deliver substances authorized for sale or provision on this licence to licensed dealers solely for the purpose of conducting analytical testing. / Ce producteur autorisé peut vendre, fournir, expédier, transporter ou livrer des substances autorisées sur cette licence aux distributeurs autorisés dans le seul but d'effectuer des tests analytiques.

Please note that the monthly report must be prepared in accordance with the guidance document entitled *Licensed Producers Reporting Requirements*, and submitted on or before the 15<sup>th</sup> of every month for the previous month. / Veuillez noter que le rapport mensuel doit être préparé conformément au document d'orientation intitulé *Exigences en matière de production de rapports des producteurs autorisés*, et doit être présenté au plus tard le 15 de chaque mois pour le mois précédent.

Effective date of the licence:

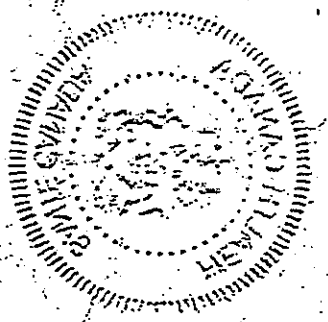
September 22, 2017

This licence expires on September 22, 2020

Date d'entrée en vigueur de la licence:

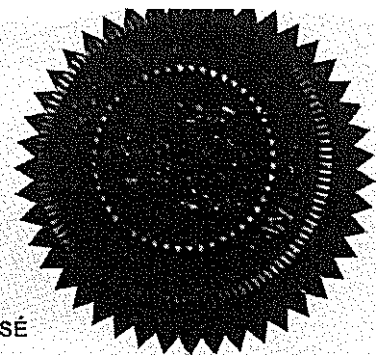
22 septembre 2017

La présente licence expire le 22 septembre 2020



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Licence No. - N° de licence  
10-MM0605/2017



PRODUCER'S LICENCE

Pursuant to section 35 of the *Access to Cannabis for Medical Purposes Regulations* this licence is issued to:

LICENCE DE PRODUCTEUR AUTORISÉ

Conformément à l'article 35 du *Règlement sur l'accès au cannabis à des fins médicales*, la présente licence est délivrée à:

**HydRx Farms Ltd.**  
1130 Champlain Court,  
Whitby, ON L1N 6K9, Canada  
Region I

as a licensed producer at the site indicated above, for the conduct of the following activities for the following controlled substances.

à titre de producteur autorisé à l'installation indiquée ci-haut, pour la conduite des opérations suivantes pour les substances contrôlées suivantes.

Cannabis substances authorized for sale or provision during the period from September 22, 2017 to September 22, 2020:

Substances de cannabis autorisées pour la vente ou le fournissement pendant la période du 22 septembre 2017 au 22 septembre 2020:

Substances	Activity/Activité	Cannabis sold or provided to eligible parties listed in each subsection of the ACMPR below Cannabis vendu ou fourni aux parties énumérées sous les paragraphes du RACFM ci-dessous		
		*s. 22(2)	s. 22(4)	s. 22(5)
DRIED MARIHUANA / MARIHUANA SÉCHÉE	Sale or Provision / Vente ou Fourniture	X	N/A	N/A
MARIHUANA PLANTS / PLANTS DE MARIHUANA	Sale or Provision / Vente ou Fourniture	X	N/A	N/A
MARIHUANA SEEDS / GRAINES DE MARIHUANA	Sale or Provision / Vente ou Fourniture	X	N/A	N/A

Building 1 / Bâtiment 1

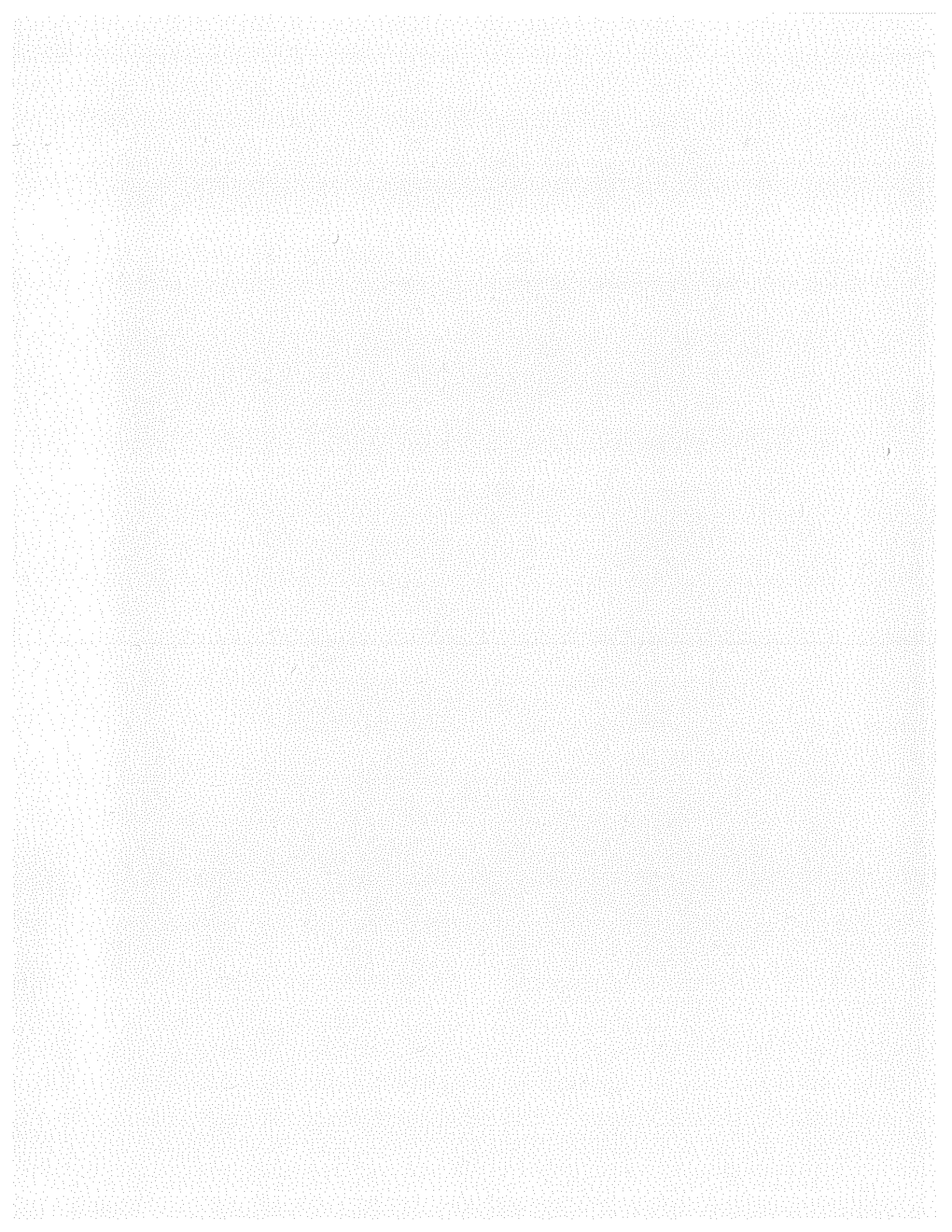
Areas where cannabis is present / Zones de l'installation où du cannabis est présent:

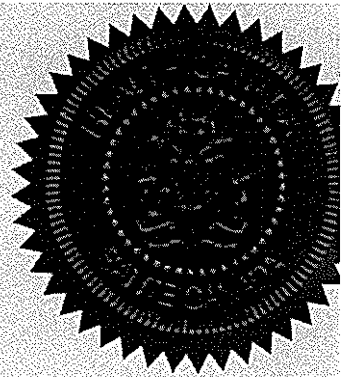
Mother & Veg room, Flower 1 room and Flower 2 room, Trimming room, Drying room, and Packaging room

Storage Area / Aire de Stockage: Level 9 Vault

Substances/Substances	Activities/Activités						
	Production / Production	*Sale or Provision / Vente ou Fourniture	Possession / Possession	*Shipping / Expédition	*Transportation / Transport	*Delivery / Livraison	Destruction / Destruction
DRIED MARIHUANA / MARIHUANA SÉCHÉE	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
MARIHUANA PLANTS/ PLANTS DE MARIHUANA	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
MARIHUANA SEEDS / GRAINES DE MARIHUANA	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Director, Operations, Office of Medical Cannabis, CLRB, for and on behalf of the Minister of Health  
Directeur, Opérations, Bureau de cannabis médical, DGLRC, pour et de la part du Ministre de la Santé





Licence No. - N° de licence  
10-MM0605/2017

**PRODUCER'S LICENCE**

Pursuant to section 35 of the *Access to Cannabis for Medical Purposes Regulations* this licence is issued to:

**LICENCE DE PRODUCTEUR AUTORISÉ**

Conformément à l'article 35 du *Règlement sur l'accès au cannabis à des fins médicales*, la présente licence est délivrée à:

**HydRx Farms Ltd.**  
1130 Champlain Court,  
Whitby, ON, L1N 6K9, Canada  
**Region I**

as a licensed producer at the site indicated above, for the conduct of the following activities for the following controlled substances.

à titre de producteur autorisé à l'installation indiquée ci-haut, pour la conduite des opérations suivantes pour les substances contrôlées suivantes.

Cannabis substances authorized for sale or provision during the period from September 22, 2017 to September 22, 2020:

Substances de cannabis autorisées pour la vente ou le fournissement pendant la période du 22 septembre 2017 au 22 septembre 2020:

Substances	Activity / Activité	Cannabis sold or provided to eligible parties listed in each subsection of the ACMPR below Cannabis vendu ou fourni aux parties énumérées sous les paragraphes du RACFM ci-dessous		
		*s. 22(2)	s. 22(4)	s. 22(5)
DRIED MARIHUANA / MARIHUANA SÉCHÉE	Sale or Provision / Vente ou Fourniture	X	N/A	N/A

**Building 1 / Bâtiment 1**

**Areas where cannabis is present / Zones de l'installation où du cannabis est présent:**

Mother & Veg Room, Flower Room 1, Flower Room 2, Flower Room 3, Trimming Room, Drying Room, Packaging Room, Shipping/Receiving Area

**Storage Area / Aire de Stockage: Level 9 Vault**

Substances/Substances	Activities / Activités						
	Production / Production	*Sale or Provision / Vente ou Fourniture	Possession / Possession	*Shipping / Expédition	*Transportation / Transport	*Delivery / Livraison	Destruction / Destruction
DRIED MARIHUANA / MARIHUANA SÉCHÉE	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
MARIHUANA PLANTS / PLANTS DE MARIHUANA	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
MARIHUANA SEEDS / GRAINES DE MARIHUANA	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Director, Operations, Office of Medical Cannabis, CLRB, for and on behalf of the Minister of Health  
Directeur, Opérations, Bureau du cannabis médical, DGLRC, pour et de la part du Ministre de la Santé

**Conditions and Remarks / Conditions et Commentaires:**

HydRx Farms Ltd. must notify Health Canada prior to starting cultivation. Note: Once Health Canada receives this notification, Health Canada may schedule an Introductory Inspection at your site. / HydRx Farms Ltd. doit aviser Santé Canada avant de commencer la culture. Remarque: Une fois que Santé Canada reçoit cet avis, Santé Canada peut planifier une inspection préliminaire sur votre site.

This licence is restricted, in addition to all other applicable conditions, in that the substances inventory cannot exceed at any given time a maximum storage capacity value of \$31,250,000 for the security level 9 vault. / Cette licence est restreinte, en plus des autres conditions qui s'appliquent, du fait que l'inventaire des substances ne peut dépasser en tout temps une valeur maximale de capacité de stockage de 31 250 000 \$ pour la voûte de niveau de sécurité 9.

The level 9 vault issued to HydRx Farms Ltd. (10-MM0605) on this licence cannot be used for the purpose of storing and / or conducting activities with substances related to HydRx Farms Ltd.'s dealer's licence issued under the *Narcotic Control Regulations* (NCR) number 2017/6914; this vault will be removed from HydRx Farms Ltd.'s dealer's licence in the near future. The level 9 vault can only be used to store and / or conduct activities with cannabis substances related to HydRx Farms Ltd.'s producer's licence issued under the *Access to Cannabis for Medical Purposes Regulations* (ACMPR). / La voûte de niveau 9 apparaissant sur cette licence de producteur autorisé délivrée à HydRx Farms Ltd. (10-MM0605) ne peut pas être utilisée pour stocker et / ou mener des activités avec des substances liées à la licence de distributeur autorisé d'HydRx Farms Ltd. délivrée en vertu du Règlement sur les stupéfiants (RS), numéro 2017/6914; cette voûte sera retirée de la licence de distributeur autorisé d'HydRx Farms Ltd. dans un proche avenir. La voûte de niveau 9 ne peut être utilisée que pour stocker et / ou mener des activités avec des substances de cannabis liées à la licence de producteur autorisé d'HydRx Farms Ltd. délivrée en vertu du Règlement sur l'accès au cannabis à des fins médicales (RACFM).

HydRx Farms Ltd. must conduct pesticide testing and report results at the request of the Minister of Health, in accordance with applicable mandatory pesticide testing guidance documents. / HydRx Farms Ltd. doit effectuer des tests pour pesticides et rapporter les résultats à la demande du ministre de la Santé, conformément aux documents d'orientation applicables aux pesticides.

If necessary, products targeted for destruction must be stored in a designated Subdivision C Area, and / or in an area with an assigned security level. Cannabis waste destruction must be conducted on-site at HydRx Farms Ltd.'s site, and in accordance with the requirements of section 30 of the ACMPR. / Si nécessaire, les produits destinés à la destruction doivent être entreposés dans une zone désignée comme Subdivision C, et / ou dans une zone ayant un niveau de sécurité approuvé. La destruction des déchets de cannabis doit avoir lieu au site de HydRx Farms Ltd., et doit être en conformité avec les exigences de l'article 30 du RACFM.

This licensed producer may receive bulk shipments of products that they have the authority to possess under this licence from other licenced producers of cannabis for medical purposes for the purpose of using them as starting material to produce substances that they are authorized to produce under this licence, provided that the bulk product has not already been packaged into immediate containers for provision or sale under subsection 22(4) of the ACMPR, and on the condition that the licensed producer has completed the *Licensed Producer Bulk Transfer Transaction Form*, and provided it to Health Canada at a minimum of ten business days in advance of each planned shipment. / Ce producteur autorisé peut recevoir des expéditions en vrac de produits qu'il est autorisé à posséder sous cette licence de la part d'autres producteurs autorisés de cannabis à des fins médicales, dans le but d'utiliser ces produits comme produits de départ pour produire des substances qu'il est autorisé à produire sous cette licence, à condition que le produit en vrac n'a pas déjà été emballé dans des contenants immédiats pour la fourniture ou à la vente en vertu du paragraphe 22(4) du RACFM, et à condition que le producteur autorisé ait complété le formulaire de transaction en vrac entre producteurs autorisés, et l'ait soumis à Santé Canada, au minimum de dix jours ouvrables à l'avance de chaque expédition prévue.

\*This licensed producer may sell, provide, ship, transport and deliver substances authorized for sale or provision on this licence to licensed dealers solely for the purpose of conducting analytical testing. / Ce producteur autorisé peut vendre, fournir, expédier, transporter ou livrer des substances autorisées sur cette licence aux distributeurs autorisés dans le seul but d'effectuer des tests analytiques.

Please note that the monthly report must be prepared in accordance with the guidance document entitled *Licensed Producers Reporting Requirements*, and submitted on or before the 15<sup>th</sup> of every month for the previous month. / Veuillez noter que le rapport mensuel doit être préparé conformément au document d'orientation intitulé Exigences en matière de production de rapports des producteurs autorisés, et doit être présenté au plus tard le 15 de chaque mois pour le mois précédent.

Effective date of the licence:

November 10, 2017

This licence expires on September 22, 2020

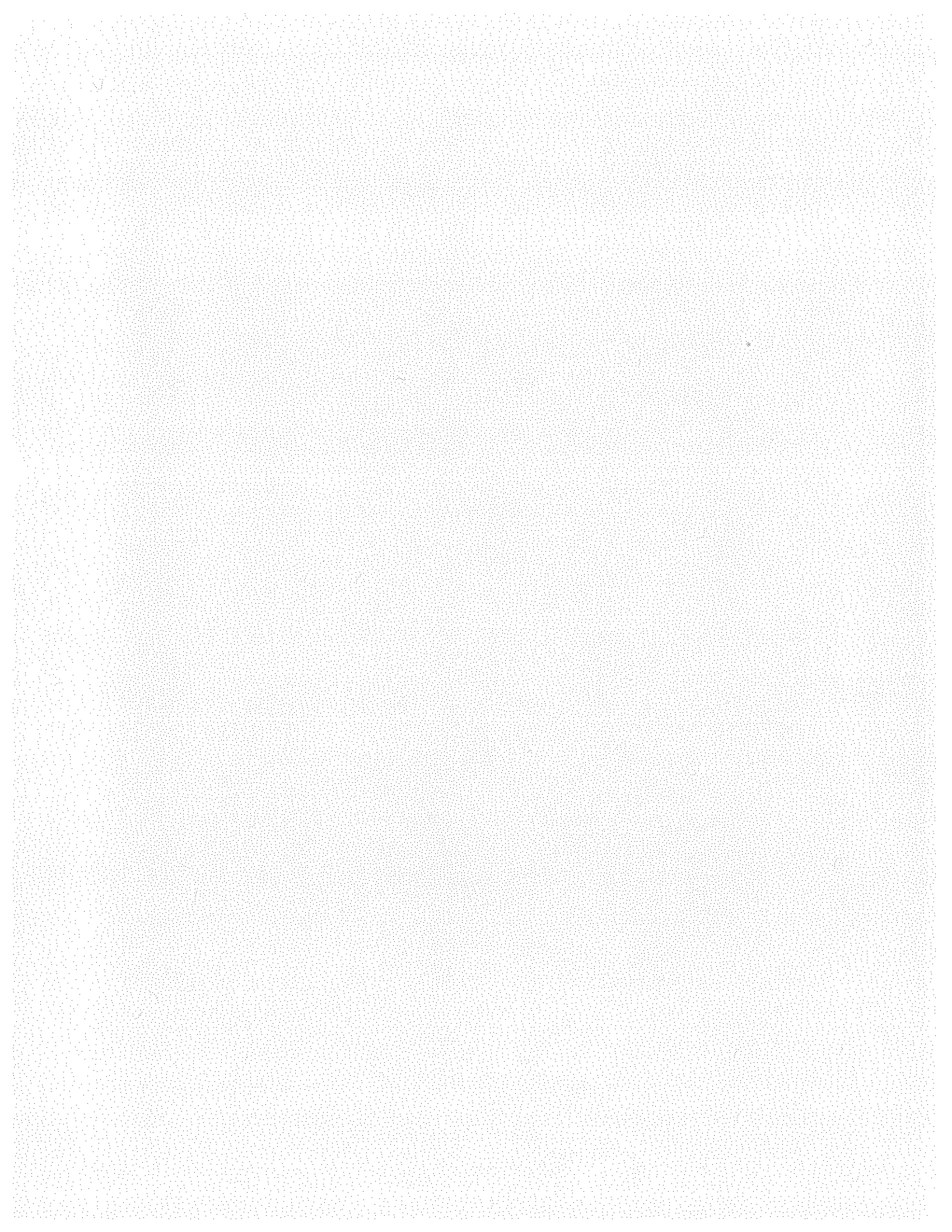
Date d'entrée en vigueur de la licence:

10 novembre 2017

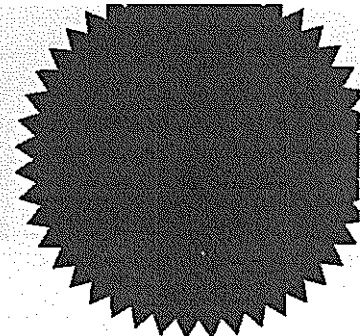
La présente licence expire le 22 septembre 2020

Director, Operations, Office of Medical Cannabis, CLRB, for and on behalf of the Minister of Health  
Directeur, Opérations, Bureau du cannabis médical, DGLRC, pour et de la part du Ministre de la Santé





Licence No. - N° de licence  
LIC-WQZAS68WY2-2018



**LICENCE**

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

**LICENCE**

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

**Licence Holder / Titulaire de la licence :**

HydRx Farms Ltd.

**Licensed Site / Lieu autorisé :**

1130 CHAMPLAIN COURT  
WHITBY, ON, CANADA, L1N 6K9

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

- Standard Cultivation
- Standard Processing

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

- Culture standard
- Transformation standard

**Authorized activities**

**Activités autorisées**

Building 1

Activities	Activités
<ul style="list-style-type: none"> <li>• to possess cannabis</li> <li>• to obtain dried cannabis, fresh cannabis, cannabis plants or cannabis plant seeds by cultivating, propagating and harvesting cannabis</li> <li>• to produce cannabis, other than obtain it by cultivating, propagating or harvesting it</li> <li>• to sell cannabis in accordance with subsection 11(5) of the Cannabis Regulations</li> <li>• to sell cannabis in accordance with subsection 17(5) of the Cannabis Regulations</li> </ul>	<ul style="list-style-type: none"> <li>• avoir du cannabis en sa possession</li> <li>• obtenir du cannabis séché, du cannabis frais, des plantes de cannabis ou des graines provenant de telles plantes par la culture, la multiplication et la récolte de cannabis</li> <li>• produire du cannabis, sauf en l'obtenant par la culture, la multiplication et la récolte</li> <li>• vendre du cannabis en vertu du paragraphe 11(5) du Règlement sur le cannabis</li> <li>• vendre du cannabis en vertu du paragraphe 17(5) du Règlement sur le cannabis</li> </ul>

**Conditions**

**Conditions**

HydRx Farms Ltd. must meet the requirements set out in the document entitled "Mandatory cannabis testing for pesticide active ingredients".	HydRx Farms Ltd. doit satisfaire aux exigences énoncées dans le document intitulé « Analyse obligatoire du cannabis pour les résidus de principes actifs de pesticides ».
The only cannabis products that HydRx Farms Ltd. may sell or distribute to (i) a holder of a licence for sale, and, (ii) a person authorized to sell cannabis under a provincial Act by reason of subsection 69(1) of the Act, are as follows: cannabis plants that are cannabis products; and, cannabis plant seeds that are cannabis products.	Les seuls produits du cannabis que HydRx Farms Ltd. peut vendre ou distribuer (i) à un titulaire d'une licence de vente et (ii) à une personne autorisée par une loi provinciale à vendre du cannabis en vertu du paragraphe 69(1) de la Loi sont les suivants : plantes de cannabis qui sont des produits du cannabis; graines provenant d'une plante de cannabis qui sont des produits du cannabis.
The only cannabis products that HydRx Farms Ltd. may send or deliver to the purchaser at the request of (i) a holder of a licence for sale, and (ii) a person authorized to sell cannabis under a provincial Act by reason of subsection 69(1) of the Act, are as follows: cannabis plants that are cannabis products; and, cannabis plant seeds that are cannabis products.	Les seuls produits du cannabis que HydRx Farms Ltd. peut expédier ou livrer à l'acheteur à la demande (i) d'un titulaire d'une licence de vente et (ii) d'une personne autorisée par une loi provinciale à vendre du cannabis en vertu du paragraphe 69(1) de la Loi sont les suivants : plantes de cannabis qui sont des produits du cannabis; graines provenant d'une plante de cannabis qui sont des produits du cannabis.

**Effective date of the licence:**

This licence is effective as of **November 9, 2018**

**Date d'entrée en vigueur de la licence:**

Cette licence entre en vigueur à compter du **9 novembre 2018**

**Expiry date of the licence:**

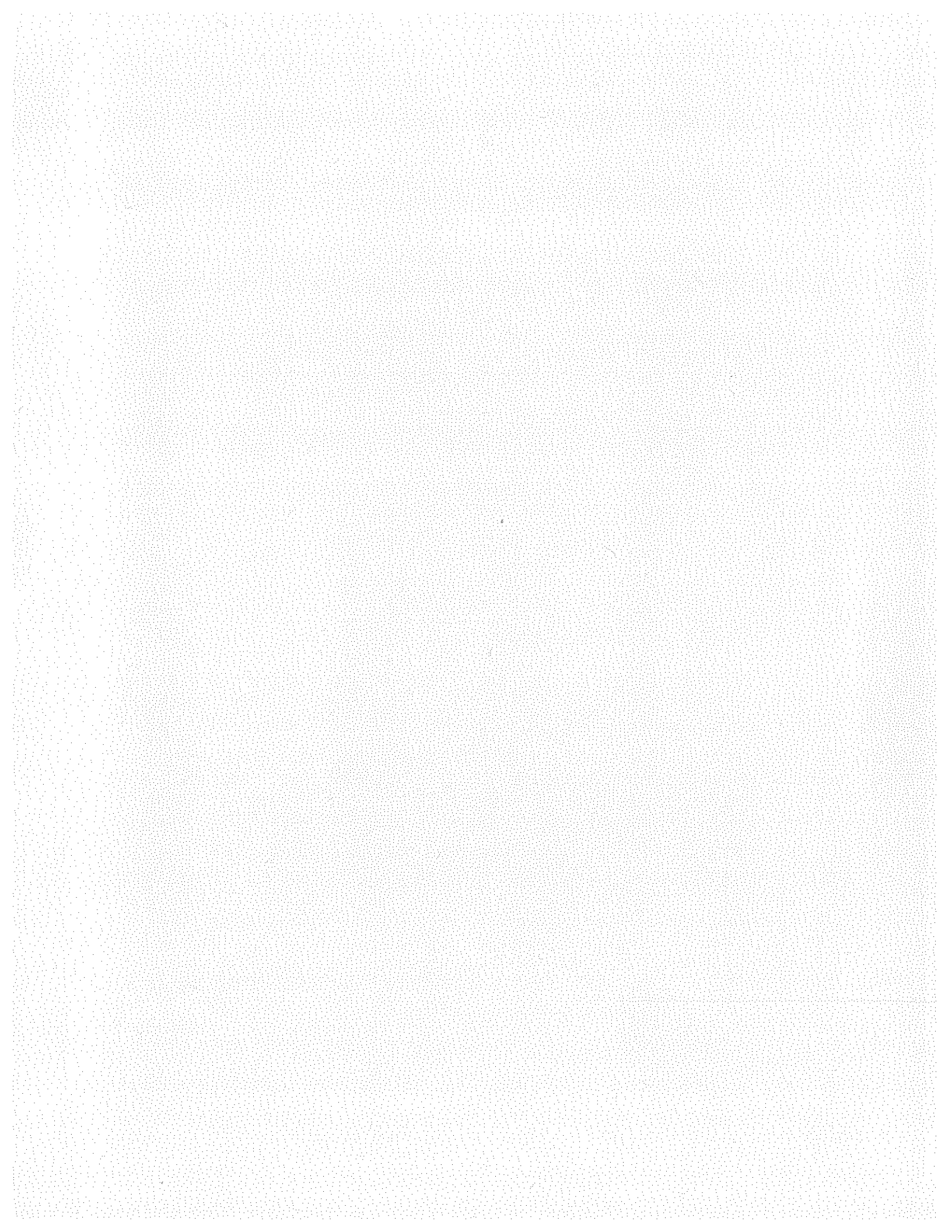
This licence expires on **September 22, 2020**

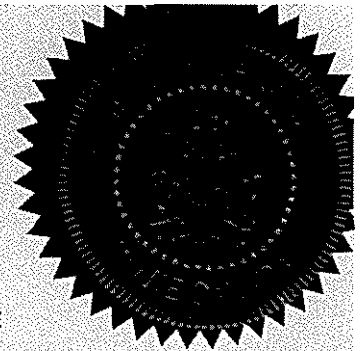
**Date d'expiration de la licence:**

La présente licence expire le **22 septembre 2020**

Director, Licensing & Security Division, CLRB, for and on behalf of the Minister of Health

Directeur, Division des licences et sécurité, DGLRC, pour et de la part du Ministre de la Santé





Licence No. - N° de licence  
10-MM0605/2018

**PRODUCER'S LICENCE**

Pursuant to section 35 of the *Access to Cannabis for Medical Purposes Regulations* this licence is issued to:

**LICENCE DE PRODUCTEUR AUTORISÉ**

Conformément à l'article 35 du *Règlement sur l'accès au cannabis à des fins médicales*, la présente licence est délivrée à:

**HydRx Farms Ltd.**  
1130 Champlain Court  
Whitby, ON, L1N 6K9, Canada  
Region I

as a licensed producer at the site indicated above, for the conduct of the following activities for the following controlled substances.

à titre de producteur autorisé à l'installation indiquée ci-haut, pour la conduite des opérations suivantes pour les substances contrôlées suivantes.

Cannabis substances authorized for sale or provision during the period from September 22, 2017 to September 22, 2020:

Substances de cannabis autorisées pour la vente ou l'approvisionnement pendant la période du 22 septembre 2017 au 22 septembre 2020:

Substances	Activity/Activité	Cannabis sold or provided to eligible parties listed in each subsection of the ACMPR below Cannabis vendu ou fourni aux parties énumérées sous les paragraphes du RACFM ci-dessous		
		*s. 22(2)	s. 22(4)	s. 22(5)
DRIED MARIHUANA / MARIHUANA SÉCHÉE	Sale or Provision / Vente ou Approvisionnement	X	N/A	N/A
BOTTLED CANNABIS OIL / HUILE DE CANNABIS EMBOUTEILLÉE	Sale or Provision / Vente ou Approvisionnement	X	N/A	N/A
ENCAPSULATED CANNABIS OIL / HUILE DE CANNABIS ENCAPSULÉE	Sale or Provision / Vente ou Approvisionnement	X	N/A	N/A
CANNABIS IN ITS NATURAL FORM: CANNABIS RESIN / CANNABIS DANS SA FORME NATURELLE: RÉSINE DE CANNABIS	Sale or Provision / Vente ou Approvisionnement	X	N/A	N/A
MARIHUANA PLANTS / PLANTS DE MARIHUANA	Sale or Provision / Vente ou Approvisionnement	X	N/A	N/A

**Building 1 / Bâtiment 1**

Subdivision C areas where cannabis is present / Zones de sous-section C de l'installation où du cannabis est présent  
Mother & Veg Room, Flower Room 1, Flower Room 2, Trimming Room, Drying Room, Packaging Room, Shipping/Receiving Area, Solids Processing Room, Liquids Processing Room, Cannabis Oil Extractions Room, Soft Gel Drying Room, Soft Gel Encapsulations Room, M-39 Packaging Room, Quarantine Room

Storage Area(s) (Directive On Physical Security) / Aire de Stockage (Directive sur les exigences en matière de sécurité physique):  
Level 9 Vault

Substances/Substances	Activities/Activités						
	Production / Production	*Sale or Provision / Vente ou Approvisionnement	Possession / Possession	*Shipping / Expédition	*Transportation / Transport	*Delivery / Livraison	Destruction / Destruction
DRIED MARIHUANA / MARIHUANA SÉCHÉE	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

Director, Licensing & Security Division, CLRB, for and on behalf of the Minister of Health  
Directrice, Division des licences et de la sécurité, DGLRC, pour et de la part du Ministre de la Santé

BOTTLED CANNABIS OIL / HUILE DE CANNABIS EMBOUTEILLÉE	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
ENCAPSULATED CANNABIS OIL / HUILE DE CANNABIS ENCAPSULÉE	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
CANNABIS IN ITS NATURAL FORM: CANNABIS RESIN / CANNABIS DANS SA FORME NATURELLE: RÉSINE DE CANNABIS	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
MARIHUANA PLANTS / PLANTS DE MARIHUANA	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
MARIHUANA SEEDS / GRAINES DE MARIHUANA	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

**Conditions and Remarks / Conditions et Commentaires:**

This licence is restricted, in addition to all other applicable conditions, in that the substances inventory cannot exceed at any given time a maximum storage capacity value of \$31,250,000 for the security level 9 vault. / Cette licence est restreinte, en plus des autres conditions qui s'appliquent, du fait que l'inventaire des substances ne peut dépasser en tout temps une valeur maximale de capacité de stockage de 31 250 000 \$ pour la voûte de niveau de sécurité 9.

HydRx Farms Ltd. must meet the Requirements for Mandatory Testing of Pesticide Active Ingredients in Cannabis Products. / HydRx Farms Ltd. doit respecter les Exigences relatives à l'analyse obligatoire des produits de cannabis pour détecter la présence de principes actifs de pesticides.

If necessary, products targeted for destruction must be stored in a designated Subdivision C Area, and/or in an approved storage area. Cannabis waste for off-site destruction must be in accordance with the requirements under section 30 of the ACMPR. / Si nécessaire, les produits destinés à la destruction doivent être entreposés dans une zone désignée comme Subdivision C, et/ ou dans une zone de stockage approuvé. Les déchets de cannabis pour la destruction ayant lieu hors du site doit être, en conformité avec les exigences de l'article 30 du RACFM.

\*This licensed producer may sell, provide, ship, transport and deliver substances authorized for sale or provision on this licence to licensed dealers solely for the purpose of conducting analytical testing. / Ce producteur autorisé peut vendre, fournir, expédier, transporter ou livrer des substances autorisées sur cette licence aux distributeurs autorisés dans le seul but d'effectuer des tests analytiques.

Please note that the monthly report must be prepared in accordance with the guidance document entitled Licensed Producers Reporting Requirements, and submitted on or before the 15<sup>th</sup> of every month for the previous month. / Veuillez noter que le rapport mensuel doit être préparé conformément au document d'orientation intitulé Exigences en matière de production de rapports des producteurs autorisés, et doit être présenté au plus tard le 15 de chaque mois pour le mois précédent.

Effective date of the licence:

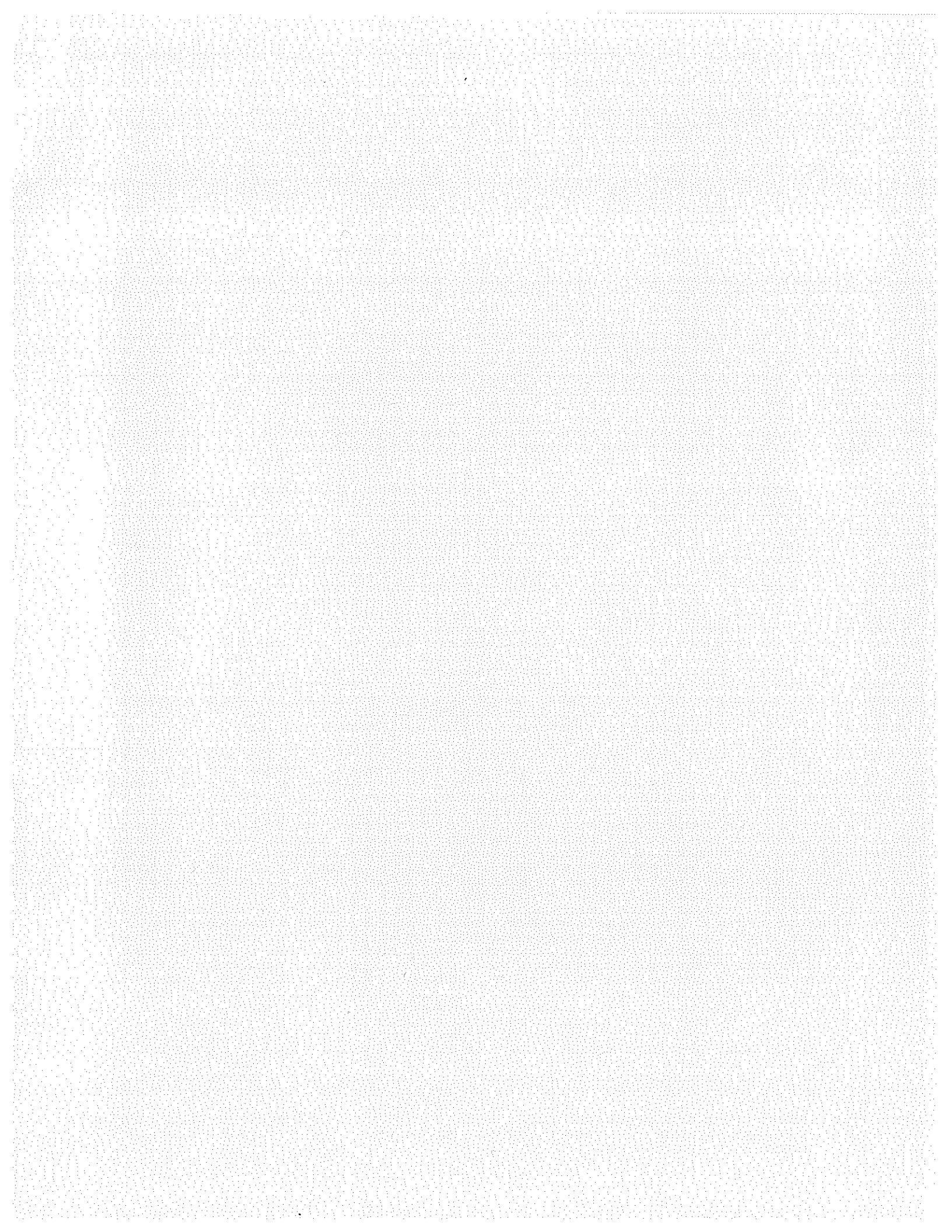
October 15, 2018  
This licence expires on September 22, 2020

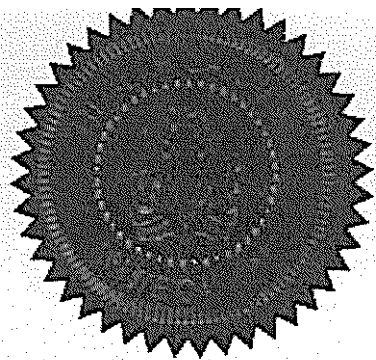
Date d'entrée en vigueur de la licence:

15 octobre 2018  
La présente licence expire le 22 septembre 2020



Director, Licensing & Security Division, CLRBC, for and on behalf of the Minister of Health  
Directrice, Division des licences et de la sécurité, DGLRC, pour et de la part du Ministre de la Santé





Licence No. - N° de licence  
LIC-WQZAS68WY2-2018-1

**LICENCE**

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

**LICENCE**

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

**Licence Holder / Titulaire de la licence :**  
HydRx Farms Ltd.

**Licensed Site / Lieu autorisé :**  
1130 CHAMPLAIN COURT  
WHITBY, ON, CANADA, L1N 6K9

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

- Standard Cultivation
- Standard Processing
- Sale for Medical Purposes

**Authorized activities**

Building 1

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

- Culture standard
- Transformation standard
- Vente à des fins médicales

**Activités autorisées**

Activities	Activités
<ul style="list-style-type: none"> <li>• to possess cannabis</li> <li>• to obtain dried cannabis, fresh cannabis, cannabis plants or cannabis plant seeds by cultivating, propagating and harvesting cannabis</li> <li>• to produce cannabis, other than obtain it by cultivating, propagating or harvesting it</li> <li>• to sell cannabis in accordance with subsection 11(5) of the Cannabis Regulations</li> <li>• to sell cannabis in accordance with subsection 17(5) of the Cannabis Regulations</li> <li>• to sell cannabis products in accordance with section 27 of the Cannabis Regulations</li> </ul>	<ul style="list-style-type: none"> <li>• avoir du cannabis en sa possession</li> <li>• obtenir du cannabis séché, du cannabis frais, des plantes de cannabis ou des graines provenant de telles plantes par la culture, la multiplication et la récolte de cannabis</li> <li>• produire du cannabis, sauf en l'obtenant par la culture, la multiplication et la récolte</li> <li>• vendre du cannabis en vertu du paragraphe 11(5) du Règlement sur le cannabis</li> <li>• vendre du cannabis en vertu du paragraphe 17(5) du Règlement sur le cannabis</li> <li>• vendre des produits du cannabis en vertu de l'article 27 du Règlement sur le cannabis</li> </ul>

**Conditions**

HydRx Farms Ltd. must meet the requirements set out in the document entitled "Mandatory cannabis testing for pesticide active ingredients".
The only cannabis products that HydRx Farms Ltd. may sell or distribute to (i) a holder of a licence for sale, and (ii) a person authorized to sell cannabis under a provincial Act by reason of subsection 69(1) of the Act, are as follows: cannabis plants that are cannabis products; cannabis plant seeds that are cannabis products; dried cannabis that is a cannabis product; and, fresh cannabis that is a cannabis product.
The only cannabis products that HydRx Farms Ltd. may send or deliver to the purchaser at the request of (i) a holder of a licence for sale, and (ii) a person authorized to sell cannabis under a provincial Act by reason of subsection 69(1) of the Act, are as follows: cannabis plants that are cannabis products; cannabis plant seeds that are cannabis products; dried cannabis that is a cannabis product; and, fresh cannabis that is a cannabis product.

**Conditions**

HydRx Farms Ltd. doit satisfaire aux exigences énoncées dans le document intitulé « Analyse obligatoire du cannabis pour les résidus de principes actifs de pesticides ».
Les seuls produits du cannabis que HydRx Farms Ltd. peut vendre ou distribuer (i) à un titulaire d'une licence de vente et (ii) à une personne autorisée par une loi provinciale à vendre du cannabis en vertu du paragraphe 69(1) de la Loi sont les suivants : plantes de cannabis qui sont des produits du cannabis; graines provenant d'une plante de cannabis qui sont des produits du cannabis; cannabis séché qui est un produit du cannabis; cannabis frais qui est un produit du cannabis.
Les seuls produits du cannabis que HydRx Farms Ltd. peut expédier ou livrer à l'acheteur à la demande (i) d'un titulaire d'une licence de vente et (ii) d'une personne autorisée par une loi provinciale à vendre du cannabis en vertu du paragraphe 69(1) de la Loi sont les suivants : plantes de cannabis qui sont des produits du cannabis; graines provenant d'une plante de cannabis qui sont des produits du cannabis; cannabis séché qui est un produit du cannabis; cannabis frais qui est un produit du cannabis.

Director, Licensing & Security Division, CLRB, for and on behalf of the Minister  
 Directeur, Division des licences et sécurité, DGLRC, pour et de la part du Ministre





**Effective date of the licence:**

This licence is effective as of **December 21, 2018**

**Date d'entrée en vigueur de la licence:**

Cette licence entre en vigueur à compter du **21 décembre 2018**

**Expiry date of the licence:**

This licence expires on **September 22, 2020**

**Date d'expiration de la licence:**

La présente licence expire le **22 septembre 2020**

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Director, Licensing & Security Division, CLRB, for and on behalf of the Minister  
Directeur, Division des licences et sécurité, DGLRC, pour et de la part du Ministre



**SCHEDULE "B"**  
**RISP**

*(attached)*

## Procedures for the Refinancing and Investment Solicitation Process

1. On November 14, 2019, Borrower Company (“**BORROWER**”), entered into a support agreement with Lender Company (“**LENDER**”) (as may be amended, restated, supplemented or modified from time to time, the “**Support Agreement**”).
2. **BORROWER** has determined that it is in their best interest for the refinancing and investment solicitation process (the “**RISP**”) to be administered and implemented by FTI Capital Advisors – Canada ULC (“**FTI**”) as its financial advisor, in consultation with **LENDER**, all in accordance with the terms of the Support Agreement and this RISP.
3. Set forth below are the procedures (the “**RISP Procedures**”) to be followed with respect to the RISP to be undertaken to seek a non-binding offer or combination of offers (“**LOI**”) that is recommended by FTI to **BORROWER** and accepted by **BORROWER** (such recommended and accepted LOI, a “**Successful Bid**”), and if there is a Successful Bid, to complete the purchase or financing transaction contemplated by the Successful Bid.

### Defined Terms

4. In addition, capitalized terms used but not otherwise defined in these RISP Procedures shall have the following meanings:

“**Business**” means the business being carried on by **BORROWER**, as applicable;

“**Business Day**” means a day, other than a Saturday or Sunday, on which banks are open for business in the City of Toronto;

### Solicitation Process and Timeline

5. The RISP Procedures set forth herein describe (i) the manner in which prospective bidders may gain access to or continue to have access to due diligence materials and information concerning **BORROWER** and its Business, (ii) the process for the receipt and negotiation of bids received, and (iii) the manner in which LOIs (as defined herein) may be evaluated and selected as the Successful Bid.
6. FTI shall implement these RISP Procedures. **BORROWER** is required to assist and support the efforts of FTI, as provided herein.
7. The following table sets out the key milestones under this RISP, pursuant to and in accordance with these RISP Procedures:

<b>Milestone</b>	<b>Deadline</b>
Commencement of RISP	Commenced
LOI Deadline	December 16, 2019
Selection of Successful Bid	December 23, 2019
Deadline to close transaction contemplated by Successful Bid	January 31, 2020

## **Solicitation of Interest**

8. FTI, with the assistance of BORROWER, will prepare a list of parties that may have interest in a potential transaction (collectively, the "**Identified Potential Bidders**"). As soon as practicable, FTI shall notify the Identified Potential Bidders of the existence of the RISP and shall invite the Identified Potential Bidders to express their interest and participate in the RISP in accordance with the terms of the RISP.

9. A non-confidential teaser letter prepared by BORROWER, in consultation with FTI (the "**Teaser**"), describing the opportunity for potential transaction will be made available by FTI to the Identified Potential Bidders as soon as practicable.

## **Participation requirements**

10. In order for any person ("**Potential Bidder**") to participate in the RISP, be granted access to the electronic dataroom that contains confidential information concerning the Business (the "**Dataroom**") and be provided with any such confidential information by FTI, such Potential Bidder must deliver to FTI an executed confidentiality agreement, in form and substance satisfactory to BORROWER and FTI ("**Confidentiality Agreement**").

11. A Potential Bidder that has executed a Confidentiality Agreement, and that BORROWER and FTI in their reasonable business judgment, determines is likely, to be able to consummate a potential transaction will be deemed a "**Qualified Bidder**", and be promptly notified of such determination by FTI.

12. At any time during the RISP, BORROWER and FTI may, in their reasonable business judgment, eliminate a Potential Bidder or Qualified Bidder from the RISP.

## **LOIs**

13. Qualified Bidders shall be provided with access to the Dataroom, together with such further information as FTI may deem appropriate. BORROWER and FTI make no representation or warranty as to the accuracy or completeness of the information contained in the Teaser or in the Dataroom.

14. A Qualified Bidder that wishes to make a formal offer to consummate a potential transaction must deliver a LOI to FTI so as to be received by FTI no later than 5:00 p.m. (Eastern Time) on December 16, 2019 (the "**LOI Deadline**"). Such LOI shall include the following:

- (a) General Deal Structure: It clearly identifies the total proposed purchase price for the securities of the Business to be acquired as expressed in Canadian dollars (the "**Purchase Price**"), and the effective date of closing of the Proposed Transaction, which date shall be no later than January 31, 2020;
- (b) Form of Consideration & Satisfaction of Purchase Price: It clearly identifies the form of consideration being proposed and estimated value of the consideration in Canadian dollars. The preference is for cash consideration payable on closing; however, FTI will consider securities or other forms of consideration;

- (c) Financing: It includes specific indication of the sources of capital and evidence of the financial ability of such Qualified Bidder to consummate the proposed transaction, that will allow FTI to make a reasonable determination as to the Qualified Bidder's financial and other capabilities to consummate the transaction contemplated by its LOI;
- (d) Approval: It clearly identifies any anticipated shareholder, regulatory or other approvals outstanding, and the anticipated time frame and any anticipated impediments for obtaining such approvals;
- (e) Material Conditions: It clearly sets out all material conditions to closing that the Qualified Bidder may wish to impose;
- (f) Due Diligence: To the extent the potential transaction is conditional upon additional confirmatory due diligence, it clearly specifies the scope and nature of such confirmatory due diligence and timing for satisfaction of same;
- (g) Identity of Sponsors: It fully discloses the identity of each person (including any person that controls such person) that will be directly or indirectly sponsoring or participating in the bid;
- (h) No Reliance: It includes an acknowledgement and representation that the bidder: (i) has relied solely upon its own independent review, investigation and/or inspection of any documents in making its LOI; and (ii) did not rely upon any written or oral statements, representations, promises, warranties or guaranties whatsoever, whether express or implied (by operation of law or otherwise), regarding the Business or the completeness of any information provided in connection therewith, in making its LOI;
- (i) Timeline to Closing: It provides a timeline to closing with critical milestones;
- (j) Additional Information: It contains such other information as may reasonably be requested by FTI; and
- (k) LOI Deadline: It is received by or prior to the LOI Deadline.

15. FTI, in consultation with BORROWER and LENDER, will review each LOI as set forth herein. For the purpose of such consultation and evaluations, FTI may request clarification of the terms of any LOI and, for greater certainty, may hold clarifying discussions with any Qualified Bidder regarding its LOI, and request such Qualified Bidder to submit a revised and clarified LOI, provided the initial LOI was submitted by the LOI Deadline. Copies of all LOIs may be provided to LENDER and its advisors notwithstanding any confidentiality provisions contained therein and the submissions of a LOI in accordance with the RISP shall constitute deemed consent to such disclosure. To the extent that a LOI is not compliant with any one or more of the requirements specified herein, BORROWER and FTI may waive such non-compliance.

16. Within 5 Business Days of the LOI Deadline, FTI, exercising its reasonable business judgment, may recommend to BORROWER that a LOI be accepted as the Successful Bid and that BORROWER and their advisors proceed to negotiate and settle the terms of definitive agreement with such Successful Bid. In the instance a recommendation is made, it is up to the

BORROWER to approve the Successful Bid as recommended by FTI and to obtain approval of the Successful Bid by the LENDER. Those Qualified Bidders that have submitted LOIs which are not designated as the Successful Bid shall be notified as such by FTI.

17. Evaluation criteria with respect to whether a LOI constitutes a Successful Bid may include, but are not limited to, items such as: (i) the Purchase Price and net value to the BORROWER and LENDER (if applicable); (ii) the form of consideration being offered; (iii) evidence of availability of financing for the transaction; (iv) the scope and nature of any confirmatory due diligence remaining to be carried out; and (v) other factors affecting the speed, certainty and value of the transaction (including any regulatory approvals required to close the transaction).

18. If LENDER does not accept a LOI as a Successful Bid, the LENDER is not precluded from submitting its own LOI or exercising any and all of their rights and remedies in accordance with the terms of the RISP or any other agreements between LENDER and BORROWER, including, without limitation, the Support Agreement.

19. At any time, BORROWER, in consultation with FTI and with the consent of LENDER, may extend the deadlines set out herein.

20. FTI, LENDER, BORROWER, and their respective advisors shall have no liability or obligations whatsoever to any party or person in connection with the RISP, the RISP Procedures or information transmitted, whether written or oral, including but not limited to arising from any rejection of any LOI. No party or person shall have any entitlement for any reason (including in the event of any modification or termination of the RISP) to reimbursement for any costs or expenses incurred in reliance on the RISP procedures set out herein.

21. Any documents, notices, communication or deliverables to be provided to FTI or BORROWER hereunder shall be provided in accordance with and in the manner specified in Exhibit "A" hereto.

22. All LOIs (other than a Successful Bid) shall be deemed rejected on and as of the date of approval of a Successful Bid.

### **No Amendment**

23. There shall be no amendments to the RISP Procedures, including for greater certainty, the process and procedures set out herein, without the written consent of LENDER and BORROWER.

### **No Obligation to Conclude a Transaction**

24. BORROWER has no obligation to agree to conclude a transaction arising out of this RISP and expressly reserves the right and unfettered discretion to reject any offer or other proposal made in connection with this RISP, without advance notice and without giving any reasons therefor. In addition, at any time during this RISP, BORROWER, LENDER and FTI may determine to terminate these RISP Procedures and shall provide notice of such termination to all Qualified Bidders, as applicable.

### **Further Direction**

25. At any time during this RISP, FTI may apply to its advisors for advice and directions with respect to the discharge of their duties hereunder or for the assistance in resolving any issue, concern or dispute that may arise.

**Exhibit "A"**  
**NOTICES**

Any documents, notices, communication or other deliverables required or permitted to be given to FTI or BORROWER shall be sent by e-mail to the applicable address set out below:

In the case of BORROWER:

**HydRx Farms Ltd. dba Scientus Pharma**

4100 Yonge Street, Suite 401  
Toronto, ON  
M2P 2B5

Attention: Mark A. Fletcher, Senior Vice-President & General Counsel  
Email: [mfletcher@scientuspharma.com](mailto:mfletcher@scientuspharma.com)

with a copy (which shall not constitute notice) to:

**Minden Gross LLP**

145 King Street West, Suite 2200  
Toronto, ON  
M5H 4G2

Attention: Timothy R. Dunn  
Email: [tdunn@mindengross.com](mailto:tdunn@mindengross.com)

In the case of FTI:

**FTI Capital Advisors – Canada ULC.**

79 Wellington Street, Suite 2010  
Toronto, ON M5K 1G8

Attention: Adam Zalev / Dean Mullett  
Email: [Adam.Zalev@fticonsulting.com](mailto:Adam.Zalev@fticonsulting.com) / [Dean.Mullett@fticonsulting.com](mailto:Dean.Mullett@fticonsulting.com)

**SCHEDULE "C"**  
**OUTSTANDING BORROWER OBLIGATIONS AS AT DATE HEREOF**

<u>(as of 11/13/19)</u>	<u>Principal</u>	<u>Annual Interest</u>	<u>Accrued Interest</u>
	\$11,500,000	12%	\$340,273.97



**SCHEDULE "D"**  
**CASH-FLOWS**

*(attached)*

HydRx Farms Ltd.  
Cash Flow Projection

		Cash Flow											
		2019											
<i>week ended</i>	8-Nov	15-Nov	22-Nov	29-Nov	6-Dec	13-Dec	20-Dec	27-Dec	3-Jan	10-Jan	17-Jan	24-Jan	31-Jan
Beginning bank balance	2,400,000	1,986,250	1,845,478	1,539,706	1,402,935	1,041,604	970,045	723,486					
AP due in next 30 days, critical		- 73,558	- 73,558	- 73,558	- 73,558								
POs due in next 30 days, critical		- 41,214	- 41,214	- 41,214	- 41,214								
POs due in next 60 days, critical					- 59,559	- 59,559	- 59,559	- 59,559					
Effective bank balance	2,400,000	1,871,478	1,730,706	1,424,935	1,228,604	982,045	910,486	663,928					
<b>Cash Inflows</b>													
Revenues	6,000	6,000	6,000	6,000	10,000	10,000	10,000	10,000	-	12,500	12,500	12,500	12,500
Other inflows	-	-	-	-	-	-	-	-	-	-	-	-	-
	6,000	6,000	6,000	6,000	10,000	10,000	10,000	10,000	-	12,500	12,500	12,500	12,500
<b>Cash Outflows</b>													
People costs	175,000		175,000		175,000		175,000		175,000		175,000		175,000
Operating expenses		10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Production costs		10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	
Outside consultants				6,000									
Accounting and legal	84,750	10,000											
Sales and marketing		2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
R&D													
IT													
GMP Facility Completion													
Equipment	160,000												
Building improvements													
Interest													
	419,750	32,000	197,000	28,000	197,000	22,000	197,000	22,000	197,000	22,000	197,000	22,000	187,000
<b>Net cash flow</b>	- 413,750	- 26,000	- 191,000	- 22,000	- 187,000	- 12,000	- 187,000	- 12,000	- 197,000	- 9,500	- 184,500	- 9,500	- 174,500
<b>Ending bank balance</b>	1,986,250	1,845,478	1,539,706	1,402,935	1,041,604	970,045	723,486	651,928	454,928	445,428	260,928	251,428	76,928

This is Exhibit “H” referred to in the Affidavit of Richard Goldstein sworn April 23, 2021.

A handwritten signature in black ink, appearing to read "Brian Goody". The signature is written in a cursive style with a prominent initial "B".

---

Commissioner for Taking Affidavits (or as may be)

# FASKEN

Fasken Martineau DuMoulin LLP  
Barristers and Solicitors  
Patent and Trade-mark Agents

333 Bay Street, Suite 2400  
P.O. Box 20  
Toronto, Ontario M5H 2T6  
Canada

T +1 416 366 8381  
+1 800 268 8424  
F +1 416 364 7813  
fasken.com

January 20, 2020

**Dylan Chochla**  
Direct +1 416 868 3425  
dchochla@fasken.com

**Via Email (rgrover@scientuspharma.com / mfletcher@scientuspharma.com)**  
**Via Registered Mail**

HydRx Farms Ltd.  
209 Dundas Street East, P.O. Box 31  
Whitby, Ontario  
L1N 7H8

HydRx Farms Ltd. dba Scientus Pharma  
4100 Yonge Street, Suite 401  
Toronto, Ontario  
M2P 2B5

**Attention: Rav Grover**

**Attention: Mark A. Fletcher, Senior  
(Vice-President & General Counsel)**

Dear Sirs:

**Re: Indebtedness of HydRx Farms Ltd. (the “Debtor”) to Aphria Inc. (“Aphria”)**

We are legal counsel to Aphria.

The Debtor is indebted to Aphria pursuant to a senior secured convertible debenture between the Debtor and Aphria dated as of August 14, 2017, as amended by a debenture amendment agreement dated effective August 14, 2019, and as further amended by a support agreement (the “**Support Agreement**”) made with effect as of November 14, 2019 (as so amended and as otherwise amended or supplemented, collectively referred to herein as the “**Debenture Agreement**”) and the Mortgage (as defined below).

The Debtor’s obligations to Aphria are secured by the Debenture Agreement. Notice of the Debenture Agreement is registered on title to real property legally described as Lot 13 on Plan 871; Town of Whitby, being the whole of PIN 26488-0029 (LT) (the “**Property**”) pursuant to a charge/mortgage of land in the principal amount of \$11,500,000 executed by the Debtor in favour of Aphria and registered as registration number DR1626830 against the Property, as amended by an agreement amending charge executed by the Debtor in favour of Aphria, dated effective August 14, 2019 and registered as registration number DR1848498 against the Property (as so amended and as otherwise amended or supplemented, the “**Mortgage**”).

Aphria’s security interest under the Debenture Agreement is also perfected by registration under the *Personal Property Security Act* (Ontario).

# FASKEN

Fasken Martineau DuMoulin LLP  
Barristers and Solicitors  
Patent and Trade-mark Agents

333 Bay Street, Suite 2400  
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Canada

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+1 800 268 8424  
F +1 416 364 7813  
fasken.com

The Debtor is in default of its obligations under the Debenture Agreement and the Mortgage, which default is continuing, as a result of, among other Events of Default, its failure to comply with the Key Milestones (as defined in the Support Agreement).

All principal, interest and other amounts payable under the Debenture Agreement and the Mortgage (collectively, the “**Indebtedness**”) matured on December 24, 2019. The Debtor has failed or refused to pay the Indebtedness when due, and the Indebtedness remains outstanding.

On behalf of Aphria, we hereby demand that the Debtor immediately pay to Aphria the full amount of the Indebtedness, which, **as at January 20, 2020** totals \$12,201,479.45, broken down as follows:

\$11,500,000	Outstanding Principal
\$664,479.45	Accrued Interest
\$37,000	Fees and Expenses
<b>\$12,201,479.45</b>	<b>Total Indebtedness</b>

Interest shall accrue on the amount demanded from January 20, 2020 at the *per diem* rate of \$4,011.45.

Payment can be made by delivering a certified cheque made payable to “Fasken Martineau DuMoulin LLP, in Trust”. In addition, Aphria has incurred, and will continue to incur, costs in relation to this matter. Aphria reserves the right to claim all costs that it has incurred in relation to this matter against the Debtor.

We enclose a Notice of Intention to Enforce Security pursuant to section 244(1) of the *Bankruptcy and Insolvency Act*. In accordance with the Debtor’s covenants under sections 3.1(c), 5.1(h) and 6.3(d) of the Support Agreement, we hereby demand that the Debtor execute and return to the undersigned the enclosed waiver of the 10-day notice period provided for in the Notice of Intention to Enforce Security and that it consent to the immediate enforcement by Aphria of its security.

Notwithstanding the foregoing, Aphria specifically reserves its right to make an application to the court to appoint an interim receiver under the *Bankruptcy and Insolvency Act* to protect its security during the demand period.

Aphria reserves all of its rights and claims under the Debenture Agreement, its security and at law. Nothing contained in this letter or in any discussions or meetings that may occur between Aphria or the Debtor shall be construed as a waiver of any such rights or remedies.

We trust you will give this matter your immediate attention. We look forward to timely receipt of payment of the full amount of the Indebtedness.

# FASKEN

Fasken Martineau DuMoulin LLP  
Barristers and Solicitors  
Patent and Trade-mark Agents

333 Bay Street, Suite 2400  
P.O. Box 20  
Toronto, Ontario M5H 2T6  
Canada

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+1 800 268 8424  
F +1 416 364 7813  
[fasken.com](http://fasken.com)

Yours truly,

**FASKEN MARTINEAU DuMOULIN LLP**



Dylan Chochla  
DC/lp

cc. *Timothy R. Dunn* ([tdunn@mindengross.com](mailto:tdunn@mindengross.com)) - Minden Gross LLP  
*Adam Zalev / Dean Mullett* ([adam.zalev@fticonsulting.com](mailto:adam.zalev@fticonsulting.com) /  
[dean.mullett@fticonsulting.com](mailto:dean.mullett@fticonsulting.com)) - FTI Capital Advisors - Canada ULC  
*Stuart Brotman* ([sbrotman@fasken.com](mailto:sbrotman@fasken.com)) - Fasken Martineau DuMoulin LLP

# FASKEN

## NOTICE OF INTENTION TO ENFORCE A SECURITY

*(Subsection 244(1) of the Bankruptcy and Insolvency Act)*

TO: **HydRx Farms Ltd. (the “Debtor”), an insolvent person**

**Take notice that:**

1. **Aphria Inc.** (the “**Secured Creditor**”), a secured creditor, intends to enforce its security on the insolvent person’s property described below:
  - (a) all personal property, including all personal property of the kind included in the definition of “Collateral” in the debenture agreement made as of the 14<sup>th</sup> day of August, 2017, as amended from time to time (the “**Debenture Agreement**”); and
  - (b) the real property legally described as Lot 13 on Plan 871; Town of Whitby, being the whole of PIN 26488-0029 (LT) (the “**Property**”).
2. The security that is to be enforced is in the form of the Debenture Agreement referred to in section 1 herein. Notice of the Debenture Agreement is registered on title to the Property pursuant to a charge/mortgage of land in the principal amount of \$11,500,000 executed by the Debtor in favour of the Secured Creditor, and registered as registration number DR1626830 against the Property, as amended by an agreement amending charge executed by the Debtor in favour of the Secured Creditor, dated effective August 14, 2019 and registered as registration number DR1848498 against the Property.
3. The total amount of indebtedness secured by the security as at January 20, 2020 amounts to the aggregate sum of \$12,201,479.45 (excluding unpaid interest, fees and costs).
4. The Secured Creditor will not have the right to enforce the security until after the expiry of the 10-day period after this notice is sent unless the Debtor consents to an earlier enforcement.

Dated at Toronto, Ontario, this 20<sup>th</sup> day of January, 2020.

**APHRIA INC.**

Per: 

Dylan Chochla, lawyer and authorized agent

The undersigned hereby waives the 10-day notice period provided for in this Notice of Intention to Enforce Security and consents to the immediate enforcement by the Secured Creditor of all security above-noted.

**HYDRX FARMS LTD.**

---

This is Exhibit “I” referred to in the Affidavit of Richard Goldstein sworn April 23, 2021.

A handwritten signature in black ink, appearing to read "Brian Goody". The signature is written in a cursive style with a horizontal line underlining the name.

---

Commissioner for Taking Affidavits (or as may be)



December 22, 2020

***Via Registered Mail***

HydRx Farms Ltd.  
79 Wellington Street West, Suite 3000  
Toronto, Ontario  
M5K 1N2

***Via Email***

HydRx Farms Ltd.  
209 Dundas Street East, PO Box 31  
Whitby, Ontario  
L1N 7H8  
Attention: Rav Grover (*rgrover@scientuspharma.com*)

HydRx Farms Ltd dba Scientus Pharma  
4100 Yonge Street, Suite 401  
Toronto, Ontario  
M2P 2B5  
Attention: Mark Fletcher (*mfletcher@scientuspharma.com*)

HydRx Farms Ltd.  
1130 Champlain Court  
Whitby, Ontario  
L1N 6K9  
Attention: Rosy Mondin (*rosy@rosymondin.com*)

**Re: Indebtedness of HydRx Farms Ltd. (the “Debtor”) to Cobra Ventures Inc. (the “Lender”)**

The Debtor is indebted to the Lender pursuant to a debenture agreement dated as of August 19, 2017 between the Debtor and Aphria Inc. (“**Aphria**”), as amended from time to time and as assigned by Aphria to the Lender pursuant to an assignment of debt and security dated as of July 28, 2020 (the “**Debenture Agreement**”) and pursuant to a promissory note dated as of August 19, 2020 between the Debtor and the Lender (the “**Promissory Note**”).

The Debtor’s obligations to the Lender are secured by the Debenture Agreement and pursuant to a general security agreement dated as of August 19, 2020 (the “**GSA**”).

All principal, interest and other amounts due under the Debenture Agreement (the “**Debenture Indebtedness**”) matured on December 29, 2019 and were not paid or satisfied by the Debtor and all principal, interest and other amounts due under the Promissory Note (the “**Note Indebtedness**”, and together with the Debenture Indebtedness, the “**Indebtedness**”) are due on demand by the Lender. In accordance

with the terms of the Promissory Note, the date hereof shall be the "Demand Date" as defined in the Promissory Note.

The Lender hereby demands immediate payment of the Indebtedness in full. As of December 21, 2020, the amount of the Indebtedness is \$13,813,113.55, broken down as follows:

Debenture Indebtedness

Principal: \$11,500,000.00

Accrued Interest: \$2,065,414.35

Total Debenture Indebtedness: \$13,565,414.35

Note Indebtedness

Principal: \$245,637.32

Accrued Interest: \$2,061.88

Total Note Indebtedness: \$247,699.20

Interest accrues on the current Debenture Indebtedness at the *per diem* rate of \$4,011.45 and interest accrues on the current Note Indebtedness at the *per diem* rate of \$54.29. In addition, the Lender has incurred and is continuing to incur costs in relation to this matter and reserves the right to claim such amounts from the Debtor.

Payment of the Indebtedness can be made by certified cheque, money order or bank draft payable to Cobra Ventures Inc.

Concurrently with the delivery of this demand, we are delivering the enclosed Notice of Intention to Enforce Security pursuant to section 244 of the *Bankruptcy and Insolvency Act* (Canada). The Lender reserves the right to take such steps as may required to protect its position.

Yours truly,

**COBRA VENTURES INC.**

Per:



Richard Goldstein, Vice-President

Enclosure

cc. Timothy R Dunn, Minden Gross LLP ([tdunn@mindengross.com](mailto:tdunn@mindengross.com))

cc. Adam Zalev / Dean Mullett, FTI Capital Advisors – Canada ULC

([adam.zalev@fticonsulting.com](mailto:adam.zalev@fticonsulting.com) / [dean.mullett@fticonsulting.com](mailto:dean.mullett@fticonsulting.com))

cc. Jeffrey Spiegelman, Garfinkle Biderman LLP ([jspiegelman@garfinkle.com](mailto:jspiegelman@garfinkle.com))

**NOTICE OF INTENTION TO ENFORCE SECURITY**

**(subsection 244(1) of the *Bankruptcy and Insolvency Act*)**

**TO:** HydRx Farms Ltd. (the "**Debtor**"), an insolvent person

**TAKE NOTICE THAT:**

1. Cobra Ventures Inc. (the "**Secured Party**"), a secured creditor of the Debtor, intends to enforce its security in all of the following property and assets of Debtor:

- (a) all personal property, including all personal property of the kind including in the definition of "Collateral" in the Debenture Agreement made as of August 14, 2017, as amended from time to time (the "**Debenture Agreement**") or the General Security Agreement dated as of August 19, 2020 (the "**GSA**"); and
- (b) the real property legally described as Lot 13 on Plan 871; Town of Whitby, being the whole of PIN 26488-0029 (LT),  
  
(collectively, the "**Collateral**").

2. The security that is to be enforced is in the form of the Debenture Agreement and the GSA providing security over the Collateral of the Debtor (the "**Security**").

3. The total amount of indebtedness secured by the Security, as at December 21, 2020, is \$13,813,113.55 (excluding accrued and accruing fees and costs).

4. The Secured Party will not have the right to enforce the Security until after the expiry of the 10-day period following the sending of this notice, unless the Debtor consents to an earlier enforcement.

DATED at Toronto this 22<sup>nd</sup> day of December, 2020.

**COBRA VENTURES INC.**

Per:  \_\_\_\_\_

Name: Richard Goldstein  
Title: Vice - President

**CONSENT AND WAIVER**

TO: COBRA VENTURES INC.

HYDRX FARMS LTD.

The undersigned, HydRx Farms Ltd. (the "Debtor"), hereby acknowledges receipt from you (the "Secured Party") of a Notice of Intention to Enforce Security (the "Notice") given under subsection 244(1) of the *Bankruptcy and Insolvency Act* (Canada) (the "Act") dated December 22, 2020 pursuant to which the Secured Party gave notice that it intended to enforce its security in all of the Collateral, as defined in the Notice, after the expiry of the ten (10) day period following the sending of the Notice unless the Debtor consented to an earlier enforcement. In accordance with subsection 244(2) of the Act, the Debtor hereby waives its rights to the ten (10) day notice period and consents to immediate enforcement by the Secured Party of its security in all of the Collateral.

**DATED** at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

**HYDRX FARMS LTD.**

Per: \_\_\_\_\_

Name:

Title:

This is Exhibit “J” referred to in the Affidavit of Richard Goldstein sworn April 23, 2021.

A handwritten signature in black ink, appearing to read "Brian Goody". The signature is written in a cursive style with a horizontal line underlining the name.

---

Commissioner for Taking Affidavits (or as may be)



## ASSIGNMENT OF DEBENTURE AND SECURITY

This Assignment of Debenture and Security (this “**Assignment**”) is being executed and delivered by **APHRIA INC.**, a corporation formed under the *Business Corporations Act* (Ontario) (“**Assignor**”) to **COBRA VENTURES INC.**, a corporation formed under the *Business Corporations Act* (Ontario) (“**Assignee**”) pursuant to, and in furtherance of the arrangements provided for in, that certain Debenture and Security Assignment Agreement by and between Assignor, as vendor, and Assignee, as purchaser, dated July 28, 2020 (the “**Agreement**”).

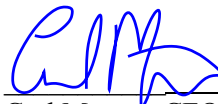
For valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Assignor hereby sells, transfers and assigns to Assignee without representation, warranty or recourse except as provided for in the Agreement, all right, title and interest of Assignor in and to the Debenture Documents (as defined herein), which includes a convertible debenture of HydRx Farms Ltd. (the “**Borrower**”) in the principal amount of Cdn\$11,500,000, dated as of August 14, 2017 and amended as of August 14, 2019 and further amended by a support agreement made with effect as of November 14, 2019 (as so amended, and as further amended, supplemented, amended and restated, replaced or otherwise modified from time to time (the “**Debenture**”). The Debenture is registered on title to certain real property of the Borrower legally described as Lot 13 on Plan 871 of the Town of Whitby, Ontario, being the whole of PIN 26488-0029 (LT) (the “**Property**”) pursuant to a Charge/Mortgage registered August 15, 2017 as Instrument No. DR1626830 in the principal amount of Cdn\$11,500,000 (the “**Charge**”), as amended by an agreement amending the Charge executed by the Borrower in favour of the Assignor dated effective August 14, 2019 and registered November 20, 2019 as Instrument No. DR1848498 against the Property (as so amended, and as further amended, supplemented, amended and restated, replaced or otherwise modified from time to time, the “**Security**” and, collectively with the Debenture and all other agreements, documents, certificates, and instruments executed and delivered in connection with the Debenture and the Security (including, without limitation, any agreement pursuant to which the Debenture was issued), the “**Debenture Documents**”).

THE SALES, TRANSFERS AND ASSIGNMENTS PROVIDED FOR HEREIN ARE EXPRESSLY SUBJECT, IN ALL RESPECTS, TO THE TERMS AND PROVISIONS OF THE AGREEMENT, WHICH ARE INCORPORATED HEREIN BY THIS REFERENCE; PROVIDED HOWEVER, NONE OF THE TERMS OR PROVISIONS OF THE AGREEMENT AFFECT THE VALIDITY OF THE ASSIGNMENT EVIDENCED BY THIS ASSIGNMENT.

This Assignment shall be governed by, and construed in accordance with, the laws of the Province of Ontario.

IN WITNESS WHEREOF, Assignor has executed this Assignment effective as of this 28<sup>th</sup> day of September, 2020.


**APHRIA INC.**




Carl Merton, CFO

Accepted:

**COBRA VENTURES**

  
Leo Chamberland, Director

This is Exhibit “**K**” referred to in the Affidavit of Richard Goldstein sworn April 23, 2021.

A handwritten signature in black ink, appearing to read "Brian Goody". The signature is written in a cursive style with a horizontal line underlining the name.

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Commissioner for Taking Affidavits (or as may be)



WORLD-CLASS EXTRACTIONS

# World-Class Extractions Acquires \$11,500,000 Face Value Hydrx Farms Ltd. Debenture

July 29, 2020

*~Senior Secured Convertible Debenture Acquired from a leading Canadian Licensed Producer*

**VANCOUVER, July 29, 2020 – World-Class Extractions Inc. (CSE:PUMP) (FRA:WCF) (OTCQB:WCEXF)** (the “**Company**” or “**World-Class**”) is pleased to announce that a company in which World-Class holds a 50% equity interest, Cobra Ventures Inc. (“**Cobra**”), has entered into an agreement to acquire a senior secured convertible debenture of Hydrx Farms Ltd. o/a Scientus Pharma (“**HydRx**”) in the principal amount of CDN\$11,500,000, plus accrued and unpaid interest and charges (the “**Debenture**”) from a leading Canadian Licensed Producer, subject to certain closing conditions. Cobra is purchasing the Debenture for CDN\$5,000,000; closing is expected to occur within 60 days. The Debenture is secured against the assets of Hydrx. Hydrx is currently in default of its obligations under the Debenture.

First Republic Holdings Corporation (“**FRHC**”) holds a 50% equity interest in Cobra. FRHC is the investment holding company of Mr. Richard Goldstein and his family. FRHC is a shareholder of First Republic Capital Corporation (“**FRCC**”). FRCC is not involved in the acquisition of the Debenture.

## **HydRx Farms Ltd o/a Scientus Pharma (“HydRx”) – Description of its Business**

HydRx owns and operates a 45,000-square foot manufacturing and distribution facility in Whitby, Ontario built to GMP and GPP standards. Hydrx holds numerous licenses issued by Health Canada under the *Cannabis Act* to cultivate, produce and sell cannabis products, including the extraction of cannabis resin for use in formulations including cannabinoid based oils, capsules and other derivative products. Hydrx also holds a Cannabis Drug License and is a Licensed Dealer under the *Narcotics Control Act*. Hydrx is one of a limited number of Canadian licensees authorized to conduct R&D and fully handle cannabinoid products with the ability to wholesale, buy, process and sell cannabinoid derivatives, from and to other producers licensed under the *Cannabis Act*, as well as to international markets.

## **About World-Class Extractions**

World-Class is an innovation-driven company with a principle focus on the rapidly evolving cannabis and hemp industries. Through its subsidiaries, Soma Labs Scientific Inc. and Greenmantle Products Inc., World-Class deploys and manages custom-built extraction centres utilizing its custom systems, technology and processes to efficiently produce high-quality cannabis and hemp concentrates and end-products. In addition, through its subsidiary Pineapple

Express Delivery Inc., the Company offers compliant and secure delivery of government regulated products, including medical and recreational cannabis in Ontario, Manitoba and Saskatchewan, and liquor delivery in certain jurisdictions in Saskatchewan.

### **Investor Contact**

Daniel Mogil

World-Class Investor Relations

1-437-266-1968

[ir@worldclassextractions.com](mailto:ir@worldclassextractions.com)

<https://worldclassextractions.com>

*Neither the Canadian Securities Exchange nor its Regulation Service Provider (as that term is defined in the policies of the Canadian Securities Exchange) accepts responsibility for the adequacy or accuracy of this press release, which has been prepared by management of the Company.*

### *Cautionary Note Regarding Forward-Looking Statements*

*All statements in this press release, other than statements of historical fact, are “forward-looking information” with respect to the Company within the meaning of applicable securities laws, including with respect to the ability of Cobra Ventures Inc. to close on the acquisition of the Debenture. The Company provides forward-looking statements for the purpose of conveying information about current expectations and plans relating to the future and readers are cautioned that such statements may not be appropriate for other purposes. By its nature, this information is subject to inherent risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives, strategic goals and priorities will not be achieved. These risks and uncertainties include but are not limited to those identified and reported in the Company’s public filings under the Company’s SEDAR profile at [www.sedar.com](http://www.sedar.com). Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that such information will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. The Company disclaims any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise unless required by law.*

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## **World-Class Extractions**

World-Class Extractions is a Vancouver based publicly traded company that operates through two vertically integrated subsidiaries: Soma Labs Scientific, and Greenmantle Products. From proprietary industrial grade equipment, custom build processing facilities, ancillary products and scientific services. World-Class Extractions provides turn-key extraction and processing solutions for the cannabis industry from green to gold.

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[About](#)

## World-Class Extractions

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World-Class Extractions Inc. aims to be a global leader in industrial-grade cannabis extraction and innovative processing solutions with a robust background in cannabis science & technology. From developing ground-breaking equipment to deploying purpose-built processing centres, World-Class is uniquely positioned to satisfy the needs of the rapidly evolving cannabis industry. World-Class Extractions – From Green To Gold

[Our Office](#)

## Contact us

---

### Address

Suite 308 – 9080 University Crescent, Burnaby, British Columbia, Canada, V5A 0B7

### Email

[info@worldclassextractions.com](mailto:info@worldclassextractions.com)

### Phone

1 (855) 207-4491 (Toll Free)

1 (604) 473-9569

[Social Media](#)

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First Name

Last Name

Your Email Address

Your Phone Number

Sign up

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This is Exhibit “L” referred to in the Affidavit of Richard Goldstein sworn April 23, 2021.

A handwritten signature in black ink, appearing to read "Brian Goody". The signature is written in a cursive, flowing style.

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Commissioner for Taking Affidavits (or as may be)

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**From:** Har Grover <[hgrover@scientuspharma.com](mailto:hgrover@scientuspharma.com)>  
**Sent:** Thursday, July 30, 2020 11:25 AM  
**To:** Rosy Mondin <[Rosy@worldclassextractions.com](mailto:Rosy@worldclassextractions.com)>; Mark Fletcher <[mfletcher@scientuspharma.com](mailto:mfletcher@scientuspharma.com)>  
**Cc:** Rav Grover <[rgrover@scientuspharma.com](mailto:rgrover@scientuspharma.com)>; Leo Chamberland <[Leo@worldclassextractions.com](mailto:Leo@worldclassextractions.com)>; Richard Goldstein <[richard@firstrepubliccapital.com](mailto:richard@firstrepubliccapital.com)>; Anthony Durkacz <[anthony@firstrepubliccapital.com](mailto:anthony@firstrepubliccapital.com)>; Durno, Jeff <[jdurno@cassels.com](mailto:jdurno@cassels.com)>; 'David Hansford (dhansford@casselsbrock.com)' <[dhansford@casselsbrock.com](mailto:dhansford@casselsbrock.com)>; Barry Polisuk <[BP@friedmans.ca](mailto:BP@friedmans.ca)>; Roula J. Sotirakos <[Roula@worldclassextractions.com](mailto:Roula@worldclassextractions.com)>; Doug McFaul <[Doug@worldclassextractions.com](mailto:Doug@worldclassextractions.com)>; Phil A. Hemans <[phehans@scientuspharma.com](mailto:phehans@scientuspharma.com)>  
**Subject:** Re: CDA and Data-room access

Rosy and Leo,

Congratulations on your press release. Please see attached letter. We look forward to engaging with you on discussions about next steps.

Har

---

Har Grover  
Mobile | 416-561-0942

Scientus Pharma Inc.  
Toronto | Canada

Please note: This e-mail, contents and any files transmitted herewith are privileged, confidential, may be proprietary, subject to copyright and intended solely for the use of the individual or entity to whom this e-mail is addressed to. Any unauthorized use, copying, review or disclosure is strictly prohibited. Please notify [hgrover@scientuspharma.com](mailto:hgrover@scientuspharma.com) immediately if you have received this communication in error. Thank you for your assistance and cooperation.

---

**From:** Rosy Mondin <[Rosy@worldclassextractions.com](mailto:Rosy@worldclassextractions.com)>  
**Date:** Wednesday, July 15, 2020 at 11:44 AM  
**To:** Mark Fletcher <[mfletcher@scientuspharma.com](mailto:mfletcher@scientuspharma.com)>  
**Cc:** Har Grover <[hgrover@scientuspharma.com](mailto:hgrover@scientuspharma.com)>, Rav Grover <[rgrover@scientuspharma.com](mailto:rgrover@scientuspharma.com)>, Leo Chamberland <[Leo@worldclassextractions.com](mailto:Leo@worldclassextractions.com)>, Richard Goldstein <[richard@firstrepubliccapital.com](mailto:richard@firstrepubliccapital.com)>, "Anthony Durkacz - First Republic Capital ([anthony@firstrepubliccapital.com](mailto:anthony@firstrepubliccapital.com))" <[anthony@firstrepubliccapital.com](mailto:anthony@firstrepubliccapital.com)>, "Durno, Jeff" <[jdurno@cassels.com](mailto:jdurno@cassels.com)>, "David Hansford ([dhansford@casselsbrock.com](mailto:dhansford@casselsbrock.com))" <[dhansford@casselsbrock.com](mailto:dhansford@casselsbrock.com)>, Barry Polisuk <[BP@friedmans.ca](mailto:BP@friedmans.ca)>, "Roula J.

Sotirakos" <[Roula@worldclassextractions.com](mailto:Roula@worldclassextractions.com)>, Doug McFaul <[Doug@worldclassextractions.com](mailto:Doug@worldclassextractions.com)>

**Subject:** RE: CDA and Data-room access

Hi Mark:

Thank you for your email. As I type this email, I received the data room access from Mr. Har Grover. Received, with thanks.

We have made an offer to Aphria with respect to the acquisition of the Debenture held by Aphria, and the offer has been accepted. At the present time, HydrRx appears to be insolvent and unable to meet its obligation as they become due. We understand that HydrRx will require re-capitalization in order to fulfil its obligations and maintain operations and obviously needs working capital. At this early stage, we are unable to provide any clear direction as to how this could be structured as we have not had the benefit of examining HydrRx financial position and what obligations it has. We need to understand and have a clear picture of HydrRx's assets and all underlying liabilities. Once we have had the opportunity to complete our due diligence review, we will be able to present a plan to move forward.

We look forward to meeting with your team and chatting further.

Best,  
Rosy Mondin

---

**From:** Mark Fletcher <[mfletcher@scientuspharma.com](mailto:mfletcher@scientuspharma.com)>

**Sent:** July 15, 2020 11:01 AM

**To:** Rosy Mondin <[Rosy@worldclassextractions.com](mailto:Rosy@worldclassextractions.com)>

**Cc:** Har Grover <[hgrover@scientuspharma.com](mailto:hgrover@scientuspharma.com)>; Rav Grover <[rgrover@scientuspharma.com](mailto:rgrover@scientuspharma.com)>

**Subject:** FW: CDA and Data-room access

**Importance:** High

Ms. Mondin,

I have asked Phil Hemans to provide a countersigned copy of the Confidential Disclosure Agreement.

Rav Grover, the HydrRx EVP & CFO, will make arrangements for WCE access to the data room under the auspices of the CDA. It is a comprehensive and detailed data room and we expect that the bulk of your due diligence inquiries can be satisfied therein. Please let us know if there is any additional information you require.

While HydrRx is prepared to provide reasonable cooperation in respect of your due diligence efforts, I note that HydrRx executive management and its Board of Directors were unaware of the Aphria – WCE discussions until late in the day on Monday (July 13). Please advise as to the terms of the Proposed Acquisition (as that term is defined in the letter HydrRx received from WCE's legal counsel yesterday). Although HydrRx is not privy to the Proposed Acquisition, it is important that HydrRx management and its Board be fully informed so as to effectively assess the impact of the Proposed Acquisition on the Company and its stockholders.

We will look forward to further discussions with WCE in due course.

Thank you and regards,

Mark Fletcher



**Mark A. Fletcher**

Senior Vice-President & General Counsel

[mfletcher@scientuspharma.com](mailto:mfletcher@scientuspharma.com)

416-843-6535

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Begin forwarded message:

**From:** Rosy Mondin <[Rosy@worldclassextractions.com](mailto:Rosy@worldclassextractions.com)>  
**Date:** July 14, 2020 at 7:30:57 PM EDT  
**To:** "[pahemans@gmail.com](mailto:pahemans@gmail.com)" <[pahemans@gmail.com](mailto:pahemans@gmail.com)>  
**Cc:** Leo Chamberland <[leo@worldclassextractions.com](mailto:leo@worldclassextractions.com)>, Richard Goldstein <[richard@firstrepubliccapital.com](mailto:richard@firstrepubliccapital.com)>, "Anthony Durkacz - First Republic Capital ([anthony@firstrepubliccapital.com](mailto:anthony@firstrepubliccapital.com))" <[anthony@firstrepubliccapital.com](mailto:anthony@firstrepubliccapital.com)>, "Durno, Jeff" <[jdurno@cassels.com](mailto:jdurno@cassels.com)>, "David Hansford ([dhansford@casselsbrock.com](mailto:dhansford@casselsbrock.com))" <[dhansford@casselsbrock.com](mailto:dhansford@casselsbrock.com)>  
**Subject:** CDA and Data-room access

Hi Phil –

*(resending as I received a bounce-back)*

Thank you providing a tour of the Scientus facility. We were certainly impressed – it's definitely 'world-class'. As discussed, please find attached the signed CDA, and initialed on each page.

Today is the second day of our 10-day due diligence period: we anticipate receiving the Aphria documents tomorrow, and attached is the due diligence checklist so that we can initiate access to the Scientus data room – we have a team ready to go to undertake the review. Please let me know when the documents / dropbox is ready for access and I'll put you in touch with our document controller, Roula Soutirakos.

We are very much looking forward to meeting your senior management team and board so that we can present and review the opportunities before us. We can move to organize this meeting once we have had a chance to review the documents and understand the elements of the deal.

Kind regards,  
Rosy



WORLD-CLASS  
Extractions  
CSE:PUMP

Rosy Mondin, LL.B

*CEO & Director*

Direct: [+1.604.346.8118](tel:+16043468118)

Suite 308 - 9080 University Crescent, Burnaby, BC V5A 0B7

Suite 3403 - 628 Fleet Street, Toronto, ON M5A 1A8



**Confidentiality Note:** This email may contain confidential/private information. If you received this email in error, please delete and notify sender.



## HYDRX FARMS LTD. O/A SCIENTUS PHARMA

1130 Champlain Court  
Whitby, Ontario, Canada L1N 6K9

**\*\*URGENT\*\***

July 30, 2020

*Via email rosy@worldclassextractions.com*

**Ms. Rosy Mondin**

Chief Executive Officer  
World Class Extractions Inc.  
Suite 308, 9080 University Crescent  
Burnaby, BC V5A 0B7

Dear Ms. Mondin:

**Re: *WCE Acquisition of HydrX Debenture from Aphria***

We make reference to the press release (the "Press Release") issued by World Class Extractions Inc. ("WCE") yesterday, July 29, 2020, announcing its indirect acquisition (the "Transaction") of the HydrX Farms Ltd. ("HydrX") debenture (the "Debenture") originally issued to Aphria Inc. ("Aphria"). We look forward to the next stage of discussions with you in this regard.

HydrX is not a party to the Transaction and both WCE and Aphria have, to date declined to apprise HydrX management and the HydrX Board of Directors of the terms of the Transaction. HydrX first learned that the Transaction had been inked at the same time as the general public did, via issuance of the Press Release. HydrX has no information in respect of the Transaction beyond what is disclosed in the Press Release; and, thus far, WCE has declined to discuss with HydrX what WCE's go-forward intentions are in respect of the Debenture.

Obviously, those go-forward intentions are of material and urgent interest to HydrX and its stakeholders. We have discussed with you previously that HydrX requires an immediate infusion of working capital in order to continue to operate and avoid a further erosion of the HydrX value proposition.

As such, we respectfully request your immediate advice as to WCE's intentions here and when you propose to reach out, if at all, to HydrX management and its Board of Directors.

In light of the Transaction and the public announcement thereof via the Press Release, the previously announced merger of HydrX and RISE Life Science Corp. ("RLSC") seems no longer tenable (we have been advised by RLSC that its outreach to WCE has not received any meaningful response); as such, neither

RLSC, nor its investment banker, Canaccord Genuity Group Inc., are likely to provide HydRx with the requisite bridge financing. There are no expectations that any other third party will be prepared to make such an investment in the context of the Press Release.

On the assumption that the Transaction constitutes an investment by WCE in the property, assets, and undertaking of HydRx as a going concern, HydRx must look to WCE to make immediate arrangements for the HydRx working capital requirements.

In order to assist you with your analyses in that respect, over the next 60 days (the Transaction closing period posited by the Press Release) HydRx will require working capital aggregating approximately \$600,000 CAD. These expenditures include the recall of key employees from temporary lay-off, amounts required to maintain the extant product supply chain, intellectual property maintenance fees, and expenses required to maintain the HydRx cannabis licenses in the wake of a Health Canada audit completed just yesterday. Beyond the 60 day budget, there will be additional material amounts required to see the company through to the close of a transaction with WCE. Please advise on your intended process and timelines to close on this second transaction, and we can present a budget appropriately.

Again, time is of the essence here in order to avoid further compromise of the HydRx valuation and prospects. Please respond to us as soon as practicable.

Yours truly,

**HYDRX FARMS LTD. O/A SCIENTUS PHARMA**

Per:   
\_\_\_\_\_  
Har Grover,  
Chief Executive Officer

c.c. The HydRx Farms Ltd. Board of Directors

This is Exhibit “M” referred to in the Affidavit of Richard Goldstein sworn April 23, 2021.

A handwritten signature in black ink, appearing to read "Brian Goody". The signature is written in a cursive style with a large initial "B".

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Commissioner for Taking Affidavits (or as may be)

## **WORLD CLASS EXTRactions SUBSIDIARY ACQUIRES \$11.5 MILLION SENIOR SECURED CONVERTIBLE DEBENTURE FROM APHRIA INC. FOR \$5,000,000**

*~ Debenture is secured against all of the assets of HyDRx Farms Inc., a Whitby, Ontario research, cultivation, and extraction facility*

VANCOUVER, October 01, 2020 – World-Class Extractions Inc. (CSE: **PUMP**) (FRA:**WCF**) (OTCQB:**WCEXF**) (the “**Company**” or “**World-Class**”), is pleased to announce that its 50%-owned subsidiary, Cobra Ventures Inc. (“**Cobra**”), has acquired a senior secured convertible debenture of HyDRx Farms Ltd. o/a Scientus Pharma (“**HyDRx**”) in the principal amount of CDN\$11,500,000, plus accrued and unpaid interest and charges (the “**Debenture**”) from Aphria Inc. (“**Aphria**”) (TSX: APH or USOTCQB: APHQF).

The Debenture is secured against all of the assets of HyDRx, including its real estate assets consisting of a 45,000 square foot manufacturing and distribution facility located on a 2.3 acre parcel of land in Whitby, Ontario, built to GMP and GPP standards. The Debenture is currently in default.

Rosy Mondin, CEO of World-Class stated: “World-Class is pleased to report its participation in the acquisition of this debenture. This interest-bearing, \$11.5 million, first-position debenture is secured against all of the assets of HyDRx, which includes a state-of-the-art facility and business in which over \$50 million has been invested to-date. Having completed its most recent Health Canada inspections, the HyDRx site is fully licensed to cultivate, process, produce and sell medical and recreational cannabis and cannabis products. We believe this is one of, if not the most advanced cultivation, extraction, and Cannabis 2.0 production facilities in Canada. We continue to evaluate the opportunities that our investment in this debenture presents for World-Class.”

Cobra is a venture between World-Class and a group of investors led by Richard Goldstein, Co-founder and CFO of Canntab Therapeutics Ltd, a Canadian license holder under the *Cannabis Act*, and President of First Republic Capital Corporation, a Canadian licensed Exempt Market Dealer (through the Ontario Securities Commission).

### **About HyDRx**

HyDRx owns and operates a 45,000-square foot manufacturing and distribution facility in Whitby, Ontario built to GMP and GPP standards. HyDRx holds numerous licenses issued by Health Canada under the Cannabis Act to cultivate, produce and sell cannabis products, including the extraction of cannabis resin for use in formulations including cannabinoid-based oils, capsules and other derivative products. HyDRx is also a Licensed Dealer under the *Narcotics Control Act* and one of a limited number of license holders in Canada authorized to conduct R&D and fully handle cannabinoid products with the ability to wholesale, buy, process and sell cannabinoid derivatives, from and to other *Cannabis Act* license holders, as well as international markets.

### **About World-Class**

World-Class is an innovation-driven company with a principle focus on the rapidly evolving cannabis and hemp industries. Through its subsidiaries Soma Labs Scientific Inc. and Greenmantle Products Inc., World-Class deploys and manages custom-built extraction centres utilizing its custom systems, technology, and processes to efficiently produce high-quality cannabis and hemp concentrates and end-products. In addition, through its subsidiary Pineapple Express Delivery Inc. the Company offers compliant and secure delivery of government regulated products, including medical and recreational cannabis in Ontario, Manitoba and Saskatchewan, and liquor delivery in certain jurisdictions in Saskatchewan.

**Investor Contact**

Daniel Mogil  
World-Class Investor Relations  
1-437-266-1968  
[ir@worldclassextractions.com](mailto:ir@worldclassextractions.com)  
<https://worldclassextractions.com>

Neither the Canadian Securities Exchange nor its Regulation Services Provider (as that term is defined in the policies of the Canadian Securities Exchange) accepts responsibility for the adequacy or accuracy of this press release, which has been prepared by management.

**Cautionary Note Regarding Forward-Looking Statements**

*All statements in this press release, other than statements of historical fact, are "forward-looking information" with respect to the Company within the meaning of applicable securities laws. The Company provides forward-looking statements for the purpose of conveying information about current expectations and plans relating to the future and readers are cautioned that such statements may not be appropriate for other purposes. By its nature, this information is subject to inherent risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives, strategic goals and priorities will not be achieved. These risks and uncertainties include but are not limited to those identified and reported in the Company's public filings under the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com). Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that such information will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. The Company disclaims any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise unless required by law.*



This is Exhibit "N" referred to in the Affidavit of Richard Goldstein sworn April 23, 2021.

A handwritten signature in black ink, appearing to read "Brian Goody". The signature is written in a cursive style with a large initial "B".

---

Commissioner for Taking Affidavits (or as may be)

PROPERTY DESCRIPTION: LT 13, PL 871; TOWN OF WHITBY

PROPERTY REMARKS: CORRECTION: INSTRUMENT NUMBER CO185321Z WAS OMITTED FROM THIS PROPERTY IN ERROR AND WAS ADDED AND CERTIFIED ON 1999/05/05 BY TOM CUTLER.

ESTATE/QUALIFIER:  
FEE SIMPLE  
LT CONVERSION QUALIFIED

RECENTLY:  
FIRST CONVERSION FROM BOOK

PIN CREATION DATE:  
1997/12/22

OWNERS' NAMES  
HYDRX FARMS LTD.

CAPACITY SHARE

REG. NUM.	DATE	INSTRUMENT TYPE	AMOUNT	PARTIES FROM	PARTIES TO	CERT/CHKD
<p><b>**EFFECTIVE 2000/07/29 THE NOTATION OF THE "BLOCK IMPLEMENTATION DATE" OF 1997/12/22 ON THIS PIN**</b></p> <p><b>**WAS REPLACED WITH THE "PIN CREATION DATE" OF 1997/12/22**</b></p> <p><b>** PRINTOUT INCLUDES ALL DOCUMENT TYPES AND DELETED INSTRUMENTS SINCE 1997/12/19 **</b></p> <p><b>**SUBJECT, ON FIRST REGISTRATION UNDER THE LAND TITLES ACT, TO:</b></p> <p><b>** SUBSECTION 44(1) OF THE LAND TITLES ACT, EXCEPT PARAGRAPH 11, PARAGRAPH 14, PROVINCIAL SUCCESSION DUTIES * AND ESCHEATS OR FORFEITURE TO THE CROWN.</b></p> <p><b>** THE RIGHTS OF ANY PERSON WHO WOULD, BUT FOR THE LAND TITLES ACT, BE ENTITLED TO THE LAND OR ANY PART OF IT THROUGH LENGTH OF ADVERSE POSSESSION, PRESCRIPTION, MISDESCRIPTION OR BOUNDARIES SETTLED BY CONVENTION.</b></p> <p><b>** ANY LEASE TO WHICH THE SUBSECTION 70(2) OF THE REGISTRY ACT APPLIES.</b></p> <p><b>**DATE OF CONVERSION TO LAND TITLES: 1997/12/22 **</b></p>						
CO61993	1958/03/20	BYLAW				C
REMARKS: AMENDING TW19465						
CO185321Z	1969/07/04	REST COV APL ANNEX		*** DELETED AGAINST THIS PROPERTY ***		
D18ERR321Z	1969/07/04	REST COV APL ANNEX		*** COMPLETELY DELETED ***		
REMARKS: D185321Z -ERROR ENTRY, CANCELLED BYTOM CUTLER ON 1999/05/05						
CO187604	1969/08/28	BYLAW				C
CO262317Z	1974/10/28	REST COV APL ANNEX		*** COMPLETELY DELETED ***		
D149385	1982/12/29	AGREEMENT		*** DELETED AGAINST THIS PROPERTY ***		

NOTE: ADJOINING PROPERTIES SHOULD BE INVESTIGATED TO ASCERTAIN DESCRIPTIVE INCONSISTENCIES, IF ANY, WITH DESCRIPTION REPRESENTED FOR THIS PROPERTY.

NOTE: ENSURE THAT YOUR PRINTOUT STATES THE TOTAL NUMBER OF PAGES AND THAT YOU HAVE PICKED THEM ALL UP.

REG. NUM.	DATE	INSTRUMENT TYPE	AMOUNT	PARTIES FROM	PARTIES TO	CERT/ CHKD
D296778	1988/11/21	AGREEMENT			THE CORP OF THE TOWN OF WHITBY	
		CORRECTIONS: 'REGN. NUMBER' CHANGED FROM 'D296773' TO 'D296778' ON 1998/10/22 BY DAVID THOMPSON.				
D310908	1989/05/02	TRANSFER		*** COMPLETELY DELETED ***	THE CORP. OF THE TOWN OF WHITBY	C
					H.A. HORNUNG INVESTMENTS LIMITED	
D330299	1989/12/05	CHARGE		*** COMPLETELY DELETED ***		
					THE ROYAL BANK OF CANADA	
D357668	1991/02/07	CHARGE		*** COMPLETELY DELETED ***		
		REMARKS: NOT EXCEEDING \$9,000,000.00				
					ROYAL BANK OF CANADA	
LT886608	1999/02/03	CHARGE		*** COMPLETELY DELETED *** H.A. HORNUNG INVESTMENTS LTD.		
					SUN LIFE ASSURANCE COMPANY OF CANADA	
LT886609	1999/02/03	ASSIGNMENT GENERAL		*** COMPLETELY DELETED *** H.A. HORNUNG INVESTMENTS LTD.		
		REMARKS: LT886608				
					SUN LIFE ASSURANCE COMPANY OF CANADA	
LT886755	1999/02/04	DISCH OF CHARGE		*** COMPLETELY DELETED *** ROYAL BANK OF CANADA		
		REMARKS: RE: D357668				
LT886756	1999/02/04	DISCH OF CHARGE		*** COMPLETELY DELETED *** ROYAL BANK OF CANADA		
		REMARKS: RE: D330299				
LT892705	1999/03/29	APL (GENERAL)		H.A. HORNUNG INVESTMENTS LIMITED		C
		REMARKS: CO185321Z				
LT892706	1999/03/29	APL (GENERAL)		H.A. HORNUNG INVESTMENTS LIMITED		C
		REMARKS: CO 262317Z				
LT900354	1999/05/27	APL (GENERAL)		*** COMPLETELY DELETED *** H.A. HORNUNG INVESTMENTS LIMITED		
		REMARKS: D149385				
DR812461	2009/06/12	DISCH OF CHARGE		*** COMPLETELY DELETED *** SUN LIFE ASSURANCE COMPANY OF CANADA		
		REMARKS: LT886608.				



REG. NUM.	DATE	INSTRUMENT TYPE	AMOUNT	PARTIES FROM	PARTIES TO	CERT/CHKD
DR1301285	2014/09/19	TRANSFER	\$3,400,000	H.A. HORNUNG INVESTMENTS LIMITED	HYDRX FARMS LTD.	C
DR1301289	2014/09/19	CHARGE		*** COMPLETELY DELETED *** HYDRX FARMS LTD.	H.A. HORNUNG INVESTMENTS LTD.	
DR1427641	2015/11/30	CHARGE		*** COMPLETELY DELETED *** HYDRX FARMS LTD.	PRECURSOR CAPITAL CORP.	
DR1491800	2016/07/08	CONSTRUCTION LIEN		*** COMPLETELY DELETED *** MAPLERIDGE MECHANICAL CONTRACTING INC.		
DR1507820	2016/08/23	APL DEL CONST LIEN		*** COMPLETELY DELETED *** MAPLERIDGE MECHANICAL CONTRACTING INC.		
		REMARKS: DR1491800.				
DR1626288	2017/08/14	DISCH OF CHARGE		*** COMPLETELY DELETED *** PRECURSOR CAPITAL CORP.		
		REMARKS: DR1427641.				
DR1626767	2017/08/15	DISCH OF CHARGE		*** COMPLETELY DELETED *** H.A. HORNUNG INVESTMENTS LTD.		
		REMARKS: DR1301289.				
DR1626830	2017/08/15	CHARGE	\$11,500,000	HYDRX FARMS LTD.	APHRIA INC.	C
DR1848498	2019/11/20	NOTICE		HYDRX FARMS LTD.	APHRIA INC.	C
		REMARKS: DR1626830				
DR1932365	2020/10/02	TRANSFER OF CHARGE		APHRIA INC.	COBRA VENTURES INC.	C
		REMARKS: DR1626830.				
DR1938121	2020/10/23	TRANSFER OF CHARGE		COBRA VENTURES INC.	RYDAN FINANCIAL INC.	C
		REMARKS: DR1626830. DR1626830				
DR1964611	2021/01/18	TRANSFER OF CHARGE		RYDAN FINANCIAL INC.	COBRA VENTURES INC.	C
		REMARKS: DR1626830				
DR1964673	2021/01/18	TRANSFER OF CHARGE		COBRA VENTURES INC.	WINDSOR PRIVATE CAPITAL INC. WINDSOR PRIVATE CAPITAL LIMITED PARTNERSHIP	C
		REMARKS: DR1626830				
DR1990505	2021/04/09	NOTICE	\$2	COBRA VENTURES INC.	WINDSOR PRIVATE CAPITAL INC.	

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NOTE: ENSURE THAT YOUR PRINTOUT STATES THE TOTAL NUMBER OF PAGES AND THAT YOU HAVE PICKED THEM ALL UP.

This is Exhibit “O” referred to in the Affidavit of Richard Goldstein sworn April 23, 2021.

A handwritten signature in black ink, appearing to read "Brian Goody". The signature is written in a cursive style with a prominent initial "B".

---

Commissioner for Taking Affidavits (or as may be)

RUN NUMBER : 112  
RUN DATE : 2021/04/22  
ID : 20210422111250.56

PROVINCE OF ONTARIO  
MINISTRY OF GOVERNMENT SERVICES  
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
ENQUIRY RESPONSE  
CERTIFICATE

REPORT : PSSR060  
PAGE : 1  
( 2967)

THIS IS TO CERTIFY THAT A SEARCH HAS BEEN MADE IN THE RECORDS OF THE CENTRAL OFFICE  
OF THE PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM IN RESPECT OF THE FOLLOWING:

TYPE OF SEARCH : BUSINESS DEBTOR

SEARCH CONDUCTED ON : HYDRX FARMS LTD.

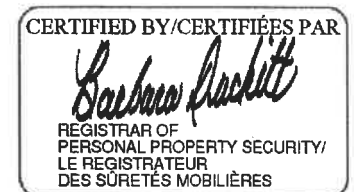
FILE CURRENCY : 21APR 2021

ENQUIRY NUMBER 20210422111250.56 CONTAINS 14 PAGE(S), 5 FAMILY(IES).

THE SEARCH RESULTS MAY INDICATE THAT THERE ARE SOME REGISTRATIONS WHICH SET OUT A BUSINESS DEBTOR NAME  
WHICH IS SIMILAR TO THE NAME IN WHICH YOUR ENQUIRY WAS MADE. IF YOU DETERMINE THAT THERE ARE OTHER  
SIMILAR BUSINESS DEBTOR NAMES, YOU MAY REQUEST THAT ADDITIONAL ENQUIRIES BE MADE AGAINST THOSE NAMES.

ESC CORPORATE SERVICES LTD.  
RC-15939076  
445 KING STREET WEST, SUITE 400  
TORONTO ON M5V 1K4

CONTINUED... 2



(crj5 06/2019)

Ontario 

RUN NUMBER : 112  
RUN DATE : 2021/04/22  
ID : 20210422111250.56

PROVINCE OF ONTARIO  
MINISTRY OF GOVERNMENT SERVICES  
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
ENQUIRY RESPONSE  
CERTIFICATE

REPORT : PSSR060  
PAGE : 2  
( 2968)

TYPE OF SEARCH : BUSINESS DEBTOR  
SEARCH CONDUCTED ON : HYDRX FARMS LTD.  
FILE CURRENCY : 21APR 2021

FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN

00 FILE NUMBER  
767544453

CAUTION FILING	PAGE NO.	TOTAL OF PAGES	MOTOR VEHICLE SCHEDULE	REGISTRATION NUMBER	REGISTERED UNDER	REGISTRATION PERIOD
	001	1		20201109 1608 9234 4149	P PPSA	5

02 DEBTOR DATE OF BIRTH FIRST GIVEN NAME INITIAL SURNAME

03 NAME BUSINESS NAME HYDRX FARMS LTD.

04 ADDRESS 1130 CHAMPLAIN COURT WHITBY ONTARIO CORPORATION NO. ON L1N 6K9

05 DEBTOR DATE OF BIRTH FIRST GIVEN NAME INITIAL SURNAME

06 NAME BUSINESS NAME

07 ADDRESS ONTARIO CORPORATION NO.

08 SECURED PARTY / COBRA VENTURES INC.

09 LIEN CLAIMANT ADDRESS 411 CRANBROOKE AVENUE TORONTO ON M5M 1N4

COLLATERAL CLASSIFICATION

CONSUMER GOODS	INVENTORY	EQUIPMENT	ACCOUNTS	OTHER	MOTOR VEHICLE INCLUDED	AMOUNT	DATE OF MATURITY OR	NO FIXED MATURITY DATE
X	X	X	X	X	X			

11 MOTOR YEAR MAKE MODEL V.I.N.

12 VEHICLE

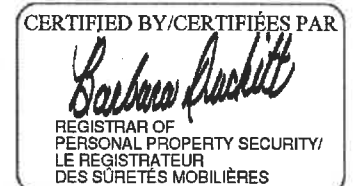
13 GENERAL  
14 COLLATERAL  
15 DESCRIPTION

16 REGISTERING CASSELS BROCK & BLACKWELL LLP (55002-2/AS)

17 AGENT ADDRESS SUITE 2100, 40 KING STREET WEST TORONTO ON M5H 3C2

\*\*\* FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. \*\*\*

CONTINUED... 3



(ej1fu 06/2019)

RUN NUMBER : 112  
RUN DATE : 2021/04/22  
ID : 20210422111250.56

PROVINCE OF ONTARIO  
MINISTRY OF GOVERNMENT SERVICES  
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
ENQUIRY RESPONSE  
CERTIFICATE

REPORT : PSSR060  
PAGE : 3  
( 2969)

TYPE OF SEARCH : BUSINESS DEBTOR  
SEARCH CONDUCTED ON : HYDRX FARMS LTD.  
FILE CURRENCY : 21APR 2021

FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN

00 FILE NUMBER  
735108012

01 CAUTION PILING NO. OF PAGES TOTAL MOTOR VEHICLE SCHEDULE REGISTRATION NUMBER REGISTERED UNDER REGISTRATION PERIOD  
001 1 20171220 1324 2550 7568 P PPSA 04

02 DEBTOR DATE OF BIRTH FIRST GIVEN NAME INITIAL SURNAME

03 NAME BUSINESS NAME HYDRX FARMS LTD.

04 ADDRESS 1130 CHAMPLAIN COURT WHITBY ONTARIO CORPORATION NO. ON L1N 6K9

05 DEBTOR DATE OF BIRTH FIRST GIVEN NAME INITIAL SURNAME

06 NAME BUSINESS NAME

07 ADDRESS ONTARIO CORPORATION NO.

08 SECURED PARTY / ALPINE SPECIALTY CHEMICALS LTD.

09 LIEN CLAIMANT ADDRESS 9 CITY VIEW DRIVE ETOBICOKE ON M9W 5A5

10 COLLATERAL CLASSIFICATION CONSUMER MOTOR VEHICLE AMOUNT DATE OF NO FIXED  
GOODS INVENTORY EQUIPMENT ACCOUNTS OTHER INCLUDED MATURITY OR MATURITY DATE  
X 5000

11 MOTOR YEAR MAKE MODEL V.I.N.

12 VEHICLE

13 GENERAL CMA EST 44 DISHWASHER SERIAL NO 210001

14 COLLATERAL DESCRIPTION

16 REGISTERING AGENT

17 ADDRESS

\*\*\* FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. \*\*\*

CONTINUED...

4

CERTIFIED BY/CERTIFIÉES PAR  
*Barbara Luckitt*  
REGISTRAR OF  
PERSONAL PROPERTY SECURITY/  
LE REGISTRATEUR  
DES SÛRETÉS MOBILIÈRES

(ej1fu 06/2019)

RUN NUMBER : 112  
RUN DATE : 2021/04/22  
ID : 20210422111250.56

PROVINCE OF ONTARIO  
MINISTRY OF GOVERNMENT SERVICES  
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
ENQUIRY RESPONSE  
CERTIFICATE

REPORT : PSSR060  
PAGE : 4  
( 2970)

TYPE OF SEARCH : BUSINESS DEBTOR  
SEARCH CONDUCTED ON : HYDRX FARMS LTD.  
FILE CURRENCY : 21APR 2021

FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN

00 FILE NUMBER  
734023998

01 CAUTION FILING PAGE NO. TOTAL OF PAGES MOTOR VEHICLE SCHEDULE REGISTRATION NUMBER REGISTERED UNDER REGISTRATION PERIOD  
01 001 20171115 1432 1530 7267 P PPSA 5

02 DEBTOR DATE OF BIRTH FIRST GIVEN NAME INITIAL SURNAME

03 NAME BUSINESS NAME HYDRX FARMS LTD.

04 ADDRESS 1130 CHAMPLAIN CRT WHITBY ON L1N 6K9 ONTARIO CORPORATION NO.

05 DEBTOR DATE OF BIRTH FIRST GIVEN NAME INITIAL SURNAME

06 NAME BUSINESS NAME

07 ADDRESS ONTARIO CORPORATION NO.

08 SECURED PARTY / ROYAL BANK OF CANADA

09 LIEN CLAIMANT ADDRESS 36 YORK MILLS ROAD, 4TH FLOOR TORONTO ON M2P 0A4

COLLATERAL CLASSIFICATION

10 CONSUMER GOODS INVENTORY EQUIPMENT ACCOUNTS OTHER MOTOR VEHICLE ENCLOSED AMOUNT DATE OF MATURITY OR NO FIXED MATURITY DATE  
X X

11 MOTOR YEAR MAKE MODEL V.I.N.

12 VEHICLE

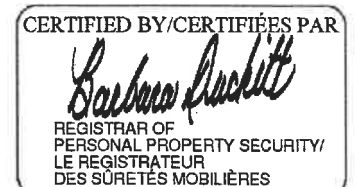
13 GENERAL COLLATERAL DESCRIPTION

16 REGISTERING AGENT CANADIAN SECURITIES REGISTRATION SYSTEMS

17 ADDRESS 4126 NORLAND AVENUE BURNABY BC - V5G 3S8

\*\*\* FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. \*\*\*

CONTINUED... 5



(crj1fu 06/2019)



RUN NUMBER : 112  
RUN DATE : 2021/04/22  
ID : 20210422111250.56

PROVINCE OF ONTARIO  
MINISTRY OF GOVERNMENT SERVICES  
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
ENQUIRY RESPONSE  
CERTIFICATE

REPORT : PSSR060  
PAGE : 5  
( 2971)

TYPE OF SEARCH : BUSINESS DEBTOR  
SEARCH CONDUCTED ON : HYDRX FARMS LTD.  
FILE CURRENCY : 21APR 2021

FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN

00 FILE NUMBER  
730845657

CAPTION FILING	PAGE NO.	TOTAL OF PAGES	MOTOR VEHICLE SCHEDULE	REGISTRATION NUMBER	REGISTERED UNDER	REGISTRATION PERIOD
	001	1		20170814 1350 9234 1376	P PPSA	4

02 DEBTOR DATE OF BIRTH FIRST GIVEN NAME INITIAL SURNAME

03 NAME BUSINESS NAME HYDRX FARMS LTD.

04 ADDRESS 209 DUNDAS STREET EAST, P.O. BOX 31 WHITBY ON L1N 5R7  
ONTARIO CORPORATION NO.

05 DEBTOR DATE OF BIRTH FIRST GIVEN NAME INITIAL SURNAME

06 NAME BUSINESS NAME

07 ADDRESS ONTARIO CORPORATION NO.

08 SECURED PARTY / APHRIA INC.

09 LIEN CLAIMANT ADDRESS 265 TALBOT STREET WEST LEAMINGTON ON N8H 4H3

COLLATERAL CLASSIFICATION

CONSUMER	MOTOR VEHICLE	AMOUNT	DATE OF	NO FIXED
GOODS	INVENTORY EQUIPMENT ACCOUNTS OTHER ENCLOSED		MATURITY OR	MATURITY DATE
X	X	X	X	

11 MOTOR YEAR MAKE MODEL V.I.N.

12 VEHICLE

13 GENERAL GENERAL SECURITY AGREEMENT

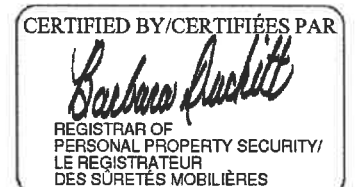
14 COLLATERAL DESCRIPTION

16 REGISTERING STIKEMAN ELLIOTT LLP

17 AGENT ADDRESS 5300 COMMERCE COURT WEST 199 BAY ST. TORONTO ON M5L 1B9

\*\*\* FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. \*\*\*

CONTINUED... 6



(c)1fu 06/2019



RUN NUMBER : 112 .  
 RUN DATE : 2021/04/22  
 ID : 20210422111250.56

PROVINCE OF ONTARIO  
 MINISTRY OF GOVERNMENT SERVICES  
 PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
 ENQUIRY RESPONSE  
 CERTIFICATE

REPORT : PSSR060  
 PAGE : 6  
 ( 2972)

TYPE OF SEARCH : BUSINESS DEBTOR  
 SEARCH CONDUCTED ON : HYDRX FARMS LTD.  
 FILE CURRENCY : 21APR 2021

FORM 2C FINANCING CHANGE STATEMENT / CHANGE STATEMENT

CAUTION FILING	PAGE NO. OF	TOTAL PAGES	MOTOR VEHICLE SCHEDULE	REGISTRATION NUMBER	REGISTERED UNDER
01	001	001		20200727 1535 1862 8205	
21	RECORD FILE NUMBER	730845657			
22	PAGE AMENDED	NO SPECIFIC PAGE AMENDED		CHANGE REQUIRED A AMENDMENT	RENEWAL YEARS
		X			CORRECT PERIOD
23	REFERENCE	FIRST GIVEN NAME		INITIAL	SURNAME
24	DEBTOR/ TRANSFEROR	BUSINESS NAME	HYDRX FARMS LTD.		
25	OTHER CHANGE				
26	REASON/	AMENDED TO REMOVE THE GENERAL COLLATERAL DESCRIPTION AND AMENDED TO			
27	DESCRIPTION	INCLUDE "MOTOR VEHICLE INCLUDED" TO THE COLLATERAL CLASSIFICATIONS.			
28					
02/	DATE OF BIRTH	FIRST GIVEN NAME		INITIAL	SURNAME
05	DEBTOR/				
03/	TRANSFEREE	BUSINESS NAME			
06					ONTARIO CORPORATION NO.
04/07	ADDRESS				
29	ASSIGNOR				
	SECURED PARTY/LIEN CLAIMANT/ASSIGNEE				
08					
09	ADDRESS				
	COLLATERAL CLASSIFICATION				
	CONSUMER				
	GOODS	INVENTORY	EQUIPMENT	ACCOUNTS	OTHER
10	X	X	X	X	X
	YEAR	MAKE	MODEL	V.I.N.	
11	MOTOR				
12	VEHICLE				
13	GENERAL				
14	COLLATERAL				
15	DESCRIPTION				
16	REGISTERING AGENT OR	FASKEN MARTINEAU DUMOULIN LLP (S. HOGAN/D.SINGH/313721.01356)			
17	SECURED PARTY/LIEN CLAIMANT	ADDRESS	333 BAY STREET, SUITE 2400	TORONTO	ON M5H 2T6

\*\*\* FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. \*\*\*

CONTINUED... 7

CERTIFIED BY/CERTIFIÉES PAR  
*Barbara Duckitt*  
 REGISTRAR OF  
 PERSONAL PROPERTY SECURITY/  
 LE REGISTRATEUR  
 DES SÛRETÉS MOBILIÈRES

(crj2fu 06/2019)





RUN NUMBER : 112  
 RUN DATE : 2021/04/22  
 ID : 20210422111250.56

PROVINCE OF ONTARIO  
 MINISTRY OF GOVERNMENT SERVICES  
 PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
 ENQUIRY RESPONSE  
 CERTIFICATE

REPORT : PSSR060  
 PAGE : 7  
 ( 2973)

TYPE OF SEARCH : BUSINESS DEBTOR  
 SEARCH CONDUCTED ON : HYDRX FARMS LTD.  
 FILE CURRENCY : 21APR 2021

FORM 2C FINANCING CHANGE STATEMENT / CHANGE STATEMENT

CAUTION FILING	PAGE NO. OF	TOTAL PAGES	MOTOR VEHICLE SCHEDULE	REGISTRATION NUMBER	REGISTERED UNDER
01	001	3		20200928 1702 9234 3382	
21	RECORD REFERENCED	FILE NUMBER	730845657		
22		PAGE AMENDED	NO SPECIFIC PAGE AMENDED	CHANGE REQUIRED D ASSIGNMENT	RENEWAL YEARS
23	REFERENCE		FIRST GIVEN NAME	INITIAL	SURNAME
24	DEBTOR/ TRANSFEROR	BUSINESS NAME	HYDRX FARMS LTD.		
25	OTHER CHANGE				
26	REASON/				
27	DESCRIPTION				
28					
02/	DEBTOR/	DATE OF BIRTH	FIRST GIVEN NAME	INITIAL	SURNAME
03/	TRANSFEREE	BUSINESS NAME			
04/07		ADDRESS			ONTARIO CORPORATION NO.
29	ASSIGNOR		APHRIA INC.		
08	SECURED PARTY/LIEN CLAIMANT/ASSIGNEE		COBRA VENTURES INC.		
09		ADDRESS	C/O CASSELS BROCK & BLACKWELL LLP	TORONTO	ON M5H 3C2
10	COLLATERAL CLASSIFICATION	CONSUMER			
		GOODS	INVENTORY	EQUIPMENT	ACCOUNTS OTHER
				MOTOR VEHICLE INCLUDED	AMOUNT
				DATE OF MATURITY	OR NO FIXED MATURITY DATE
11	MOTOR	YEAR	MAKE	MODEL	V.I.N.
12	VEHICLE				
13	GENERAL				
14	COLLATERAL				
15	DESCRIPTION				
16	REGISTERING AGENT OR		CASSELS BROCK & BLACKWELL LLP (JT/53464-5)		
17	SECURED PARTY/LIEN CLAIMANT	ADDRESS	SUITE 2100, 40 KING STREET WEST	TORONTO	ON M5H 3C2

\*\*\* FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. \*\*\*

CONTINUED... 8

CERTIFIED BY/CERTIFIÉES PAR  
*Barbara Duckitt*  
 REGISTRAR OF  
 PERSONAL PROPERTY SECURITY/  
 LE REGISTRATEUR  
 DES SÛRETÉS MOBILIÈRES

(crj2fu 06/2019)



RUN NUMBER : 112  
RUN DATE : 2021/04/22  
ID : 20210422111250.56

PROVINCE OF ONTARIO  
MINISTRY OF GOVERNMENT SERVICES  
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
ENQUIRY RESPONSE  
CERTIFICATE

REPORT : PSSR060  
PAGE : 8  
( 2974 )

TYPE OF SEARCH : BUSINESS DEBTOR  
SEARCH CONDUCTED ON : HYDRX FARMS LTD.  
FILE CURRENCY : 21APR 2021

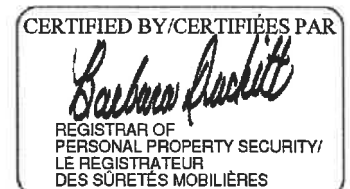
FORM 2C FINANCING CHANGE STATEMENT / CHANGE STATEMENT

CAUTION FILING	PAGE NO. OF	TOTAL PAGES	MOTOR VEHICLE SCHEDULE	REGISTRATION NUMBER	REGISTERED UNDER
01	002	3		20200928 1702 9234 3382	
21	RECORD FILE NUMBER	730845657			
22	PAGE AMENDED	NO SPECIFIC PAGE AMENDED	CHANGE REQUIRED	RENEWAL YEARS	CORRECT PERIOD
23	REFERENCE	FIRST GIVEN NAME	INITIAL	SURNAME	
24	DEBTOR/ TRANSFEROR	BUSINESS NAME			
25	OTHER CHANGE				
26	REASON/ DESCRIPTION				
28	02/ 05	DATE OF BIRTH	FIRST GIVEN NAME	INITIAL	SURNAME
03/ 06	03/ 06	TRANSFEREE	BUSINESS NAME		
04/07	04/07	ADDRESS			ONTARIO CORPORATION NO.
29	ASSIGNOR				
08	08	SECURED PARTY/LIEN CLAIMANT/ASSIGNEE			
09	09	ADDRESS	SUITE 2100, SCOTIA PLAZA		
10	10	COLLATERAL CLASSIFICATION			
11	11	CONSUMER	MOTOR VEHICLE	DATE OF MATURITY	NO FIXED MATURITY DATE
12	12	GOODS	INVENTORY EQUIPMENT ACCOUNTS OTHER	INCLUDED	AMOUNT
13	13	YEAR	MAKE	MODEL	V.I.N.
14	14	GENERAL			
15	15	COLLATERAL			
16	16	DESCRIPTION			
17	17	REGISTERING AGENT OR			
		SECURED PARTY/ LIEN CLAIMANT	ADDRESS		

\*\*\* FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. \*\*\*

CONTINUED...

9



(crj2fu 08/2019)

RUN NUMBER : 112  
RUN DATE : 2021/04/22  
ID : 20210422111250.56

PROVINCE OF ONTARIO  
MINISTRY OF GOVERNMENT SERVICES  
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
ENQUIRY RESPONSE  
CERTIFICATE

REPORT : PSSR060  
PAGE : 9  
( 2975)

TYPE OF SEARCH : BUSINESS DEBTOR  
SEARCH CONDUCTED ON : HYDRX FARMS LTD.  
FILE CURRENCY : 21APR 2021

FORM 2C FINANCING CHANGE STATEMENT / CHANGE STATEMENT

CAUTION FILING	PAGE NO. OF	TOTAL PAGES	MOTOR VEHICLE SCHEDULE	REGISTRATION NUMBER	REGISTERED UNDER
01	003	3		20200928 1702 9234 3382	
21	RECORD REFERENCED	FILE NUMBER	730845657		
22	PAGE AMENDED	NO SPECIFIC PAGE AMENDED	CHANGE REQUIRED	RENEWAL YEARS	CORRECT PERIOD
23	REFERENCE	FIRST GIVEN NAME	INITIAL	SURNAME	
24	DEBTOR/ TRANSFEROR	BUSINESS NAME			
25	OTHER CHANGE REASON/ DESCRIPTION				
02/	DEBTOR/ TRANSFEREE	DATE OF BIRTH	FIRST GIVEN NAME	INITIAL	SURNAME
03/	TRANSFEEE	BUSINESS NAME			
04/07	ADDRESS				ONTARIO CORPORATION NO.
29	ASSIGNOR	SECURED PARTY/LIEN CLAIMANT/ASSIGNEE			
08	ADDRESS	40 KING STREET WEST			
09	COLLATERAL CLASSIFICATION				
10	CONSUMER	MOTOR VEHICLE	DATE OF MATURITY	OR	NO FIXED MATURITY DATE
	GOODS	INVENTORY	EQUIPMENT	ACCOUNTS	OTHER
	YEAR	MAKE	MODEL	V.I.N.	
11	MOTOR VEHICLE				
12	GENERAL				
13	COLLATERAL				
14	DESCRIPTION				
15	REGISTERING AGENT OR				
16	SECURED PARTY/ LIEN CLAIMANT	ADDRESS			

\*\*\* FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. \*\*\*

CONTINUED... 10

CERTIFIED BY/CERTIFIÉES PAR  
*Barbara Duckitt*  
REGISTRAR OF  
PERSONAL PROPERTY SECURITY/  
LE REGISTRATEUR  
DES SÛRETÉS MOBILIÈRES

(crj2fu 06/2019)

RUN NUMBER : 112  
 RUN DATE : 2021/04/22  
 ID : 20210422111250.56

PROVINCE OF ONTARIO  
 MINISTRY OF GOVERNMENT SERVICES  
 PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
 ENQUIRY RESPONSE  
 CERTIFICATE

REPORT : PSSR060  
 PAGE : 10  
 ( 2976)

TYPE OF SEARCH : BUSINESS DEBTOR  
 SEARCH CONDUCTED ON : HYDRX FARMS LTD.  
 FILE CURRENCY : 21APR 2021

FORM 2C FINANCING CHANGE STATEMENT / CHANGE STATEMENT

CAUTION FILING	PAGE NO. OF	TOTAL PAGES	MOTOR VEHICLE SCHEDULE	REGISTRATION NUMBER	REGISTERED UNDER
01	001	1		20201022 1113 1590 4326	
21	RECORD REFERENCED	FILE NUMBER	730845657		
22	PAGE AMENDED	NO SPECIFIC PAGE AMENDED	X	CHANGE REQUIRED A AMENDMENT	RENEWAL YEARS
23	REFERENCE	FIRST GIVEN NAME	INITIAL	SURNAME	CORRECT PERIOD
24	DEBTOR/ TRANSFEROR	BUSINESS NAME	HYDRX FARMS LTD.		
25	OTHER CHANGE	REASON/ DESCRIPTION			
26		TO ADD AN ADDITIONAL SECURED PARTY.			
27					
28					
02/	DATE OF BIRTH	FIRST GIVEN NAME	INITIAL	SURNAME	
05	DEBTOR/				
03/	TRANSFEREE	BUSINESS NAME			
06					ONTARIO CORPORATION NO.
04/07	ADDRESS				
29	ASSIGNOR	SECURED PARTY/LIEN CLAIMANT/ASSIGNEE			
08		RYDAN FINANCIAL INC.			
09	ADDRESS	26 IMPERIAL STREET	TORONTO	ON	M5P 1C2
	COLLATERAL CLASSIFICATION				
	CONSUMER	MOTOR VEHICLE	DATE OF	NO FIXED	
	GOODS	INVENTORY EQUIPMENT ACCOUNTS OTHER	INCLUDED	AMOUNT	MATURITY OR MATURITY DATE
10					
11	MOTOR VEHICLE	YEAR	MAKE	MODEL	V.I.N.
12	GENERAL	COBRA VENTURES INC.'S SECURITY AGAINST HYDRX FARMS LTD. HAS BEEN			
13	COLLATERAL	ASSIGNED TO RYDAN FINANCIAL INC. AS SECURITY FOR A LOAN MADE PURSUANT			
14	DESCRIPTION	TO A COMMITMENT LETTER DATED OCTOBER 8, 2020			
15	REGISTERING AGENT OR	BARRY POLISUK			
16	SECURED PARTY/	ADDRESS	150 FERRAND DRIVE, SUITE 800	TORONTO	ON M3C 3E5
17	LIEN CLAIMANT				

\*\*\* FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. \*\*\*

CONTINUED... 11

CERTIFIED BY/CERTIFIÉES PAR  
*Barbara Luckitt*  
 REGISTRAR OF  
 PERSONAL PROPERTY SECURITY/  
 LE REGISTRATEUR  
 DES SÛRETÉS MOBILIÈRES

(crj2fu 06/2019)



RUN NUMBER : 112  
RUN DATE : 2021/04/22  
ID : 20210422111250.56

PROVINCE OF ONTARIO  
MINISTRY OF GOVERNMENT SERVICES  
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
ENQUIRY RESPONSE  
CERTIFICATE

REPORT : PSSR060  
PAGE : 11  
( 2977)

TYPE OF SEARCH : BUSINESS DEBTOR  
SEARCH CONDUCTED ON : HYDRX FARMS LTD.  
FILE CURRENCY : 21APR 2021

FORM 2C FINANCING CHANGE STATEMENT / CHANGE STATEMENT

CAUTION FILING	PAGE NO. OF PAGES	MOTOR VEHICLE SCHEDULE	REGISTRATION NUMBER	REGISTERED UNDER		
01	001	1	20210118 1523 1590 1703			
21	RECORD FILE NUMBER	730845657				
	REFERENCE					
22	PAGE AMENDED	NO SPECIFIC PAGE AMENDED	CHANGE REQUIRED	RENEWAL	CORRECT	
			D ASSIGNMENT	YEARS	PERIOD	
23	REFERENCE	FIRST GIVEN NAME	INITIAL	SURNAME		
24	DEBTOR/ TRANSFEROR	BUSINESS NAME	HYDRX FARMS LTD.			
25	OTHER CHANGE					
26	REASON/ DESCRIPTION					
28						
02/	DATE OF BIRTH	FIRST GIVEN NAME	INITIAL	SURNAME		
05	DEBTOR/ TRANSFEREE	BUSINESS NAME				
03/						
06						ONTARIO CORPORATION NO.
04/07	ADDRESS					
29	ASSIGNOR	RYDAN FINANCIAL INC.				
08	SECURED PARTY/LIEN CLAIMANT/ASSIGNEE	COBRA VENTURES INC.				
09	ADDRESS	40 KING STREET, SUITE 2100	TORONTO	ON	M5H 3C2	
	COLLATERAL CLASSIFICATION					
	CONSUMER		MOTOR VEHICLE	DATE OF	NO FIXED	
	GOODS	INVENTORY EQUIPMENT ACCOUNTS OTHER	INCLUDED	AMOUNT MATURITY OR	MATURITY DATE	
10						
	YEAR	MAKE	MODEL	V.I.N.		
11	MOTOR					
12	VEHICLE					
13	GENERAL					
14	COLLATERAL					
15	DESCRIPTION					
16	REGISTERING AGENT OR	BARRY POLISUK				
17	SECURED PARTY/ LIEN CLAIMANT	ADDRESS	150 FERRAND DRIVE, SUITE 800	TORONTO	ON	M3C 3E5

\*\*\* FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. \*\*\*

CONTINUED... 12

CERTIFIED BY/CERTIFIÉES PAR  
*Barbara Russett*  
REGISTRAR OF  
PERSONAL PROPERTY SECURITY/  
LE REGISTRATEUR  
DES SÛRETÉS MOBILIÈRES

(crj2fu 06/2019)

Ontario 

RUN NUMBER : 112  
RUN DATE : 2021/04/22  
ID : 20210422111250.56

PROVINCE OF ONTARIO  
MINISTRY OF GOVERNMENT SERVICES  
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
ENQUIRY RESPONSE  
CERTIFICATE

REPORT : PSSR060  
PAGE : 12  
( 2978)

TYPE OF SEARCH : BUSINESS DEBTOR  
SEARCH CONDUCTED ON : HYDRX FARMS LTD.  
FILE CURRENCY : 21APR 2021

FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN

00 FILE NUMBER  
720521199

01 CAUTION PAGING TOTAL MOTOR VEHICLE REGISTRATION REGISTERED REGISTRATION  
PILING NO. OF PAGES SCHEDULE NUMBER UNDER PERIOD  
01 002 20160912 1935 1531 7824 P PPSA 5

02 DEBTOR DATE OF BIRTH FIRST GIVEN NAME INITIAL SURNAME

03 NAME BUSINESS NAME HYDRX FARMS LTD ONTARIO CORPORATION NO.  
04 ADDRESS 1130 CHAMPLAIN CRT WHITBY ON L1N 6K9

05 DEBTOR DATE OF BIRTH FIRST GIVEN NAME INITIAL SURNAME  
06 NAME BUSINESS NAME THOMAS A JEFFERD

07 ADDRESS 78 BRIDGES DR NEWCASTLE ON L1B 1M7  
ONTARIO CORPORATION NO.

08 SECURED PARTY / MERCEDES-BENZ FINANCIAL SERVICES CANADA CORPORATION  
09 LIEN CLAIMANT

09 ADDRESS 2680 MATHESON BLVD. E, STE 500 MISSISSAUGA ON L4W 0A5

COLLATERAL CLASSIFICATION

10 CONSUMER MOTOR VEHICLE AMOUNT DATE OF NO FIXED  
GOODS INVENTORY EQUIPMENT ACCOUNTS OTHER INCLUDED MATURITY OR MATURITY DATE  
X X X 56918 02SEP2021

11 MOTOR YEAR MAKE MODEL V.I.N.  
12 VEHICLE 2016 MERCEDES-BENZ 2C1704 WDB8E6DDXGP278017

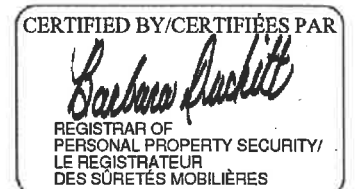
13 GENERAL  
14 COLLATERAL  
15 DESCRIPTION

16 REGISTERING D+H LIMITED PARTNERSHIP  
17 AGENT

17 ADDRESS SUITE 200, 4126 NORLAND AVENUE BURNABY BC V5G 3S8

\*\*\* FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. \*\*\*

CONTINUED... 13



(crlfu 06/2019)

RUN NUMBER : 112  
RUN DATE : 2021/04/22  
ID : 20210422111250.56

PROVINCE OF ONTARIO  
MINISTRY OF GOVERNMENT SERVICES  
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
ENQUIRY RESPONSE  
CERTIFICATE

REPORT : PSSR060  
PAGE : 13  
( 2979)

TYPE OF SEARCH : BUSINESS DEBTOR  
SEARCH CONDUCTED ON : HYDRX FARMS LTD.  
FILE CURRENCY : 21APR 2021

FORM 1C FINANCING STATEMENT / CLAIM FOR LIEN

00 FILE NUMBER  
720521199

01 CAUTION PAGE TOTAL MOTOR VEHICLE REGISTRATION REGISTERED REGISTRATION  
FILING NO. OF PAGES SCHEDULE NUMBER UNDER PERIOD  
02 002 20160912 1935 1531 7824

02 DEBTOR DATE OF BIRTH FIRST GIVEN NAME INITIAL SURNAME

03 NAME BUSINESS NAME

ONTARIO CORPORATION NO.

04 ADDRESS

05 DEBTOR DATE OF BIRTH FIRST GIVEN NAME INITIAL SURNAME

06 NAME BUSINESS NAME

ONTARIO CORPORATION NO.

07 ADDRESS

08 SECURED PARTY / MERCEDES-BENZ FINANCIAL

09 LIEN CLAIMANT

ADDRESS 2680 MATHESON BLVD. E, STE 500 MISSISSAUGA ON L4W 0A5

COLLATERAL CLASSIFICATION

10 CONSUMER MOTOR VEHICLE AMOUNT DATE OF NO FIXED  
GOODS INVENTORY EQUIPMENT ACCOUNTS OTHER INCLUDED MATURITY OR MATURITY DATE

11 MOTOR YEAR MAKE MODEL V.I.N.

12 VEHICLE

13 GENERAL

14 COLLATERAL

15 DESCRIPTION

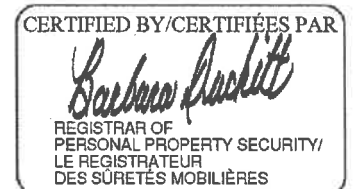
16 REGISTERING

17 AGENT

ADDRESS

\*\*\* FOR FURTHER INFORMATION, CONTACT THE SECURED PARTY. \*\*\*

CONTINUED... 14



(crj1fu 06/2019)

RUN NUMBER : 112  
RUN DATE : 2021/04/22  
ID : 20210422111250.56

PROVINCE OF ONTARIO  
MINISTRY OF GOVERNMENT SERVICES  
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM  
ENQUIRY RESPONSE  
CERTIFICATE

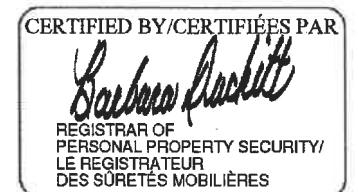
REPORT : PSSR060  
PAGE : 14  
( 2980)

TYPE OF SEARCH : BUSINESS DEBTOR  
SEARCH CONDUCTED ON : HYDRX FARMS LTD.  
FILE CURRENCY : 21APR 2021

INFORMATION RELATING TO THE REGISTRATIONS LISTED BELOW IS ATTACHED HERETO.

FILE NUMBER	REGISTRATION NUMBER	REGISTRATION NUMBER	REGISTRATION NUMBER	REGISTRATION NUMBER
767544453	20201109 1608 9234 4149			
735108012	20171220 1324 2550 7568			
734023998	20171115 1432 1530 7267			
730845657	20170814 1350 9234 1376	20200727 1535 1862 8205	20200928 1702 9234 3382	20201022 1113 1590 4326
	20210118 1523 1590 1703			
720521199	20160912 1935 1531 7824			

9 REGISTRATION(S) ARE REPORTED IN THIS ENQUIRY RESPONSE.

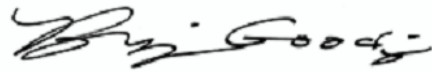


(crfj5 06/2019)





This is Exhibit “P” referred to in the Affidavit of Richard Goldstein sworn April 23, 2021.

A handwritten signature in black ink, appearing to read "Brian Goody". The signature is written in a cursive style with a large initial "B".

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Commissioner for Taking Affidavits (or as may be)

**Properties**

*PIN* 26488 - 0029 LT  
*Description* LT 13, PL 871; TOWN OF WHITBY  
*Address* 1130 CHAMPLAIN AVENUE  
 WHITBY

**Consideration**

*Consideration* \$2.00

**Applicant(s)**

The notice is based on or affects a valid and existing estate, right, interest or equity in land

*Name* COBRA VENTURES INC.  
*Address for Service* 40 King Street W., Suite 2100  
 Toronto, ON, M5H 3C2  
 I, Richard Goldstein, Vice President, have the authority to bind the corporation.  
 This document is not authorized under Power of Attorney by this party.

**Party To(s)****Capacity****Share**

<i>Name</i>	WINDSOR PRIVATE CAPITAL INC.	General Partner
<i>Address for Service</i>	28 Hazelton Avenue, Suite 200 Toronto, ON, M5R 2E2	

I, John Cundari, President, have the authority to bind the corporation  
 This document is not authorized under Power of Attorney by this party.  
 I am a general partner, the firm name of the Limited Partnership is Windsor Private Capital Limited Partnership.

**Statements**

This notice is pursuant to Section 71 of the Land Titles Act.

This notice may be deleted by the Land Registrar when the registered instrument, DR1964673 registered on 2021/01/18 to which this notice relates is deleted

Schedule: See Schedules

This document relates to registration number(s)DR1964673

**Signed By**

Shirley Xue Bai	150 Ferrand Drive #800 Toronto M3C 3E5	acting for Applicant(s)	Signed	2021 04 09
-----------------	--	----------------------------	--------	------------

Tel 416-496-3340

Fax 416-497-3809

I have the authority to sign and register the document on behalf of the Applicant(s).

**Submitted By**

WILLIAM FRIEDMAN BARRISTER & SOLICITOR	150 Ferrand Drive #800 Toronto M3C 3E5	2021 04 09
--	--	------------

Tel 416-496-3340

Fax 416-497-3809

**Fees/Taxes/Payment**

<i>Statutory Registration Fee</i>	\$65.30
<i>Total Paid</i>	\$65.30

**AMENDMENT TO ASSIGNMENT OF DEBT AND SECURITY  
(the "Amendment")**

Between :

**COBRA VENTURES INC ("Cobra")**

and

**WINDSOR PRIVATE CAPITAL LIMITED PARTNERSHIP ("Windsor")**

**Recitals**

- A. Pursuant to a commitment letter (the "**Commitment**") dated January 15, 2021 Windsor made a loan to Cobra in the principal amount of \$4,000,000 evidenced by a promissory note (the "**Note**") in the amount of \$4,000,000 and collaterally secured by an Assignment of Debt and Security Agreement dated the 15<sup>th</sup> day of January, 2021 (the "**Assignment Agreement**"), whereby Cobra assigned to Windsor as security the Debenture, the Charge and the Security.
- B. Windsor acknowledges that the Assignment of the Debenture, the Charge and the Security is and was intended only as collateral security for Cobra's obligations under the Note and is and was not intended as an absolute assignment of the Debenture, the Charge or the Security from Cobra to Windsor.
- C. The parties wish to amend the Assignment Agreement to add certain provisions thereto as hereinafter set forth.
- D. All capitalized terms in this Amendment which are not defined herein shall have the meaning ascribed to such terms in the Assignment Agreement.

Therefore, Cobra and Windsor covenant and agree as follows:

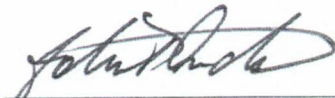
- 1. The assignment of the Debenture, the Charge and the Security stands as collateral security only for the obligations of Cobra to Windsor pursuant to the Commitment and the Note;
- 2. Upon full repayment of the Note, Windsor shall at the sole cost and expense of Cobra transfer the Debenture, the Charge and the Security back to Cobra;
- 3. Any and all proceeds of realization on the Charge, Debenture and Security shall be distributed as follows:
  - (a) first to Windsor, on account of the then outstanding balance of the Note, including all accrued but unpaid interest and costs incurred by Windsor in realizing on the Security; and
  - (b) the balance shall be paid to Cobra, or to whom it may direct.
- 4. Cobra is authorized to register notice of the Assignment Agreement and this Amendment on title to the property, which is the subject of the Charge, namely, Lot 13 on Plan 871 of the Town of Whitby, Ontario, being the whole of PIN 26488-0029 (LT);

5. This Amendment shall also constitute an amendment to a Transfer of Charge (the “**Transfer**”) registered on January 18, 2021 as instrument No. DR1964673 between Cobra as Assignor and Windsor as Assignee. In the event of a conflict between the provisions of the Transfer and the Assignment Agreement as amended by this Amendment, the Assignment Agreement (as Amended) shall prevail; and
6. The Assignment Agreement as amended by this Amendment shall be binding upon and enforceable against any purchaser or assignee of the Note and Security from Windsor for the benefit of Cobra.

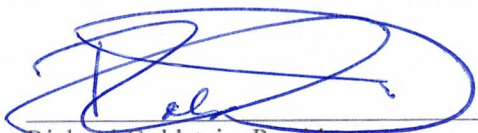
*[Signature page to follow]*

Dated this 8<sup>th</sup> day of April, 2021.

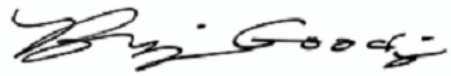
**WINDSOR PRIVATE CAPITAL  
LIMITED PARTNERSHIP  
By its General Partner  
WINDSOR PRIVATE CAPITAL INC**

Per:   
\_\_\_\_\_  
John Cundari, President  
I have authority to bind the corporation.

**COBRA VENTURES INC.**

Per:   
\_\_\_\_\_  
Richard Goldstein, President  
I have authority to bind the corporation.

This is Exhibit “Q” referred to in the Affidavit of Richard Goldstein sworn April 23, 2021.

A handwritten signature in black ink, appearing to read "Brian Goody". The signature is written in a cursive style with a large initial "B" and a long horizontal stroke extending to the right.

---

Commissioner for Taking Affidavits (or as may be)



**Delivered by email**

**Private and confidential**

April 20, 2021

**TO:**

Paliare Roland Rosenberg Rothstein LLP  
155 Wellington Street West, 35/F  
Toronto, Ontario  
M5H 3H1

Attn.: Jeffrey Larry

**AND TO:**

Cassels Brock & Blackwell LLP  
Suite 2100 Scotia Plaza  
40 King Street West  
Toronto, Ontario  
M5H 3C2

Attn.: Joseph Bellissimo

Dear Mr. Larry & Mr. Bellissimo,

**Re: Windsor Private Capital Limited Partnership (“Windsor”) loan to  
Cobra Ventures Inc. (“Cobra”)**

**And Re: Cobra Ventures Inc. assignment of convertible debenture (the “Debenture”) of HydRx  
Farms Ltd. (“HydRx”) in the principal amount of \$11,500,000 dated as of August 14, 2017  
as amended from time to time and related security (collectively the “Security”) to Windsor**

---

We write to you in your capacity as counsel for Schwartz Levitsky Feldman Inc. (the “**Monitor**”) in its capacity as Monitor for Hydrx.


We wish to confirm that until such time as you receive notice in writing from us or our counsel, Michael Baum of Harris Sheaffer LLP, HydRx, the Monitor and any other parties may deal exclusively with Cobra and its counsel Cassels Brock & Blackwell LLP with respect to any matters related to the Security, including the enforcement thereof.

Further, we authorize Cobra to credit bid the Debenture and the indebtedness evidenced and secured thereby.


Yours truly,

Windsor Private Capital Limited Partnership

Per: \_\_\_\_\_

  
John P. Cundari, MBA, LLB  
President

This is Exhibit “**R**” referred to in the Affidavit of Richard Goldstein sworn April 23, 2021.

A handwritten signature in black ink, appearing to read "Brian Goody". The signature is written in a cursive style with a large initial "B".

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Commissioner for Taking Affidavits (or as may be)



**Quantum of the Cobra Secured Indebtedness (as at March 31, 2021)**

Outstanding principal	\$11,500,000.00
Accrued interest	\$2,532,014
Legal fees	\$192,797.66
HydRx expenses, as detailed on following pages	\$612,202.38
<b>Total</b>	<b>\$14,837,014.04</b>

**Summary of HydrX Expenses  
At March 31, 2021**

Hydrx Personnel	\$ (292,721.82)
Expenses (misc)	<u>\$ (12,298.51)</u>
Legal	<u>\$ (25,546.10)</u>
Marketing	<u>\$ (11,503.52)</u>
Utilities	<u>\$ (95,414.37)</u>
Insurance and Security	<u>\$ (110,172.99)</u>
Property Tax	<u>\$ (61,305.07)</u>
Title Insurance	<u>\$ (3,240.00)</u>
 Total HydrX	 <b>\$ (612,202.38)</b>

Type	Date	Num	Name	Memo	Class	Amount	Balance	
34000 · Loan to debtor (HydRX)							0.00	
36000 · consulting HydRX							0.00	
Bill	2020-11-02	001	2509922 Ontario Li...			-50,850.00	-50,850.00	
Bill	2020-11-03	000014	R.J. Sotirakos Roula			-9,166.70	-60,016.70	
Bill	2020-11-03	001	James Gibner	oct 16 - 31 20...		-6,453.33	-66,470.03	
Bill	2020-11-03	001	Melanie Pringle	Consulting fe...		-438.43	-66,908.46	
Bill	2020-11-09	5190	McDermott & Associ...	planning		-5,643.97	-72,552.43	
Bill	2020-11-11	001	D. Courtemanche	HydRx reporti...		-697.44	-73,249.87	
Bill	2020-11-12	002	Melanie Pringle	Nov 1 - Nov 1...		-292.29	-73,542.16	
Bill	2020-11-13	Oct 24...	Lori Gardener	May to Sept		-175.00	-73,717.16	
Bill	2020-11-13	001	2652092 Ontario Inc...	Oct 26 - oct 3...		-2,390.18	-76,107.34	
Bill	2020-11-13	Debit ...	2509922 Ontario Li...			-8,475.00	-84,582.34	
Bill	2020-11-16	Nov 1 ...	Alex Massis	Oct 16 - Oct 3...		-4,000.00	-88,582.34	
Bill	2020-12-01	inv cv...	2509922 Ontario Li...			-8,475.00	-97,057.34	
Bill	2020-12-01	0002	Melanie Pringle			-182.68	-97,240.02	
Bill	2020-12-07	0015	R.J. Sotirakos Roula			-9,166.70	-106,406.72	
Bill	2020-12-07		Carol-Ann Scott			-1,640.00	-108,046.72	
Bill	2020-12-11		2652092 Ontario Inc...			-10,367.75	-118,414.47	
Bill	2020-12-16	0004	2509922 Ontario Li...			-8,475.00	-126,889.47	
Bill	2020-12-17		R.J. Sotirakos Roula			-4,600.00	-131,489.47	
Bill	2020-12-17		Alex Massis			-5,250.00	-136,739.47	
Bill	2020-12-18		Melanie Pringle			-420.16	-137,159.63	
Bill	2020-12-18		Carol-Ann Scott	QA		-2,780.00	-139,939.63	
Bill	2020-12-19	Dec in...	Carol-Ann Scott			-1,120.00	-141,059.63	
Bill	2020-12-21		Tom Jettered			-9,322.50	-150,382.13	
Bill	2020-12-21		R.J. Sotirakos Roula			-2,300.00	-152,682.13	
Bill	2020-12-21		R.J. Sotirakos Roula			-2,300.00	-154,982.13	
Bill	2020-12-23	345	Trevcom Inc.			-5,650.00	-160,632.13	
Bill	2020-12-24		Alex Massis			-2,900.00	-163,532.13	
Bill	2021-01-04		Melanie Pringle			-146.15	-163,678.28	
Bill	2021-01-04		2509922 Ontario Li...			-8,475.00	-172,153.28	
Bill	2021-01-06		McDermott & Associ...	planning		-18,735.87	-190,889.15	
Bill	2021-01-06		Alex Massis			-400.00	-191,289.15	
Bill	2021-01-18		R.J. Sotirakos Roula			-4,600.00	-195,889.15	
Bill	2021-01-18		2509922 Ontario Li...			-8,475.00	-204,364.15	
Bill	2021-01-18		Melanie Pringle			-164.40	-204,528.55	
Bill	2021-01-18		Alex Massis			-1,900.00	-206,428.55	
Bill	2021-01-24	Dec 2...	Tom Jettered			-11,102.25	-217,530.80	
Bill	2021-01-28	Jan co...	Carol-Ann Scott			-1,480.00	-219,010.80	
Bill	2021-02-02		Alex Massis	2nd half Jan		-1,800.00	-220,810.80	
Bill	2021-02-02	Jan in...	Breaking Barriers			-6,737.63	-227,548.43	
Cheque	2021-02-03	DM	2509922 Ontario Li...			-8,475.00	-236,023.43	
Cheque	2021-02-03	D	Melanie Pringle			-137.00	-236,160.43	
Cheque	2021-02-03	DM	R.J. Sotirakos Roula			-4,600.00	-240,760.43	
Bill	2021-02-13		Alex Massis	1st half Feb		-1,300.00	-242,060.43	
Cheque	2021-02-16	DM	R.J. Sotirakos Roula			-4,600.00	-246,660.43	
Cheque	2021-02-16	DM	Melanie Pringle			-155.27	-246,815.70	
Cheque	2021-02-17	DM	2509922 Ontario Li...			-8,822.12	-255,637.82	
Bill	2021-02-18	Feb	Carol-Ann Scott			-760.00	-256,397.82	
<b>Type</b>							<b>Amount</b>	<b>Balance</b>
Bill	2021-02-18		Carol-Ann Scott	end of Jan		-600.00	-256,997.82	
Cheque	2021-03-01	DM	Melanie Pringle			-246.62	-257,244.44	
Cheque	2021-03-01	DM	R.J. Sotirakos Roula			-4,600.00	-261,844.44	
Cheque	2021-03-01	DM	2509922 Ontario Li...			-8,525.00	-270,369.44	
Cheque	2021-03-08	DM	R.J. Sotirakos Roula			-2,300.00	-272,669.44	
Bill	2021-03-08		Alex Massis			-1,000.00	-273,669.44	
Bill	2021-03-08		Carol-Ann Scott			-1,120.00	-274,789.44	
Cheque	2021-03-16	DM	Melanie Pringle			-310.00	-275,099.44	
Cheque	2021-03-16	DM	Carol-Ann Scott			-1,237.50	-276,336.94	
Cheque	2021-03-16	DM	2509922 Ontario Li...			-8,475.00	-284,811.94	
Cheque	2021-03-16	bill pa...	Ample Organics			-2,824.94	-287,636.88	
Bill	2021-03-18		Alex Massis			-800.00	-288,436.88	
Bill	2021-03-23	April i...	Ample Organics			-2,824.94	-291,261.82	
Bill	2021-03-31	011	Melanie Pringle			-110.00	-291,371.82	
Bill	2021-03-31		Carol-Ann Scott			-1,350.00	-292,721.82	
Total 36000 · consulting HydRX							-292,721.82	-292,721.82
Total 34000 · Loan to debtor (HydRX)							-292,721.82	-292,721.82
<b>TOTAL</b>							<b>-292,721.82</b>	<b>-292,721.82</b>

10:30 AM

Cobra Ventures Inc.

2021-04-22

## Transactions by Account

Accrual Basis

As of 31 March 2021

Type	Date	Num	Name	Memo	Amount	Balance
34000 · Loan to debtor (HydRX)						0.00
35000 · expenses HydRX						0.00
Cheque	2020-11-04	PAP	Bank of Montreal	cheques	-169.80	-169.80
Cheque	2020-11-06	ser chg	Bank of Montreal		-14.00	-183.80
Cheque	2020-11-09	ser chg	Bank of Montreal		-1.50	-185.30
Bill	2020-11-17	Sept e...	Skip Pym	expenses Sep...	-3,289.39	-3,474.69
Bill	2020-11-17	Octob...	Skip Pym		-589.74	-4,064.43
Cheque	2020-11-17	serv chg	Bank of Montreal	wire fee	-100.00	-4,164.43
Cheque	2020-11-17	ser chg	Bank of Montreal		-10.00	-4,174.43
Cheque	2020-11-17	ser chg	Bank of Montreal		-100.00	-4,274.43
Cheque	2020-11-17	ser chg	Bank of Montreal		-10.00	-4,284.43
Cheque	2020-11-27	ser chg	Bank of Montreal		-4.00	-4,288.43
Cheque	2020-12-31	ser chg	Bank of Montreal		-4.00	-4,292.43
Bill	2021-01-05		Bell Business		-5,100.75	-9,393.18
Bill	2021-01-28	157980	Hayes Plumbing		-155.94	-9,549.12
Bill	2021-01-28	51111...	Rentokil		-435.62	-9,984.74
Bill	2021-02-15		Rentokil		-217.81	-10,202.55
Bill	2021-03-08		Hayes Plumbing		-166.11	-10,368.66
Cheque	2021-03-16	bill pa...	Bell Business		-1,899.85	-12,268.51
Cheque	2021-03-26	ser chg	Bank of Montreal	Cassels wire f...	-30.00	-12,298.51
Total 35000 · expenses HydRX					-12,298.51	-12,298.51
Total 34000 · Loan to debtor (HydRX)					-12,298.51	-12,298.51
<b>TOTAL</b>					<b>-12,298.51</b>	<b>-12,298.51</b>

10:59 AM

Cobra Ventures Inc.

2021-04-22

### Transactions by Account

Accrual Basis

As of 31 March 2021

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Type	Date	Num	Name	Clr	Split	Amount	Balance
34000 · Loan to debtor (HydRX)							0.00
35900 · Legal Fees - HydRX							0.00
Bill	2020-12-11		Brazeau Seller Law		20000 · Accou...	-1,976.37	-1,976.37
Bill	2021-03-18		Garfinkle Biderman ...		20000 · Accou...	-23,569.73	-25,546.10
Total 35900 · Legal Fees - HydRX						-25,546.10	25,546.10
Total 34000 · Loan to debtor (HydRX)							
<b>TOTAL</b>							

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10:59 AM

Cobra Ventures Inc.

2021-04-22

### Transactions by Account

Accrual Basis

As of 31 March 2021

---

Type	Date	Num	Name	Cir	Split	Amount	Balance
34000 · Loan to debtor (HydRX)							0.00
36400 · Marketing							0.00
Bill	2020-12-20	1060	P House Productions		20000 · Accou...	-265.61	-265.61
Bill	2020-12-22	1061	P House Productions		20000 · Accou...	-265.61	-531.22
Bill	2021-03-01		Blade Marketing		20000 · Accou...	-10,678.50	-11,209.72
Bill	2021-03-01		P House Productions		20000 · Accou...	-293.80	-11,503.52
Total 36400 · Marketing						<u>-11,503.52</u>	<u>-11,503.52</u>
Total 34000 · Loan to debtor (HydRX)						<u>-11,503.52</u>	<u>-11,503.52</u>
<b>TOTAL</b>						<u><b>-11,503.52</b></u>	<u><b>-11,503.52</b></u>

10:57 AM

Cobra Ventures Inc.

2021-04-22

### Transactions by Account

Accrual Basis

As of 31 March 2021

Type	Date	Num	Name	Clr	Split	Amount	Balance
34000 · Loan to debtor (HydRX)							0.00
34500 · utilities HydRX							0.00
Cheque	2020-10-30	Bill py...	Elexicon-Whitby		10000 · BMO #...	-25,000.00	-25,000.00
Bill	2020-11-09		Elexicon-Whitby		20000 · Accou...	-22,000.00	-47,000.00
Cheque	2020-11-27	bill pa...	enbridge		10000 · BMO #...	-3,243.00	-50,243.00
Bill	2021-01-20		Elexicon-Whitby		20000 · Accou...	-10,000.00	-60,243.00
General Journal	2021-01-20	24	enbridge		20000 · Accou...	-4,639.68	-64,882.68
Bill	2021-01-28		Elexicon-Whitby		20000 · Accou...	-8,810.14	-73,692.82
Cheque	2021-02-16	bill pa...	Elexicon-Veridian		10000 · BMO #...	-11,721.55	-85,414.37
Cheque	2021-02-16	bill pa...	Elexicon-Veridian		10000 · BMO #...	-10,000.00	-95,414.37
Total 34500 · utilities HydRX						-95,414.37	-95,414.37
Total 34000 · Loan to debtor (HydRX)						-95,414.37	-95,414.37
<b>TOTAL</b>						<b>-95,414.37</b>	<b>-95,414.37</b>

10:32 AM

Cobra Ventures Inc.

2021-04-22

### Transactions by Account

Accrual Basis

As of 31 March 2021

Type	Date	Num	Name	Memo	Amount	Balance		
34000 · Loan to debtor (HydRX)							0.00	
35500 · insurance and security - HydRX							0.00	
		Bill	2020-11-02	178808	Sonitrol Security Sy...		-3,996.74	-3,996.74
		Cheque	2020-11-06	PAP	First Insurance		-10,605.65	-14,602.39
		Cheque	2020-11-06	PAP	First Insurance		-10,605.65	-25,208.04
		Cheque	2020-11-06	PAP	First Insurance		-40,181.71	-65,389.75
		Bill	2020-12-07		First Insurance		-10,605.65	-75,995.40
		General Journal	2020-12-18	14	lost cheque		3,996.74	-71,998.66
		Cheque	2021-01-06	PAP	First Insurance		-10,605.65	-82,604.31
		Cheque	2021-02-08	DS	First Insurance		-10,605.65	-93,209.96
		Cheque	2021-03-08	DS	First Insurance		-10,605.65	-103,815.61
		Bill	2021-03-08		Bond Security		-6,357.38	-110,172.99
		Total 35500 · insurance and security - HydRX					-110,172.99	-110,172.99
		Total 34000 · Loan to debtor (HydRX)					-110,172.99	-110,172.99
<b>TOTAL</b>							<b>-110,172.99</b>	<b>-110,172.99</b>



10:56 AM

Cobra Ventures Inc.

2021-04-22

### Transactions by Account

Accrual Basis

As of 31 March 2021

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Type	Date	Num	Name	Split	Amount	Balance
34000 · Loan to debtor (HydRX)						0.00
36100 · Property Tax HydRX						0.00
Bill	2021-01-18		Whitby Taxes	20000 · Accou...	-43,918.68	-43,918.68
Cheque	2021-02-22	bill pa...	Whitby Taxes	10000 · BMO #...	-15,000.00	-58,918.68
Cheque	2021-02-22	bill pa...	Whitby Taxes	10000 · BMO #...	-2,386.39	-61,305.07
Total 36100 · Property Tax HydRX					-61,305.07	-61,305.07
Total 34000 · Loan to debtor (HydRX)					-61,305.07	-61,305.07
<b>TOTAL</b>					<b>-61,305.07</b>	<b>-61,305.07</b>

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11:30 AM

2021-04-22

Accrual Basis

Cobra Ventures Inc.

### Transactions by Account

As of 31 March 2021

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Type	Date	Num	Name	Memo	Split	Amount	Balance	
<b>34000 · Loan to debtor (HydRX)</b>							0.00	
General Journal	2021-01-25	20	Receiver General	Title insuranc...	31000 · Winds...	-3,240.00	-3,240.00	
Total 34000 · Loan to debtor (HydRX)							-3,240.00	-3,240.00
<b>TOTAL</b>							<b>-3,240.00</b>	<b>-3,240.00</b>

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

AND DOMENICO SERAFINO AS A PERSON INTERESTED IN THE MATTER OF A PLAN OF COMPRMISE OR ARRANGEMENT OF HYDRX FARMS LTD., CANNSCIENCE INNOVATIONS INC. AND SCIENTUS PHARMA INC. (the "Applicant")

Court File No.: CV-21-00659187-00CL

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

PROCEEDING COMMENCED AT TORONTO

**AFFIDAVIT OF RICHARD GOLDSTEIN**  
**(Sworn April 23, 2021)**

**CASSELS BROCK & BLACKWELL LLP**

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

AND DOMENICO SERAFINO AS A PERSON INTERESTED IN THE MATTER OF A PLAN OF COMPRMISE OR ARRANGEMENT OF HYDRX FARMS LTD., CANNSCIENCE INNOVATIONS INC. AND SCIENTUS PHARMA INC. (the "Applicant")

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**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

PROCEEDING COMMENCED AT  
TORONTO

**MOTION RECORD  
(Motion for a Determination of the Cobra Secured  
Indebtedness)**

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