
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

**CURRENT REPORT
Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934**

Date of Report: December 12, 2018
(Date of earliest event reported)

CLS Holdings USA, Inc.
(Exact name of registrant as specified in its charter)

Commission File Number: **000-55546**

Nevada
(State or other jurisdiction
of incorporation or organization)

45-1352286
(IRS Employer
Identification No.)

11767 South Dixie Highway, Suite 115, Miami, Florida 33156
(Address of principal executive offices, including zip code)

(888) 438-9132
(Registrant's telephone number, including area code)

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 1.01 Entry into a Material Definitive Agreement.

On December 12, 2018, CLS Holdings USA, Inc. (the "Company") executed an Agency Agreement with Canaccord Genuity Corp. and Gravitas Securities Inc. (collectively, the "Agents") regarding a private offering of up to \$40 million aggregate principal amount of senior unsecured convertible debentures ("Debentures") with an issue price of US\$1,000 per Debenture, convertible into units of the Company (the "Units") at the option of the holder at a conversion price of US\$0.80 per Unit (the "Conversion Price") at any time prior to the close of business on the earlier of: (i) the last business day immediately preceding the maturity date of the Debentures, being the date that is three (3) years from the closing date of the offering (the "Closing Date"), and (ii) the date fixed for redemption upon the occurrence of a Change of Control (as defined in the Debentures) of the Company.

The Debentures are unsecured obligations of the Company and rank pari passu in right of payment of principal and interest and were issued pursuant to the terms of a debenture indenture, dated December 12, 2018, between the Company and Odyssey Trust Company as the debenture trustee ("Debenture Indenture"). The Debentures bear interest at a rate of 8% per annum from the Closing Date, payable on the last business day of each calendar quarter. For a period of 18 months from the Closing Date, any interest payable shall automatically accrue and be capitalized to the principal amount of the Debenture and shall thereafter be deemed to be part of the principal amount of the Convertible Debenture.

Beginning on the date that is four (4) months plus one (1) day following the Closing Date, the Company may force the conversion of all of the principal amount of the then outstanding Debentures at the Conversion Price on not less than 30 days' notice should the daily volume weighted average trading price of the Common Shares be greater than US\$1.20 per common share for the preceding 10 consecutive trading days.

Upon a Change of Control (as defined in the Debentures) of the Company, holders of the Debentures have the right to require the Company to repurchase their Debentures, in whole or in part on the date that is 30 days following notice of the Change of Control, at a price equal to 105% of the principal amount of the Debentures then outstanding plus accrued and unpaid interest thereon (the "Offer Price"). If 90% or more of the principal amount of the Debentures outstanding on the date of the notice of the Change of Control have been tendered for redemption, the Company will have the right to redeem all of the remaining Convertible Debentures at the Offer Price. The Debentures also contain standard anti-dilution provisions.

Each Unit issuable upon conversion of the Debentures is comprised of one common share of the Company (a "Common Share") and one-half of one common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant is exercisable into one Common Share at a price of US\$1.10 per Warrant (the "Exercise Price") for a period of 36 months from the Closing Date. The Warrants are governed by the terms of a warrant indenture, dated December 12, 2018, between the Company and Odyssey Trust Company as the warrant agent ("Warrant Indenture").

If, at the time of exercise of any Warrant in accordance with the warrant indenture, there is no effective registration statement under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act") covering the resale by the holder of a portion of the Common Shares to be issued upon exercise of the Warrant, or the prospectus contained therein is not available for the resale of the Common Shares by the holder under the U.S Securities Act by reason of a blackout or suspension of use thereof, then the Warrants may be exercised, in part for that portion of the Common Shares not registered for resale by the holder under an effective registration statement or in whole in the case of the prospectus not being available for the resale of such Common Shares, at such time by means of a "cashless exercise" in which the holder shall be entitled to receive a number of Common Shares equal to the quotient obtained by dividing $[(A-B)(X)]$ by (A), where: A = the last volume weighted average price ("VWAP") for the trading day immediately preceding the time of delivery of the exercise form giving rise to the applicable "cashless exercise"; B = the exercise price of the Warrant; and X = the number of Common Shares that would be issuable upon exercise of the Warrant in accordance with the terms of such Warrant if such exercise were by means of a cash exercise rather than a cashless exercise.

Pursuant to the Agency Agreement, the Company has granted the Agents an option to increase the offering by an additional \$6 million in principal amount of Debentures, which option is exercisable by the Agents at any time up until the Closing Date of the final tranche of the offering.

Pursuant to the Agency Agreement, the Company has agreed to pay the Agents: (A)(i) a cash fee of \$354,000 for advisory services provided to the Company in connection with the offering (the "Advisory Fee"); (ii) a commission equivalent to 6.0% of the aggregate gross proceeds of the offering in the form of cash or Debentures, or any combination of cash or Debentures at the option of the Agents (other than from the president's list purchasers); (B)(i) an aggregate of 184,375 Units (the "Advisory Units"); and (ii) a fee equal to the number of Units which is equal to 2.5% of the aggregate gross proceeds of the offering divided by the Conversion Price (the "Agents' Units", and together with the Advisory Units, the "Finance Fee Units"); and (C)(i) an aggregate of 442,500 advisory warrants (the "Advisory Warrants"); and (ii) broker warrants equal to 6.0% of the gross proceeds of the offering divided by the Conversion Price (the "Agents' Warrants", and together with the Advisory Warrants, the "Broker Warrants"). Each Broker Warrant is exercisable at any time prior to the date that is thirty-six (36) months from the Closing Date (the "Compensation Expiry Date") to acquire that number of Units (the "Compensation Units") which is equal to 6.0% of the gross proceeds of the Offering divided by the Conversion Price, at an exercise price equal to the Conversion Price.

The Company expects the offering to close in tranches, subject to the satisfaction of customary closing conditions. The Agency Agreement contains customary representations, warranties and covenants of the Company and provides that the Company will indemnify the Agents against certain liabilities, including liabilities under the U.S. Securities Act, or to reimburse the Agents for payments that the Agents may be required to make because of such liabilities.

Pursuant to the Agency Agreement and the subscription agreements signed by investors in the offering, the Company has granted certain registration rights to the holders of the Debentures pursuant to which the Company has agreed to prepare and file a registration statement with the United States Securities and Exchange Commission under the U.S. Securities Act to register the resale by the original purchasers of the Debentures of the Common Shares issuable upon conversion of the Debentures or exercise of the Warrants. The Company has agreed to use its best efforts to make such filing within 45 days of the Closing Date and bring it effective within 120 days of the filing date of the registration statement. The Company has agreed to maintain the registration statement effective under the U.S. Securities Act until the earlier of the date (i) all of the registrable Common Shares have been sold pursuant to such registration statement or Rule 144, if available, or (ii) three years from the effective date of such registration statement.

The foregoing descriptions of the Debenture Indenture, the Warrant Indenture and the Agency Agreement, are a summary description of the material terms thereof and is qualified in its entirety by reference to the full text of the Debenture Indenture, the Warrant Indenture and the Agency Agreement, which are incorporated by reference hereto and filed as Exhibits 4.1, 4.2 and 10.1, respectively, to this Current Report on Form 8-K.

Item 3.02. Unregistered Sale of Equity Securities.

Pursuant to the offering described in Item 1.01 hereof, which is hereby incorporated by reference, on December 12, 2018, the Company closed the first tranche of its offering of Debentures and issued \$12,012,000 in aggregate principal amount of Debentures.

In connection with the closing of the first tranche, the Company issued (i) 184,375 Advisory Units, (ii) 375,375 Agents' Units, (iii) 442,500 Advisory Warrants; and (ii) 900,900 Agents' Warrants.

The Debentures, Advisory Units, Agents' Units, Advisory Warrants and Broker Warrants and the underlying Common Shares and Warrants are restricted securities. The sale of the securities in Canada was exempt from registration under the U.S. Securities Act in accordance with the requirements of Category 3 of Rule 903 of Regulations S under the U.S. Securities Act. The sale of the securities in the United States was exempt from registration under the U.S. Securities Act because the securities were sold in a private offering to a limited number of "qualified institutional buyers" (as defined under Rule 144A under the U.S. Securities Act) pursuant to Section 4(a)(2) of the U.S. Securities Act.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

<u>Exhibit No.</u>	<u>Description</u>
4.1	<u>Debenture Indenture dated December 12, 2018 by and between the Company and Odyssey Trust Company</u>
4.2	<u>Warrant Indenture dated December 12, 2018 by and between the Company and Odyssey Trust Company</u>
10.1	<u>Agency Agreement dated December 12, 2018 by and between the Company and Canaccord Genuity Corp.</u>

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

CLS HOLDINGS USA, INC.

Date: December 18, 2018

By: /s/ Jeffrey I. Binder
Jeffrey I. Binder
Chairman and Chief Executive Officer

EXHIBIT INDEX

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CLS HOLDINGS USA, INC.

and

ODYSSEY TRUST COMPANY

as Trustee

INDENTURE

Dated as of December 12, 2018

providing for the issue of 8.0% Unsecured Convertible Debentures

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THIS INDENTURE dated as of December 12, 2018.

BY AND AMONG: **CLS HOLDINGS USA, INC.**, a corporation governed by the laws of the State of Nevada;
(the “**Corporation**”)

AND: **ODYSSEY TRUST COMPANY**, a trust company existing under the laws of the Province of Alberta, in
its capacity as trustee;
(the “**Trustee**”)

RECITALS

- A. The Corporation wishes to provide for the creation and issue of unsecured convertible debentures with the designation of “**8.0% Unsecured Convertible Debentures**” (the “**Debentures**”), all upon the terms and conditions set forth in this Indenture (as hereinafter defined).
- B. All necessary acts and proceedings have been done and taken and all necessary resolutions have been passed to authorize the execution and delivery of this Indenture by the Corporation, to make the same effective and binding upon the Corporation, and to make the Debentures, when certified by the Trustee and issued as provided in this Indenture, valid and legally binding obligations of the Corporation with the benefit and subject to the terms of this Indenture.
- C. The foregoing recitals are made as representations and statements of fact by the Corporation and not by the Trustee.

THEREFORE, it is hereby covenanted, agreed and declared as follows:

**ARTICLE 1
INTERPRETATION**

Section 1.1 Definitions

In this Indenture and in the Debentures, unless there is something in the subject matter or context inconsistent herewith, the expressions below shall have the following meanings:

“**Act**” or “**Act of Holder(s)**”, when used with respect to any Holder(s), shall have the meaning specified in Section 1.12(1);

“**Affiliate**” has the meaning ascribed thereto in the *Securities Act* (Ontario);

“**Applicable Law**” shall mean, at any time, with respect to any Person, property, transaction, event or other matter, as applicable, all laws, rules, statutes, regulations, treaties, orders, judgments and decrees, and all official requests, directives, rules, guidelines, orders, policies, practices and other requirements of any Governmental Authority relating or applicable at such time to such Person, property, transaction, event or other matter, and shall also include any interpretation thereof by any Person having jurisdiction over it or charged with its administration or interpretation;

“**Applicable Securities Law**” shall mean any Applicable Law in any jurisdiction in Canada or the United States regulating, or regulating disclosure with respect to, any sale or distribution of securities in, or to residents of, such jurisdiction;

“**Applicants**” has the meaning ascribed thereto in Section 2.24;

“**Authenticated**” means (a) with respect to the issuance of a Certificated Debenture, one which has been duly signed by the Corporation and authenticated by manual signature of an authorized officer of the Trustee, (b) with respect to the issuance of an Uncertificated Debenture, one in respect of which the Trustee has completed all Internal Procedures such that the particulars of such Uncertificated Debenture are entered in the records of the Trustee, and “**Authenticate**”, “**Authenticating**” and “**Authentication**” have corresponding meanings;

“**Beneficial Holder**” means a Person who is the beneficial owner of a Debenture, as shown on a list maintained by a Participant or the Depository;

“**Board of Directors**” shall mean either the Board of Directors of the Corporation, or any committee of that board duly authorized to make a decision on the matter in question;

“**Board Resolution**” shall mean a copy of a resolution certified by a Responsible Officer of the Corporation to have been duly adopted by the Board of Directors and to be in full force and effect and unamended on the date of such certification;

“**Business Day**” shall mean any day of the week, other than Saturday, Sunday or a statutory holiday in the Provinces of Alberta or Ontario, on which banking institutions are open for business in the City of Calgary, Alberta and Toronto, Ontario;

“**CDS**” shall mean CDS Clearing and Depository Services Inc., together with its successors from time to time;

“**Certificated Debentures**” means Debentures in the form of individual certificates in definitive fully registered form and substantially in the form of Schedule 2.2;

“**Change of Control**” means (i) any event as a result of or following which any person, or group of persons “acting jointly or in concert” within the meaning of applicable Canadian securities laws, beneficially owns or exercises control or direction over an aggregate of more than 50% of the then outstanding Common Shares; or (ii) the sale or other transfer of all or substantially all of the consolidated assets of the Corporation. A Change of Control will not include a sale, merger, reorganization or other similar transaction if the previous holders of the Common Shares hold at least 50% of the voting shares of such merged, reorganized or other continuing entity;

“**Change of Control Notice**” has the meaning ascribed thereto in Section 3.1(2);

“**Change of Control Offer**” has the meaning ascribed thereto in Section 3.1(1);

“**Change of Control Repurchase Date**” means the date that is not less than 30 days nor more than 45 days after the date of the Change of Control Notice;

“**Change of Control Repurchase Notice**” has the meaning ascribed thereto in Section 3.1(3);

“**Change of Control Repurchase Price**” has the meaning ascribed thereto in Section 3.1(1);

“**Common Shares**” means the common shares in the share capital of the Corporation; provided that in the event of any reclassification, subdivision, consolidation, conversion, exchange or other modification thereto shall thereafter mean the shares or other securities or property resulting therefrom;

“**Conversion Price**” means \$0.80 per Unit, subject to adjustment in accordance with the provisions of Section 4.6;

“**Corporate Trust Office**” shall mean the principal office or offices of the Trustee in the City of Calgary, Province of Alberta, at which at any particular time its corporate trust business shall be administered;

“**Corporation**” shall mean CLS Holdings USA, Inc. until a successor corporation shall have become such pursuant to the applicable provisions of this Indenture, and thereafter, “**Corporation**” shall mean such successor corporation;

“**Corporation Request**” or “**Corporation Order**” shall mean a written request or order signed in the name of the Corporation by any Responsible Officer of the Corporation and delivered to the Trustee;

“**Counsel**” shall mean, in the case of Counsel to the Trustee, any barrister, solicitor or other lawyer or firm of barristers, solicitors or other lawyers retained or employed by the Trustee and, in the case of Counsel to the Corporation, any barrister, solicitor or other lawyer or firm of barristers, solicitors or other lawyers retained or employed by the Corporation and acceptable to the Trustee;

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

“**Current Market Price**” for any date means the VWAP on the CSE or OTCQB, as applicable, for the 10 consecutive trading days ending on the fifth trading day preceding the date of the applicable event (or, if the Common Shares are not listed thereon, on such Recognized Stock Exchange on which the Common Shares are listed as may be selected by the Directors and approved by the Trustee or, if the Common Shares are not listed on any Recognized Stock Exchange, then as determined by the Board of Directors, acting reasonably);

“**Date of Conversion**” has the meaning ascribed thereto in Section 4.4(2);

“**Debentureholder(s)**” or “**Holder(s)**” means the registered holder(s) of Debentures for the time being;

“**Debentures**” has the meaning set out in the recitals of this Indenture;

“**Default**” means any event or condition that constitutes an Event of Default or that would constitute an Event of Default with the giving of notice, passage of time, or both;

“**Depository**” or “**CDS**” means CDS Clearing and Depository Services Inc. and its successors in interest;

“**Directors**” means the directors of the Corporation on the date hereof or such directors as may, from time to time, be appointed or elected directors of the Corporation pursuant to the Corporation’s articles and by-laws, and applicable laws, and “**Director**” means any one of them, and reference to action by the Directors means action by the Directors as the Board of Directors;

“**Equity Interests**” means Stock and all warrants, options or other rights to acquire Stock (but excluding any debt security that is convertible into, or exchangeable for, Stock);

“**Event of Default**” shall mean any of the events identified in Section 6.1 as being an Event of Default;

“**Exchange Offer**” has the meaning ascribed thereto in Section 3.1(1);

“**Exchanged Debentures**” has the meaning ascribed thereto in Section 3.1(1);

“**Extraordinary Resolution**” has the meaning ascribed thereto in Section 9.8 and Section 9.11;

“**Fair Market Value**” means the value that would be paid by an informed and willing buyer to an arm’s length informed and willing seller in a transaction not involving distress or necessity of either party, determined by the Board of Directors of the Corporation acting reasonably and in good faith (unless otherwise provided in the Indenture);

“Fiscal Year” means any of the annual accounting periods of the Corporation ending on December 31 of each year;

“Freely Tradeable” means, in respect of share of capital of any class of any corporation, shares which: (i) are issuable without the necessity of filing a prospectus or any other similar offering document under Applicable Securities Law; and (ii) are not subject to a hold period under National Instrument 45-102 – *Resale of Securities* of the Canadian Securities Administrators (or any successor regulation to such National Instrument 45-102);

“GAAP” means generally accepted accounting principles in the United States, consistently applied and any change therein from time to time;

“Government Obligations” means securities issued or guaranteed by the Government of Canada or any province thereof;

“Governmental Authority” shall mean, when used with respect to any Person, any government, parliament, legislature, regulatory authority, agency, tribunal, department, commission, board, instrumentality, court, arbitration board or arbitrator or other law, regulation or rule-making entity (including a Recognized Stock Exchange) having or purporting to have jurisdiction over such Person or the business or property of such Person pursuant to the laws of Canada or any country in which such Person is residing, incorporated, continued, amalgamated, merged or otherwise created or established or in which such Person carries on business or holds property, or any province, territory, state, municipality, district or political subdivision of any such country or of any such province, territory or state of such country;

“Indenture” means or refers to this Indenture as amended or supplemented by any indenture, deed or instrument supplemental or ancillary thereto;

“Indenture Documents” means this Indenture, the Debentures and each other document, instrument, application or agreement now or hereafter executed and delivered by or on behalf of the Corporation or under or pursuant to any of them;

“Interest Obligation” means the obligation of the Corporation to pay interest on the Debentures, as and when the same becomes due;

“Interest Payment Date” means, subject to Section 2.3(4), the last day of March, the last day of June, the last day of September and the last day of December in each year and such other dates to which interest accrues and is payable pursuant to Section 2.3, it being acknowledged that for a period of eighteen (18) months from the Issue Date, any Interest Obligation payable hereunder shall automatically accrue to the principal amount of the Debentures, and shall thereafter be deemed to be part of the principal amount of the Debentures;

“Internal Procedures” means the minimum number of the Trustee’s internal procedures customary at such time for the making of any one or more entries to, changes in or deletions of any one or more entries in the records of the Trustee (including without limitation, original issuance or registration of transfer of ownership) to be complete under the operating procedures followed at the time by the Trustee;

“Issue Date” means December 12, 2018.

“Jurisdictions” means each of the Provinces and territories of Canada;

“Lien” means any hypothec, security interest, mortgage, lien, right of preference, pledge, assignment by way of security or any other agreement or encumbrance of any nature that secures the performance of an obligation, and a Person is deemed to own subject to a Lien any property or assets that it has acquired or

holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital or synthetic lease or similar agreement (other than an operating lease) relating to such property or assets;

“**Mandatory Conversion Date**” has the meaning ascribed thereto in Section 4.5(2);

“**Mandatory Conversion Notice**” has the meaning ascribed thereto in Section 4.5(1);

“**Material Adverse Effect**” means a material adverse effect on (a) the business, assets, operations, prospects or financial or other condition of the Corporation and its Subsidiaries considered as a whole, (b) the Corporation’s ability to pay and the performance of its obligations under the Indenture Documents, or (c) the Trustee’s or any Debentureholder’s rights and remedies under the Indenture Documents;

“**Maturity Date**” means the date on which the principal amount of each Debenture becomes due and payable as provided in this Indenture.

“**NCI**” means the non-certificated inventory system operated by CDS;

“**NCI Letter of Instruction**” means the NCI letter of instruction provided by CDS to the Trustee in connection with the conversion of the Debentures;

“**Notice**” shall mean any notice, document or other communication required or permitted to be given under this Indenture;

“**Officer’s Certificate**” shall mean a certificate signed by any two officers of the Corporation, at least one of whom shall be the chief executive officer or the chief financial officer, (or officer holding a similar title), and delivered to the Trustee;

“**Opinion of Counsel**” shall mean a written opinion addressed to the Trustee (among other addressees as applicable), by Counsel and in a form which, in each case, shall be reasonably satisfactory to the Trustee;

“**OTCQB**” means the OTCQB marketplace of the OTC Markets Group;

“**Outstanding**” when used with respect to the Debentures shall mean, as of the date of determination, all Debentures theretofore certified and delivered by the Trustee under this Indenture, except:

- (a) Debentures theretofore cancelled by the Trustee or delivered to the Trustee for cancellation;
- (b) Debentures for whose payment, purchase, or repurchase money in the necessary amount has been theretofore deposited with the Trustee under gratuitous deposit or set aside and segregated in trust by the Corporation (if the Corporation shall act as its own paying agent) for the Holders of such Debentures; and
- (c) Debentures that have been surrendered to the Trustee pursuant to Section 3.1 or in exchange for or in lieu of which other Debentures have been certified and delivered pursuant to this Indenture, other than any such Debentures in respect of which there shall have been presented to the Trustee proof satisfactory to it that such Debentures are held by a bona fide purchaser in whose hands such Debentures are valid obligations of the Corporation; provided, however, that: (i) in determining whether the Holders of the requisite principal amount of the Debentures then outstanding have taken any Act of Holders hereunder, Debentures owned by the Corporation or any Affiliate of the Corporation shall be disregarded and deemed not to be then Outstanding; (ii) in determining whether the Trustee shall be protected in acting and relying upon such Act of Holders, only Debentures of which the Trustee has actual notice that they are so owned

shall be so disregarded; and (iii) that Debentures so owned that have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right to act with respect to such Debentures and that the pledgee is not the Corporation or any Affiliate of the Corporation;

"Participant" shall mean, in relation to a Depository, a broker, dealer, bank or other financial institution or other Person on whose behalf such Depository or its nominee holds Debentures pursuant to a book-based system operated by such Depository;

"Payment Record Date" means (i) with respect to the Maturity Date, 15 Business Days prior to such date and (ii) with respect to an Interest Payment Date, the date determined as the record date for the determination of the Holders to which interest on Debentures is payable on such Interest Payment Date, which date shall be the 15th day of the month in which such Interest Payment Date occurs (or if such day is not a Business Day, the immediately preceding Business Day);

"Person" shall mean any natural Person, corporation, firm, partnership, joint venture, trustee, executor, liquidator of a succession, administrator, legal representative or other unincorporated association, trust, unincorporated organization, government or Governmental Authority and pronouns relating thereto have a similar extended meaning;

"Proceeding" shall mean any suit, action or other judicial or administrative proceeding;

"Qualified Institutional Buyer" means a "qualified institutional buyer" within the meaning of Rule 144A under the U.S. Securities Act;

"Recognized Stock Exchange" means the OTCQB, the CSE or, if the Common Shares are not listed on the OTCQB Exchange or the CSE, any other national securities exchange or market on which the Common Shares are then listed and posted for trading;

"Regulation D" means Regulation D adopted by the U.S. Securities and Exchange Commission under the U.S. Securities Act;

"Regulation S" means Regulation S adopted by the U.S. Securities and Exchange Commission under the U.S. Securities Act;

"Repayment Offer" has the meaning ascribed thereto in Section 3.1(1);

"Responsible Officer of the Corporation" means the Chairman, the Chief Executive Officer, the Chief Financial Officer, any Vice-President, the Secretary, any Assistant Secretary, or any other officer of the Corporation customarily performing functions similar to those performed by any of the above designated officers;

"Stated Maturity" shall mean, with respect to any principal of or accrued interest on a Debenture, the fixed date or dates specified on which such principal or interest is due and payable;

"Stock" means all shares, options, warrants, general or limited partnership interests, membership interests or other equivalents (regardless of how designated) of or in a corporation, partnership, limited liability company or equivalent entity whether voting or non-voting, participating or non-participating, including common stock, preferred stock or any other equity security;

"Subject Transaction" has the meaning ascribed thereto in Section 10.1;

"Subsidiary" in relation to any specified Person, shall mean (a) any corporation, association or other business entity a majority of the outstanding Voting Securities of which are beneficially owned, directly or indirectly, by or for such Person and/or by or for any subsidiary or one or more of the other

Subsidiaries of that Person (or a combination thereof), and (b) any partnership (i) the sole general partner or the sole managing general partner of which is such Person or a Subsidiary of such Person or (ii) the only general partners of which are the Person or one or more Subsidiaries of that Person (or any combination thereof);

“**Successor Entity**” has the meaning ascribed thereto in Section 10.1(a);

“**Supplemental Indenture**” has the meaning ascribed thereto in Section 12.4;

“**Taxes**” has the meaning ascribed thereto in Section 2.21;

“**Time of Expiry**” has the meaning ascribed thereto in Section 4.1;

“**Transfer Agent**” shall mean Vstock Trust Company or such other Person or Persons appointed as the transfer agent for the Common Shares, in such capacity, together with such Person’s or Persons’ successor from time to time in such capacity;

“**Trustee**” shall mean Odyssey Trust Company until a successor Trustee shall have become such pursuant to the applicable provisions of this Indenture, and thereafter, “**Trustee**” shall mean or include each Person who is then a Trustee hereunder;

“**Uncertificated Debenture**” means any Debenture which is issued under the Non Certificated Inventory System and which is not evidenced by a Certificated Debenture;

“**Unit**” mean units of the Corporation, each comprised of one Common Share and one-half of one Warrant.

“**United States**” or “**U.S.**” means the United States of America, its territories and possessions, any state of the United States, and the District of Columbia;

“**U.S. Accredited Investors**” means “accredited investors” within the meaning of Rule 501(a) of Regulation D;

“**U.S. Debentureholder**” means any Debentureholder that acquired Debentures as a U.S. Purchaser;

“**U.S. Dollar**” or “**Dollar**” or “**\$**” shall mean lawful currency of the United States of America;

“**U.S. Legend**” has the meaning ascribed thereto in Section 2.26;

“**U.S. Marijuana Laws**” means certain United States federal laws relating to the cultivation, distribution or possession of marijuana in the United States and other related judgments, orders or decrees in effect from time to time that provide that such cultivation, distribution or possession is illegal;

“**U.S. Person**” means a “U.S. Person” as that term is defined in Rule 902(k) of Regulation S;

“**U.S. Purchaser**” means with respect to the purchase of Debentures (a) any purchaser in the United States, (b) any person purchasing securities for the account or benefit of any person in the United States, (c) any person that receives or received an offer of the Debentures while in the United States, and (d) any person that is in the United States at the time the Purchaser’s buy order was made or the Subscription Agreement was executed or delivered, except that U.S. Purchaser shall not include any person excluded from the definition of “U.S. Person” pursuant to Rule 902(k)(2)(vi) of Regulation S (as defined herein) or persons holding accounts excluded from the definition of “U.S. person” pursuant to Rule 902(k)(2)(i) of Regulation S, solely in their capacities as holders of such accounts;

“**U.S. Securities Act**” means the United States Securities Act of 1933, as amended;

“**VWAP**” means the volume-weighted average trading price of the Common Shares for the applicable period (which must be calculated utilizing days in which the Common Shares actually trade). The VWAP shall be determined by dividing the aggregate sale price of all Common Shares sold on the OTCQB over the applicable period by the total number of Shares so sold;

“**Voting Securities**” means securities having under all circumstances voting power to elect the directors, managers or trustees of the corporation, association or other business entity, provided that securities which only carry the right to vote conditionally on the happening of an event shall not be considered to be Voting Securities nor shall any securities be deemed to cease to be Voting Securities solely by reason of a right to vote accruing to shares of another class or classes by reason of the happening of such event;

“**Warrant**” means a Common Share purchase warrant exercisable to acquire one Common Share at a price of \$1.10 per Warrant for a period of 36 months from the Issue Date;

“**Warrant Indenture**” means the indenture between the Corporation and Odyssey Trust Company, as warrant agent, with respect to the Warrants;

“**Wholly-Owned Subsidiary**” means any Subsidiary of which the Corporation beneficially owns, directly or indirectly, all the Voting Securities and equity interests (other than qualifying equity interests required to be issued under Applicable Law) and a Subsidiary shall be deemed to beneficially own Voting Securities and equity interests beneficially owned by a Wholly-Owned Subsidiary and so on indefinitely;

“**Written Order**” means a written order or request, respectively, signed in the name of the Corporation by a Responsible Officer or director of the Corporation;

and all other terms which are used herein but not otherwise defined herein, and that are defined in the *Securities Act* (Ontario), either directly or by reference therein, shall have the meanings assigned to them therein.

Section 1.2 Interpretation

- (1) Words importing the singular number shall include the plural and vice versa and words importing gender shall include the masculine, feminine and neuter genders.
- (2) The words “hereto”, “herein”, “hereof”, “hereby”, “hereunder”, and other words of similar import refer to this Indenture as a whole and not to any particular article, section, subsection, paragraph, clause or other part of this Indenture.
- (3) Except as otherwise provided herein, any reference in this Indenture to any act, statute, regulation, policy statement, instrument, agreement, or section thereof shall be deemed to be a reference to such act, statute, regulation, policy statement, instrument, agreement or section thereof as amended, re-enacted or replaced from time to time.

Section 1.3 Accounting Terms

As used in this Indenture and in any certificate or other document made or delivered pursuant to this Indenture, accounting terms not defined in this Indenture, or in any such certificate or other document, and accounting terms partly defined in this Indenture or in any such certificate or other document to the extent not defined, shall have the respective meanings given to them under GAAP. To the extent that the definitions of accounting terms in this Indenture, or in any such certificate or other document are inconsistent with the meanings of such terms under GAAP, the definitions contained in this Indenture, or in any such certificate or other document shall prevail.

Section 1.4 Headings and Table of Contents

The division of this Indenture, or any related document, into articles, sections, subsections, paragraphs, clauses and other subdivisions, the provision of a table of contents and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Indenture or any such related document.

Section 1.5 Section and Schedule References

Unless something in the subject matter or context is inconsistent therewith, references in this Indenture to articles, sections, subsections, paragraphs, clauses, other subdivisions, exhibits, appendices or schedules are to articles, sections, subsections, paragraphs, clauses other subdivisions, exhibits, appendices or schedules of or to this Indenture.

Section 1.6 Governing Law

The parties to this Indenture agree that any legal suit or proceeding arising with respect to this Indenture or the Debentures will be tried exclusively in the courts of the Province of Alberta in the City of Calgary, and the parties to this Indenture agree to submit to the jurisdiction of, and to venue in, such courts. This Indenture and each Debenture issued hereunder shall be governed by, and construed with, the laws of the Province of Alberta and the federal laws of Canada applicable therein and shall be treated in all respects as Ontario contracts.

Section 1.7 Currency

Unless expressly provided to the contrary in this Indenture or in any Debenture, all monetary amounts in this Indenture or in such Debenture refer to United States Dollars.

Section 1.8 Non-Business Day

Unless expressly provided to the contrary in this Indenture or in any Debenture, whenever any payment shall be due, any period of time shall begin or end, any calculation is to be made or any other action is to be taken on, or as of, or from a period ending on, a day other than a Business Day, such period of time shall begin or end and such calculation shall be made as of the day that is not a Business Day, but such actions shall be taken and such payment shall be made, as the case may be, on the next succeeding Business Day.

Section 1.9 Time

Unless otherwise expressly stated in this Indenture or in any Debenture, all references to a time will mean Eastern time. Time shall be of the essence of this Indenture.

Section 1.10 Independence of Covenants

Each covenant contained in this Indenture shall be construed (absent an express provision to the contrary) as being independent of each other covenant, so that compliance with any one covenant shall not (absent such an express contrary provision) be deemed to excuse compliance with any other covenant.

Section 1.11 Form of Documents Delivered to Trustee

- (1) In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more

other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

- (2) Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

Section 1.12 Acts of Holders

- (1) Any request, demand, authorization, direction, Notice, consent, waiver or other action provided by this Indenture to be given or taken by Holders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in Person or by agents duly appointed in writing. Any request, demand, authorization, direction, Notice, consent, waiver or other action provided by this Indenture to be given or taken by Holders may, alternatively, be embodied in and evidenced by the record of Debentureholders voting in favour thereof, either in Person or by proxies duly appointed in writing, at any meeting of Debentureholders duly called and held in accordance with the provisions of Article 9, or a combination of such instruments and any such record. Except as herein otherwise expressly provided, such action shall become effective when such requisite instrument or instruments are delivered to the Trustee and, where it is hereby expressly required, to the Corporation. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the “**Act of Holders**” of the “**Act**” of the Holders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and, subject to Section 8.1, conclusive in favour of the Trustee and the Corporation, if made in the manner provided in this Section 1.12. The record of any meeting of Debentureholders shall be provided in the manner specified in Section 9.7.
- (2) If the Corporation or the Trustee shall solicit from the Debentureholders any Act, the Corporation or the Trustee, as the case may be, may, at its option, fix in advance a record date for the determination of Debentureholders entitled to take such Act, but the Corporation or the Trustee, as the case may be, shall have no obligation to do so. Any such record date shall be fixed at the Corporation’s or the Trustee’s discretion, as the case may be, provided that such record date shall be fixed on a date not more than 60 days prior to the Act. If such a record date is fixed, such Act may be sought or taken before or after the record date, but only the Debentureholders of record at the close of business on such record date shall be deemed to be Debentureholders for the purpose of determining whether Holders of the requisite proportion of Debentures Outstanding have authorized or agreed or consented to such Act, and for that purpose the Debentures Outstanding shall be computed as of such record date.
- (3) Any Act of the Holder of any Debenture shall bind every future holder of the same Debenture and the Holder of every Debenture issued upon the registration of transfer thereof or in exchange therefore or in lieu thereof in respect of anything done, suffered or omitted by the Trustee or the Corporation in reliance thereon, whether or not notation of such action is made upon such Debenture.

Section 1.13 Interest Payments and Calculations

- (1) The rate of interest stipulated in this Indenture or in any Debenture will be calculated on the basis of a 360 day year composed of twelve 30 day months.
- (2) For purposes of the *Interest Act* (Canada), (i) whenever any interest under this Indenture is calculated using a rate based on a year of 360 days or 365 days, as the case may be, the rate determined pursuant to such calculation, when expressed as an annual rate, is equivalent to (x) the

applicable rate based on a year of 360 days or 365 days, as the case may be, (y) multiplied by the actual number of days in the calendar year in which the period for which such interest or fee is payable (or compounded) ends, and (z) divided by 360 or 365, as the case may be, (ii) the principle of deemed reinvestment of interest does not apply to any interest calculation under this Indenture, and (iii) the rates of interest stipulated in this Indenture are intended to be nominal rates and not effective rates or yields.

- (3) In calculating interest under this Indenture or under a Debenture for any period, unless otherwise specifically stated, the first day of such period shall be included and the last day of such period shall be excluded.
- (4) If any provision in any Indenture Document would oblige the Corporation to make any payment of interest or other amount payable to the Trustee or any Holder in an amount or calculated at a rate which would be prohibited by law or would result in a receipt by the Trustee or that Holder of “interest” at a “criminal rate” (as such terms are construed under the *Criminal Code* (Canada)), then, notwithstanding such provision, such amount or rate shall be deemed to have been adjusted with retroactive effect to the maximum amount or rate of interest, as the case may be, as would not be so prohibited by Applicable Law or so result in a receipt by the Trustee or that Holder of “interest” at a “criminal rate”, such adjustment to be effected, to the extent necessary (but only to the extent necessary), as follows:
- (a) first, by reducing the amount or rate of interest to be paid to the Trustee or the affected Holder, as the case may be; and
 - (b) thereafter, by reducing any fees, commissions, costs, expenses, premiums and other amounts required to be paid to the Trustee or the affected Holder, as the case may be, which would constitute interest for purposes of Section 347 of the *Criminal Code* (Canada).

Section 1.14 Successors and Assigns

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

Section 1.15 Severability Clause

If any provision in this Indenture or in the Debentures shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 1.16 Benefits of Indenture

Nothing in this Indenture and in the Debentures, express or implied, shall give to any Person, other than the parties hereto, the Debentureholders, and their respective successors hereunder, any paying agent, any Person maintaining the record of the Debentureholders pursuant to Section 2.12, any Transfer Agent and the Holders, any benefit or any legal or equitable right, remedy or claim under this Indenture.

Section 1.17 Unclaimed Debentures

Subject to Applicable Law, all amounts held or set aside for the payment of Debentures together with any interest thereon which remain unclaimed after a period of three calendar years from the Maturity Date shall be forfeited and shall revert to the Corporation.

Section 1.18 Schedules

The following Schedules form part of this Indenture:

Schedule 2.2	Form of Debenture Certificate
Schedule Section 2.26	Form of Regulation S Rule 904 Transfer Certificate
FORM OF REGULATION S RULE 904 TRANSFER CERTIFICATE	

Section 1.19 Benefits of Indenture through Trustee

For greater certainty, this Indenture is being entered into with the Trustee for the benefit of the Holders and the Trustee declares that it holds all rights, benefits and interests of this Indenture on behalf of and as the Person holding the power of attorney of, the Holders and each such Person who becomes a Holder of the Debentures from time to time.

Section 1.20 English Language

The Corporation, the Trustee and, by their acceptance of Debentures and the benefits of this Indenture, the Holders acknowledge having consented to and requested that this Indenture, each Debenture and each document related hereto and thereto be drawn up in the English language only. *La Société, le fiduciaire des débentures et, par leur acceptation des débentures et des avantages de la présente convention, les porteurs, reconnaissent avoir accepté et demandé que la présente convention, chaque débenture et chaque document relié à celles-ci soient rédigés en langue anglaise.*

**ARTICLE 2
THE DEBENTURES**

Section 2.1 Limit of Issue and Designation of Debentures

The Debentures authorized to be issued hereunder are limited to \$46,000,000 aggregate principal amount, which, in each case shall be designated as “8.0% Unsecured Convertible Debentures”.

Section 2.2 Form and Terms of Debentures

- (1) The Debentures shall be dated as of the Issue Date. The Debentures shall bear interest from and including the Issue Date at the rate of 8.0% per annum (after as well as before maturity, default and judgment, with interest on overdue interest at the said rate until the earlier of the dates set out in Section 2.3(1)(b) to (d) below), payable in lawful money of the United States in equal quarterly instalments in arrears on each Interest Payment Date, subject to Section 2.3(4), and the Debentures shall mature on the Maturity Date. The first Interest Payment Date on December 31, 2018 will include interest accrued from the Issue Date to, but excluding, December 31, 2018, subject to Section 2.3(4).
- (2) Subject to the Debentures being converted in accordance with the terms of Article 4 or purchased prior to the Maturity Date in accordance with the terms of this Indenture, the outstanding principal of the Debentures will be payable to the Holder on the Maturity Date in lawful money of the United States against surrender thereof by said Holder at the Corporate Trust Office or at such place or places as may be designated by the Corporation for that purpose.

- (3) The Debentures shall be issued as fully registered Debentures in denominations of \$1,000 and integral multiples of \$1,000, or as Uncertificated Debentures, provided that any Debentures sold to a U.S. Purchaser shall be issued as Certificated Debentures and are required to bear such legends as set out in Section 2.26.
- (4) The Debentures and the certificate of the Trustee endorsed thereon shall be substantially in the form set forth in Schedule 2.2 FORM OF DEBENTURE hereto. The terms and provisions contained in the Form of Debenture shall constitute, and are hereby expressly made, a part of this Indenture and, to the extent applicable, the Corporation and the Trustee, by their execution and delivery of this Indenture, expressly agree to such terms and provisions and to be bound thereby.
- (5) Any of the Debentures may have such letters, numbers or other marks of identification and such notations, legends, endorsements or changes as the Responsible Officer(s) of the Corporation executing the same may approve (execution thereof to be conclusive evidence of such approval) and as are not inconsistent with the provisions of this Indenture, or as may be required by the Trustee, the Depository, or as may be required to comply with any Applicable Securities Laws or with any rule or regulation made pursuant thereto or with any rule or regulation of any securities exchange or automated quotation system on which the Debentures may be listed, or to conform to usage, or to indicate any special limitations or restrictions to which any particular Debentures are subject.
- (6) The Corporation in issuing the Debentures may use “CUSIP” and “ISIN” numbers (if then generally in use), and, if so, the Trustee shall use “CUSIP” and “ISIN” numbers in all notices issued to Holders as a convenience to Holders; provided that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Debentures or as contained in any notice and that reliance may be placed only on the other elements of identification printed on the Debentures. The Corporation shall promptly notify the Trustee in writing of any changes to the CUSIP and ISIN number.

Section 2.3 Interest

- (1) Subject to Section 2.3(4), Each Debenture issued hereunder, whether issued originally or in exchange for another Debenture, shall bear interest from the Issue Date, or from and including the last Interest Payment Date on which interest shall have been paid or made available for payment on the Debentures then Outstanding, whichever shall be the later, to but excluding the earlier of:
 - (a) the following Interest Payment Date;
 - (b) if purchased in accordance with Section 3.1, the date of payment;
 - (c) if repurchased in accordance with Section 3.3, the Change of Control Repurchase Date;
 - (d) if converted in accordance with Article 4, the Conversion Date;
 - (e) if redeemed in accordance with any other provision of this Indenture, the Maturity Date, subject to certain exceptions set out in Section 3.2; and
 - (f) the Maturity Date;

as the case may be (the “**Interest Period**”). The interest payable per \$1,000 principal amount of Debentures in respect of an Interest Period other than an Interest Period that ends on an Interest Payment Date shall be calculated by multiplying \$1,000 by the interest rate of 8.0% per annum, computed on the basis of a 360-day year composed of twelve 30-day months. For the purposes of

the *Interest Act* (Canada) and disclosure under such act, whenever interest to be paid is to be calculated on the basis of any period of time less than a calendar year (a “**deemed year**”) such rate of interest shall be expressed as a yearly rate by multiplying such rate of interest for the deemed year by the actual number of days in the calendar year in which the rate is to be ascertained and dividing it by the number of days in the deemed year.

- (2) Subject to the Debentures being converted in accordance with the terms of Article 4 or purchased prior to the Maturity Date in accordance with the terms of this Indenture, the Corporation shall pay to the Debentureholders on the Maturity Date all outstanding principal thereon and all accrued and unpaid interest thereto, up to but excluding the Maturity Date.
- (3) All payments of interest in cash on the Uncertificated Debentures shall be made by electronic funds transfer or certified cheque made payable to the Depository or its nominee on the day interest is payable for subsequent payment to Beneficial Holders of the applicable Uncertificated Debentures, unless the Corporation and the Depository otherwise agree.
- (4) For a period of 18 months from the Issue Date, any Interest Obligation payable hereunder shall automatically accrue to the principal amount of the Debentures, and shall thereafter be deemed to be part of the principal amount of the Debentures.

Section 2.4 Prescription

The right of the Debentureholders to exercise their rights under this Indenture shall become void unless the Debentures are presented for payment within a period of three years following the Maturity Date. The Corporation shall have satisfied its obligations under the Debentures upon irrevocable remittance to the Trustee for the account of the Debentureholders, upon redemption, repurchase or at the Maturity Date, of any and all consideration due hereunder in cash and such remittance shall for all purposes be deemed a payment to the Debentureholders, and to that extent such Debentures shall thereafter not be considered as Outstanding and the Debentureholders shall have no right, except to receive payment out of the moneys so paid and deposited upon surrender of its Debentures.

Section 2.5 Issue of Debentures

Debentures in such aggregate principal amounts as the Board of Directors shall determine in accordance with the terms hereof and in lawful money of the United States shall be executed by the Corporation from time to time and, forthwith after such execution, shall be delivered to the Trustee and shall be authenticated by the Trustee and delivered to the Corporation in accordance with the terms of Section 2.7. Other than as contemplated by Section 2.13, the Trustee shall receive no consideration for the certification or Authentication of Debentures.

Section 2.6 Execution of Certificated Debentures

All Certificated Debentures shall be signed (either manually or by electronic signature) by any one Responsible Officer of the Corporation holding office at the time of signing. An electronic signature upon a Certificated Debenture shall for all purposes of this Indenture be deemed to be the signature of the Person whose signature it purports to be. Notwithstanding that any Person whose signature, either in manual or in electronic form, appears on a Certificated Debenture as a director or officer may no longer hold such office at the date of the Certificated Debenture or at the date of the certification and delivery thereof, such Certificated Debenture shall be valid and binding upon the Corporation and the registered holders thereof entitled to the benefits of this Indenture. In addition, any Uncertificated Debenture shall, subject to Section 2.7, be valid and binding upon the Corporation and the registered holder thereof will be entitled to the benefits of this Indenture.

Section 2.7 Authentication

- (1) A Debenture shall not be valid until Authenticated. Only such Debentures as shall have been Authenticated shall be enforceable against the Corporation and entitled to the benefits of this Indenture at any time or be valid or obligatory for any purpose.
- (2) Authentication by the Trustee of any Certificated Debenture executed by the Corporation shall be conclusive evidence that the Holder is entitled to the benefits of this Indenture.
- (3) No Debenture (which for greater certainty shall include any Debenture issued as an Uncertificated Debenture) shall be issued or, if issued, shall be valid for any purpose, enforceable against the Corporation or entitle the registered holder to the benefit hereof or thereof until it has been Authenticated. Such Authentication shall be conclusive evidence that such Debenture is a valid and binding obligation of the Corporation and that the holder is entitled to the benefits of this Indenture. The Authentication by the Trustee of any such Debenture hereunder shall not be construed as a representation or warranty by the Trustee as to the validity of this Indenture or of such Debenture or its issuance (except the due Authentication thereof) or as to the performance by the Corporation of its obligations under this Indenture and the Trustee shall in no respect be liable or answerable for the use made of the Debentures or any of them or the proceeds thereof.

Section 2.8 Uncertificated Debentures

- (1) The Corporation initially appoints CDS to act as Depositary. Subject to the provisions hereof, at the Corporation's option, Debentures may be issued and registered in the name of CDS or its nominee as an Uncertificated Debenture and the deposit of which may be confirmed electronically by the Trustee to a particular Participant through CDS.
- (2) If the Corporation issues Uncertificated Debentures, Beneficial Holders of such Debentures shall not receive Debenture Certificates in definitive form and shall not be considered owners or holders thereof under this Indenture or any supplemental indenture. Beneficial interests in Debentures registered and deposited with CDS will be represented only through the NCI. Transfers of Debentures registered and deposited with CDS between Participants shall occur in accordance with the rules and procedures of CDS. Neither the Corporation nor the Trustee shall have any responsibility or liability for any aspects of the records relating to or payments made by CDS or its nominee, on account of the beneficial interests in Debentures registered and deposited with CDS. Nothing herein shall prevent the Beneficial Holders of Uncertificated Debentures from voting such Debentures using duly executed proxies or voting instruction forms.
- (3) All references herein to actions by, notices given or payments made to, Debentureholders shall, where Debentures are held through CDS, refer to actions taken by, or notices given or payments made to, CDS upon instruction from the Participants in accordance with its rules and procedures in the case of actions by CDS. For the purposes of any provision hereof requiring or permitting actions with the consent of or the direction of Debentureholders evidencing a specified percentage of the aggregate Debentures outstanding, such direction or consent may be given by Beneficial Holders acting through CDS and the Participants owning Debentures evidencing the requisite percentage of the Debentures. The rights of a Beneficial Holder whose Debentures are held established by law and agreements between such holders and CDS and the Participants upon instructions from the Participants. Each Trustee and the Corporation may deal with CDS for all purposes (including the making of payments) as the authorized representative of the respective Debentures or Debenture holders and such dealing with CDS shall constitute satisfaction or performance, as applicable, of their respective obligations hereunder.

- (4) For so long as Debentures are held through CDS, if any notice or other communication is required to be given to Debentureholders, the Trustee will give such notices and communications to CDS.
- (5) If CDS resigns or is removed from its responsibility as Depository and the Trustee is unable or does not wish to locate a qualified successor, CDS shall provide the Trustee with instructions for registration of Debentures in the names and in the amounts specified by CDS, and the Corporation shall issue and the Trustee shall certify and deliver the aggregate number of Debentures then outstanding in the form of Certificated Debentures representing such Debentures.
- (6) The rights of Beneficial Holders who hold securities entitlements in respect of the Debentures through the NCI shall be limited to those established by Applicable Law and agreements between the Depository and the Participants and between such Participants and the Beneficial Holders who hold securities entitlements in respect of the Debentures through the NCI, and such rights must be exercised through a Participant in accordance with the rules and procedures of the Depository.
- (7) Notwithstanding anything herein to the contrary, none of the Corporation nor the Trustee nor any agent thereof shall have any responsibility or liability for:
 - (a) the electronic records maintained by the Depository relating to any ownership interests or other interests in the Debentures or the depository system maintained by the Depository, or payments made on account of any ownership interest or any other interest of any Person in any Debenture represented by an electronic position in the NCI (other than the Depository or its nominee);
 - (b) for maintaining, supervising or reviewing any records of the Depository or any Participant relating to any such interest; or
 - (c) any advice or representation made or given by the Depository or those contained herein that relate to the rules and regulations of the Depository or any action to be taken by the Depository on its own direction or at the direction of any Participant.
- (8) The Corporation may terminate the application of this Section 2.8 in its sole discretion in which case all Debentures shall be evidenced by Certificated Debenture registered in the name of a Person other than the Depository.

Section 2.9 Persons Entitled to Payment

- (1) Prior to due presentment for registration of transfer of any Debenture, the Corporation, the Trustee and any other Person, as the case may be, may treat the Person in whose name any Debenture is registered in the applicable register as the absolute and sole owner of such Debenture for all purposes including receiving payment of the principal of, and any premium, if any, interest or other amount on such Debenture, receiving any notice to be given to the Holder of such Debenture, and taking any Act of Holders with respect to such Debenture, whether or not any payment with respect to such Debenture shall be overdue, and none of the Corporation, the Trustee or any other Person, as the case may be, shall be affected by notice to the contrary.
- (2) Delivery of a Debenture to the Trustee by or on behalf of the Holder thereof shall, upon payment of such Debenture, be a valid discharge to the Corporation of all obligations evidenced by such Debenture. None of the Corporation, the Trustee or any other Person shall be bound to inquire into the title of any such Holder.

- (3) In the case of the death of one or more joint registered Holders of a Debenture, the principal of, and premium, if any, interest and any other amounts on such Debenture may be paid to the survivor or survivors of such registered Holders whose receipt of such payment, accompanied by the delivery of such Debenture, shall constitute a valid discharge to the Corporation and the Trustee.

Section 2.10 Payment of Principal and Interest on Certificated Debentures

- (1) Except as may otherwise be provided herein, payments of amounts due upon maturity of the Debentures will be made in the following manner. The Corporation will establish and maintain with the Trustee a maturity account for the Debentures (the “**Maturity Account**”). On or before 9:00 a.m. (Toronto time) not less than one Business Day immediately prior to each Maturity Date for Debentures outstanding from time to time under this Indenture, the Corporation will deliver to the Trustee a certified cheque or wire transfer for deposit in the applicable Maturity Account in an amount sufficient to pay the cash amount payable in respect of such Debentures (including the principal amount together with any accrued and unpaid interest thereon less any tax required by law to be deducted). The Trustee, on behalf of the Corporation, will pay to each holder entitled to receive payment the principal amount of and accrued and unpaid interest on the Debenture, upon surrender of the Debenture at any branch of the Trustee designated for such purpose from time to time by the Corporation and the Trustee. The delivery of such funds to the Trustee for deposit to the applicable Maturity Account will satisfy and discharge the liability of the Corporation for the Debentures to which the delivery of funds relates to the extent of the amount delivered (plus the amount of any tax deducted as aforesaid) and such Debentures will thereafter to that extent not be considered as outstanding under this Indenture and such holder will have no other right in regard thereto other than to receive out of the money so delivered or made available the amount to which it is entitled. Unless any Debenture is converted or purchased in accordance with the terms of this Indenture prior to the Maturity Date, interest shall cease to accrue on the Debentures upon the Maturity Date provided the Trustee has received, by the Maturity Date, from the Corporation all the funds due and payable on the Debentures.
- (2) Subject to Section 2.3(4), as interest becomes due on each Debenture (except, on conversion, on redemption, or if purchased in accordance with the terms of this Indenture, when interest shall be paid by the Corporation upon surrender of such Debenture in accordance with the terms of this Indenture), the Corporation, either directly or through the Trustee or any agent of the Trustee, shall send or forward by prepaid ordinary mail, electronic transfer of funds or such other means as may be agreed to by the Trustee, payment of such interest to the order of the registered holder of such Debenture appearing on the registers maintained by the Trustee at the close of business on the record date prior to the applicable Interest Payment Date and addressed to the holder at the holder’s last address appearing on the register, unless such holder otherwise directs. If payment is made by cheque, such cheque shall be forwarded at least three days prior to each date on which interest becomes due, and if payment is made by other means (such as electronic transfer of funds), the Trustee must receive confirmation of receipt of funds prior to being able to forward funds or cheques to holders and such payment shall be made in a manner whereby the holder receives credit for such payment on the date such interest on such Debenture becomes due. The mailing of such cheque or the making of such payment by other means shall, to the extent of the sum represented thereby, plus the amount of any tax withheld as aforesaid, satisfy and discharge all liability for interest on such Debenture, unless in the case of payment by cheque, such cheque is not paid at par on presentation. In the event of non-receipt of any cheque for or other payment of interest by the person to whom it is so sent as aforesaid, the Corporation will issue to such person a replacement cheque or other payment for a like amount upon being furnished with such evidence of non-receipt as it shall reasonably require and upon being indemnified to its satisfaction. Notwithstanding the foregoing, if the Corporation is prevented by circumstances

beyond its control (including, without limitation, any interruption in mail service) from making payment of any interest due on each Debenture in the manner provided above, the Corporation may make payment of such interest or make such interest available for payment in any other manner acceptable to the Trustee with the same effect as though payment had been made in the manner provided above.

- (3) The Trustee is authorized by the Corporation to make payments of interest and principal to Holders, by electronic funds transfer, upon the request of such Holder and the reasonable and documented Trustee's fees in respect thereof will be for the account of the Holder.
- (4) If a Debenture or a portion thereof is called or presented for conversion or purchase, repurchase or redemption and the payment date is subsequent to a Payment Record Date but prior to the related Interest Payment Date, interest accrued on such Debenture will be paid upon presentation and surrender of such Debenture to the Corporate Trust Office up to but excluding the payment date.
- (5) Subject to the foregoing provisions of this section, each Debenture delivered upon the transfer of or in exchange for or in lieu of any other Debenture shall carry the rights to interest accrued and unpaid, and to accrue, that were carried by such other Debenture.

Section 2.11 Rank

The Debentures certified and issued under this Indenture rank pari passu with one another.

Section 2.12 Register and Transfer

- (1) The Corporation shall cause to be kept by and at the principal office of the Trustee in Calgary, Alberta and by the Trustee or such other registrar as the Corporation, with the approval of the Trustee, may appoint at such other place or places, if any, as the Corporation may designate with the approval of the Trustee, a register in which shall be entered the names and addresses of the holders of Debentures and particulars of the Debentures held by them respectively and of all transfers of Debentures. Such registration shall be noted on any Certificated Debentures by the Trustee or other registrar unless a new Certificated Debenture shall be issued upon such transfer. If the Trustee is not the registrar, the Corporation shall furnish, or cause the registrar to furnish, to the Trustee at least five Business Days before each Interest Payment Date and at such other times as the Trustee may request in writing a list, in such form and as of such date as the Trustee may reasonably require, of the names and addresses of Holders.
- (2) No transfer of any Debenture shall be valid unless entered on the register referred to in Section 2.12, and upon surrender of any Certificated Debentures together with a duly executed form of transfer acceptable to the Trustee, or in the case of Uncertificated Debentures in accordance with the procedures prescribed by the Depository and, if applicable, upon compliance with such other reasonable requirements as the Trustee or other registrar may prescribe. In the case of Certificated Debentures, the Trustee shall rely on the Form of Assignment in the form included in Schedule 2.2 signed by the transferor without further enquiry. Transfers within the systems of CDS are not the responsibility of the Trustee and will not be noted on the register maintained by the Trustee, provided however that the full position of Debentures held by or through CDS shall at all times appear on the register.
- (3) None of the Corporation, the Trustee or any agent of the Trustee will be liable or responsible to any Person for any aspect of the records related to or payments made on account of beneficial interests in any Uncertificated Debenture or for maintaining, reviewing, or supervising any records relating to such beneficial interests.

Section 2.13 Certificated Debentures; Transfers and Exchanges

- (1) Every Debenture (and all securities issued in exchange therefor or in substitution thereof) and any Common Shares issuable upon conversion of such Debenture (with appropriate modifications) shall bear the appropriate legend and be subject to the restrictions on transfer as set forth therein. Any Certificated Debenture issued to a transferee upon transfers contemplated by Section 2.12 shall bear the appropriate legends, as required by applicable Securities Laws, as set forth in Section 2.25 and Section 2.26.
- (2) The Trustee shall not register a transfer of a Certificated Debenture unless the transferor has complied with all Applicable Securities Laws and provided the Trustee with the Debenture and the Form of Assignment, in the form included in Schedule 2.2, stating that the transfer is being made, and the offer of the securities being transferred was made pursuant to, and in compliance with, Rule 144, Rule 144A or Rule 904 of Regulation S or an exemption from registration under the U.S. Securities Act. Notwithstanding the forgoing, the Trustee shall not register any transfer being made under Regulation S if the Trustee has reason to believe that the transferee is a Person in the United States or a U.S. Person or is acquiring the Debentures evidenced thereby for the account or benefit of a Person in the United States or a U.S. Person.

Section 2.14 Uncertificated Debentures; Transfers and Exchanges

- (1) Notwithstanding any other provision of this Indenture, Uncertificated Debentures may be transferred in the following circumstances and Certificated Debentures may be issued to Beneficial Holders in the following circumstances or as otherwise specified in a resolution of the Board of Directors, Officers' Certificate, or supplemental indenture:
 - (a) Uncertificated Debentures may be transferred by a Depository to a nominee of such Depository or by a nominee of a Depository to such Depository or to another nominee of such Depository or by a Depository or its nominee to a successor Depository or its nominee;
 - (b) Uncertificated Debentures may be transferred at any time after the Depository for such Uncertificated Debentures (i) has notified the Trustee, or the Corporation has notified the Trustee, that it is unwilling or unable to continue as Depository for such Uncertificated Debentures, or (ii) ceases to be eligible to be a Depository, provided that at the time of such transfer the Corporation has not appointed a successor Depository for such Uncertificated Debentures;
 - (c) Uncertificated Debentures may be transferred at any time after the Corporation has determined, in its sole discretion, to terminate the NCI in respect of such Uncertificated Debentures and has communicated such determination to the Trustee in writing;
 - (d) Uncertificated Debentures may be transferred at any time after an Event of Default has occurred and is continuing with respect to the Debentures of the series issued as Uncertificated Debentures, provided that Beneficial Holders representing, in the aggregate, not less than 25% of the aggregate principal amount of the Debentures of such series advise the Depository in writing, through the Depository Participants, that the continuation of the NCI for such series of Debentures is no longer in their best interest and also provided that at the time of such transfer the Trustee has not waived the Event of Default pursuant to Section 6.3 and Section 12.3;
 - (e) Uncertificated Debentures may be transferred or exchanged for Certificated Debentures at any time after a Depository has determined, in its sole discretion, that such transfer or

exchange is required to effect conversion and/or redemption rights in accordance with the terms hereof and has communicated such determination to the Trustee in writing;

- (f) Uncertificated Debentures may be transferred if required by Applicable Law;
- (g) Uncertificated Debentures may be transferred at any time after the NCI ceases to exist; or
- (h) if requested by a Beneficial Holder and provided that such transfer or exchange for Certificated Debentures is permitted by Applicable Law and conducted in accordance with any procedures required under the NCI,

following which Certificated Debentures shall be issued to the beneficial owners of such Debentures or their nominees, as directed by the Holder. The Corporation shall provide an Officer's Certificate giving notice to the Trustee of the occurrence of any event outlined in this Section 2.14.

- (2) With respect to the Uncertificated Debentures, unless and until Certificated Debentures have been issued to Beneficial Holders pursuant to Section 2.14(1), Section 2.8 shall continue to apply.

Section 2.15 Transferee Entitled to Registration

The transferee of a Debenture shall be entitled, after the appropriate form of transfer is lodged with the Trustee or other registrar and upon compliance with all other conditions in that behalf required by this Indenture or by law, to be entered on the register as the owner of such Debenture free from all equities or rights of set-off, compensation or counterclaim between the Corporation and the transferor or any previous holder of such Debenture, save in respect of equities of which the Corporation is required to take notice by statute or by order of a court of competent jurisdiction.

Section 2.16 No Notice of Trusts

Neither the Corporation nor the Trustee nor any registrar shall be bound to take notice of or see to the execution of any trust (other than that created by this Indenture) whether express, implied or constructive, in respect of any Debenture, and may transfer the same on the direction of the Person registered as the holder thereof, whether named as trustee or otherwise, as though that Person were the beneficial owner thereof.

Section 2.17 Registers Open for Inspection

The registers referred to in Section 2.12 shall be open for inspection by the Corporation, the Trustee or any Debentureholder. Every registrar, including the Trustee, shall from time to time when requested so to do by the Corporation or by the Trustee, in writing, furnish the Corporation or the Trustee, as the case may be, with a list of names and addresses of holders of registered Debentures entered on the register kept by them and showing the principal amount of the Debentures held by each such holder.

Section 2.18 Exchanges of Debentures

- (1) Subject to Section 2.13 and Section 2.19, Certificated Debentures in any authorized form or denomination, may be exchanged for Certificated Debentures in any other authorized form or denomination, of the same series and date of maturity, bearing the same interest rate and of the same aggregate principal amount as the Certificated Debentures so exchanged.
- (2) In respect of exchanges of Certificated Debentures permitted by Section 2.18(1), Certificated Debentures of any series may be exchanged only at the principal office of the Trustee in the city of Calgary, Alberta or at such other place or places, if any, as may be specified in the Debentures of such series and at such other place or places as may from time to time be designated by the

Corporation with the approval of the Trustee. Any Certificated Debentures tendered for exchange shall be surrendered to the Trustee. The Corporation shall execute and the Trustee shall Authenticate all Certificated Debentures necessary to carry out exchanges as aforesaid. All Certificated Debentures surrendered for exchange shall be cancelled.

- (3) Debentures issued in exchange for Debentures which at the time of such issue have been selected or called for redemption at a later date shall be deemed to have been selected or called for redemption in the same manner and shall have noted thereon a statement to that effect.
- (4) Transfers of beneficial ownership of any Uncertificated Debenture will be effected only (i) with respect to the interest of a Depository Participant, through records maintained by the Depository or its nominee for such Debentures, and (ii) with respect to the interest of any Person other than a Participant through records maintained by Depository Participants.

Section 2.19 Closing of Registers

- (1) Neither the Corporation nor the Trustee nor any registrar shall be required to make transfers or exchanges of or convert any Debentures on any Interest Payment Date for such Debentures or during the five preceding Business Days.
- (2) Subject to any restriction herein provided, the Corporation with the approval of the Trustee may at any time close any register for any series of Debentures, other than those kept at the principal office of the Trustee in Calgary, Alberta, and transfer the registration of any Debentures registered thereon to another register (which may be an existing register) and thereafter such Debentures shall be deemed to be registered on such other register. Notice of such transfer shall be given to the holders of such Debentures.

Section 2.20 Ownership of Debentures

- (1) Unless otherwise required by Applicable Law, the Person in whose name any registered Debenture is registered shall for all purposes of this Indenture be and be deemed to be the owner thereof and payment of or on account of the principal of and premium, if any, on such Debenture and interest thereon shall be made to such registered holder.
- (2) The registered holder for the time being of any registered Debenture shall be entitled to the principal, premium, if any, and/or interest evidenced by such instruments, respectively, free from all equities or rights of set-off, compensation or counterclaim between the Corporation and the original or any intermediate holder thereof and all Persons may act accordingly and the receipt of any such registered holder for any such principal, premium or interest shall be a good discharge to the Trustee, any registrar and to the Corporation for the same and none shall be bound to inquire into the title of any such registered holder.
- (3) Where Debentures are registered in more than one name, the principal, premium, if any, and interest from time to time payable in respect thereof shall be paid to the order of all such holders, and the receipt of any one of such holders therefor shall be a valid discharge, to the Trustee, any registrar and to the Corporation.
- (4) In the case of the death of one or more joint holders of any Debenture the principal, premium, if any, and interest from time to time payable thereon may, upon the delivery of such reasonable requirements as the Trustee may prescribe, be paid to the order of the survivor or survivors of such registered holders and the receipt of any such survivor or survivors therefor shall be a valid discharge to the Trustee and any registrar and to the Corporation.

Section 2.21 Taxes

- (1) Any payments made by or on behalf of the Corporation under or with respect to the Debentures will be made free and clear of and without withholding or deduction for or on account of any present or future tax, duty, levy, impost, assessment or other governmental charge, excluding, in respect of a Holder or Beneficial Holder, branch profits taxes, franchise taxes and taxes imposed on net income or capital (collectively, “**Taxes**”), unless the Corporation or any other payor is required to withhold or deduct Taxes by Applicable Law or by the interpretation or administration thereof by the relevant Governmental Authority. If the Corporation or any other payor of any amount under or in respect of any amount under or in respect to the Debentures (including any amount paid in respect of proceeds of disposition of the Debentures to a Debentureholder) is so required to withhold or deduct any amount for or on account of Taxes from any payment made under or with respect to the Debentures, in respect of any payment by the Corporation the Trustee will make such withholding or deduction and will remit the full amount withheld or deducted to the relevant Governmental Authority as and when required by Applicable Law.

Section 2.22 Cancellation of Debentures

- (1) All Debentures surrendered for payment of the final amount required to be paid thereon, or that have been surrendered to the Trustee for registration of exchange or transfer or surrendered in connection with a conversion or purchase by the Corporation in accordance with the terms of this Indenture, shall be promptly cancelled by the Trustee on receipt. The Trustee shall give prompt written notice to the Corporation of the particulars of any Debentures cancelled by it upon its request for this information, and the Corporation shall pay the Trustee’s reasonable fees in connection therewith.
- (2) The Corporation may, in its discretion at any time, deliver to the Trustee for cancellation any Debentures which the Corporation has purchased as provided for in this Indenture, and all such Debentures so delivered shall be cancelled by the Trustee.
- (3) All Debentures which have been cancelled by the Trustee shall be destroyed by the Trustee in accordance with its standard practices, and the Trustee shall furnish to the Corporation a destruction certificate setting forth the numbers and denominations of the Debentures so destroyed.

Section 2.23 Mutilated, Lost, Stolen or Destroyed Debentures

- (1) If any Debenture has been mutilated or defaced or has or has been alleged to have been lost, stolen or destroyed, then, on application by the applicable Holder to the Trustee, the Corporation may, in its discretion, execute, and upon such execution the Trustee shall certify and deliver, a new Debenture of the same date and amount as the defaced, mutilated, lost, stolen or destroyed Debenture in exchange for and in place of the defaced or mutilated Debenture, and in lieu of and in substitution for the lost, stolen or destroyed Debenture. Notwithstanding the foregoing, no Debenture shall be delivered as a replacement for any Debenture which has been mutilated or defaced otherwise than upon surrender of the mutilated or defaced Debenture, and no Debenture shall be delivered as a replacement for any Debenture which has been lost, stolen or destroyed unless the applicant for the replacement Debenture has furnished to the Corporation and the Trustee evidence, satisfactory in form and substance to the Corporation and the Trustee, of its ownership of, and of such loss, theft or destruction of, such Debenture and has provided such a surety bond and indemnity to the Corporation and the Trustee in amount, form and substance satisfactory to each of them. Any instructions by the Corporation to the Trustee under this section shall include such indemnity for the protection of the Trustee as the Trustee may reasonably require.

- (2) If any mutilated, defaced, lost, stolen or destroyed Debenture has become or is about to become due and payable, the Corporation, in its discretion, may, instead of executing a replacement Debenture, pay to the Holder thereof the full amount outstanding on such mutilated, defaced, lost, stolen or destroyed Debenture.
- (3) Upon the issuance of a replacement Debenture, the Corporation may require the applicant for such replacement Debenture to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in relation to such issuance and any other expenses (including the fees and expenses of the Trustee and the Corporation) connected with such issuance.
- (4) Each replacement Debenture shall bear a unique serial number and legend, if applicable, and be in a form otherwise identical to the Debenture it replaces and shall be entitled to the benefits of this Indenture to the same extent and in the same manner as the Debenture it replaces.
- (5) Unless the Corporation instructs otherwise, the Trustee shall, in accordance with its practice, destroy each mutilated or defaced Debenture surrendered to and cancelled by it and in respect of which a replacement Debenture has been delivered or moneys have been paid and shall, as soon as reasonably practicable, furnish to the Corporation, upon its receipt of a written request, a certificate as to such destruction specifying in numerical sequence the serial numbers of the Debentures so destroyed..

Section 2.24 Access to Lists of Holders

- (1) The register of Debentureholders maintained by the Trustee will, at all reasonable times during the regular business hours of the Trustee, be open for inspection by the Corporation.
- (2) If any Beneficial Holder or group of Beneficial Holders, or such one or more Holders as may be permitted by Applicable Law (in each case, the “**Applicants**”) apply to the Trustee (with a copy to the Corporation), then the Trustee, after having been funded and indemnified to its reasonable satisfaction by such Applicants for its related costs and expenses, shall afford or shall cause the Corporation to afford the Applicants, access during normal business hours to the most recent list of Debentureholders within 10 Business Days after the receipt of such application by the Trustee. Such list shall be as of a date no more than 10 days (or such other date as may be mandated by Applicable Law) prior to the date of receipt of the Applicants’ request.

Section 2.25 Canadian Legend on the Debentures and Common Shares and Warrants

The certificates or other instruments representing the Debentures, and the stock certificates representing any Common Shares and Warrants issued upon conversion of such Debentures, (if issued prior to the expiration of the applicable hold periods), if any, will bear the following legend in accordance with Applicable Securities Legislation:

“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 CLOSING DATE].”

provided that if, at any time, in the opinion of counsel to the Corporation, such legend is no longer necessary or advisable under Applicable Securities Laws, or the holder of any such legended certificate, at the holder’s expense, provides the Corporation with evidence satisfactory in form and substance to the Corporation (which may include an opinion of counsel satisfactory to the Corporation) to the effect that such legend is not required, such legended certificate may thereafter be surrendered to the Corporation in exchange for a certificate which does not bear such legend.

Section 2.26 US Legend on Debentures

Each certificate representing Debentures that are originally issued to a U.S. Purchaser that is a U.S. Accredited Investor, or any certificate representing Debentures issued in exchange or substitution thereof, shall be issued as Certificated Debentures, and the stock certificates representing any Common Shares issued upon conversion of such Debentures, if any, unless otherwise determined by the Corporation, will bear the following legends or such variations thereof as the Corporation may prescribe from time to time (the "U.S. Legend"):

"THE SECURITIES REPRESENTED HEREBY [for the Debentures add: AND THE SECURITIES ISSUABLE PURSUANT HERETO] HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. THE HOLDER HEREOF, BY PURCHASING THESE SECURITIES, AGREES FOR THE BENEFIT OF CLS HOLDINGS, USA INC. (THE "CORPORATION") THAT SUCH SECURITIES MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, DIRECTLY OR INDIRECTLY, ONLY: (A) TO THE CORPORATION, (B) OUTSIDE THE UNITED STATES IN ACCORDANCE WITH RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT ("REGULATION S") AND IN COMPLIANCE WITH APPLICABLE LOCAL LAWS AND REGULATIONS, (C) IN ACCORDANCE WITH (1) RULE 144A UNDER THE U.S. SECURITIES ACT OR (2) RULE 144 UNDER THE U.S. SECURITIES ACT, IF AVAILABLE, AND IN EACH CASE IN ACCORDANCE WITH APPLICABLE U.S. STATE SECURITIES LAWS, (D) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE U.S. SECURITIES ACT OR (E) IN A TRANSACTION THAT DOES NOT REQUIRE REGISTRATION UNDER THE U.S. SECURITIES ACT OR ANY APPLICABLE STATE LAWS, PROVIDED THAT, IN THE CASE OF TRANSFERS PURSUANT TO (C)(2) OR (E) ABOVE THE HOLDER HAS, PRIOR TO SUCH TRANSFER, FURNISHED TO THE CORPORATION AN OPINION TO SUCH EFFECT FROM COUNSEL OF RECOGNIZED STANDING, OR OTHER EVIDENCE, IN EITHER CASE REASONABLY SATISFACTORY TO THE CORPORATION. DELIVERY OF THIS CERTIFICATE MAY NOT CONSTITUTE "GOOD DELIVERY" IN SETTLEMENT OF TRANSACTIONS ON STOCK EXCHANGES IN CANADA.

provided, that if the Debentures are listed on a Recognized Stock Exchange and are being sold outside of the United States in accordance with Rule 904 of Regulation S at a time when the Corporation is a "foreign issuer" as defined in Rule 902 of Regulation S, the first paragraph of the legend language appearing above may be removed by providing a duly completed and signed declaration to the Trustee in the form set forth in Schedule 2.26 hereto (or as the Corporation may from time to time prescribe) and, if required by the Trustee or the Corporation, an opinion of counsel of recognized standing satisfactory to the Corporation, acting reasonably, that the paragraphs of the legend language appearing above is no longer required under the applicable requirements of the U.S. Securities Act or U.S. state securities laws;

and provided further, that if the Debentures are not listed on a Recognized Stock Exchange and are being sold outside of the United States in accordance with Rule 904 of Regulation S at a time when the Corporation is a "foreign issuer" as defined in Rule 902 of Regulation S, the first paragraph of the legend set forth above may be removed by delivery to the Corporation of an opinion of counsel of the holder of

such securities if requested by the Corporation or the Trustee, and such other documentation as the Corporation or the Trustee may reasonably request;

and provided further, that if any Debentures are being sold to a purchaser in the United States in accordance with Rule 144 under the U.S. Securities Act, the first paragraph of the legend set forth above may be removed by delivery to the Trustee and the Corporation of an opinion of counsel of recognized standing, satisfactory to the Corporation, acting reasonably, to the effect that the paragraphs of the legend set forth above is no longer required under applicable requirements of the U.S. Securities Act or U.S. state securities laws.

ARTICLE 3 REPURCHASE AND CANCELLATION OF DEBENTURES

Section 3.1 Repurchase of Debentures at Option of the Holder upon a Change of Control

- (1) If a Change of Control occurs prior to the Maturity Date, the Corporation shall make an offer to the Debentureholders to:
 - (a) repurchase for cash all or such portion of the Debentures of such Holders equal to \$1,000 principal amount (or an integral multiple thereof) which are Outstanding immediately prior to such Change of Control, at a price equal to 105% of the principal amount of the Debentures then Outstanding plus any accrued and unpaid interest thereon (the “**Change of Control Repurchase Price**”) on the Change of Control Repurchase Date (the “**Repayment Offer**”); or
 - (b) if as a result of the Change of Control there is or will be a Successor Entity, subject to Applicable Law, exchange all or such portion of the Debentures of such Holders equal to \$1,000 principal amount (or an integral multiple thereof) which are Outstanding immediately prior to such Change of Control into debentures of the Successor Entity (the “**Exchanged Debentures**”), with each \$1,000 principal amount (or an integral multiple thereof) being exchanged for unsecured convertible debentures of the Successor Entity with a principal amount of \$1,000 with interest, payment and maturity provisions that are economically equivalent to the Debentures (the “**Exchange Offer**” and together with the Repayment Offer, the “**Change of Control Offer**”).
- (2) As promptly as practicable following the date on which the Corporation announces the Change of Control, but in no event less than 30 days prior to the anticipated date of completion of a Change of Control, the Corporation shall mail a written notice of the Change of Control to the Trustee and to each Holder (and to beneficial Holders as required by Applicable Securities Laws) (the “**Change of Control Notice**”). The Change of Control Notice shall include the form of a Change of Control Repurchase Notice (as defined below) to be completed by the Holder and shall state the Change of Control Offer and the following: (i) the events causing such Change of Control; (ii) the date (or expected date) of such Change of Control; (iii) the last date by which the Change of Control Repurchase Notice must be delivered to elect an option pursuant to this Section 3.1; (iv) the Change of Control Repurchase Date; (v) the Change of Control Repurchase Price; (vi) the Holder’s right to require the Corporation to purchase all or a portion of the Debentures or to exchange such Debentures for Exchanged Debentures pursuant to the Change of Control Offer; (vii) the name and address of the Trustee; (viii) the procedures that the Holder must follow to exercise rights under this Section 3.1; and (ix) the procedures that the Holder must follow to withdraw a Change of Control Notice.

At the Corporation's request, the Trustee shall give such Change of Control Notice in the Corporation's name, at the Corporation's expense, and within the notice period set out above; provided, that, in all cases, the text of such Change of Control Notice shall be prepared by the Corporation.

- (3) A Holder may exercise its rights specified in this Section 3.1 upon delivery of a written notice and which may be delivered by letter, overnight courier, hand delivery, facsimile transmission or in any other written form and, in the case of Uncertificated Debenture, may be delivered electronically or by other means in accordance with the Depository's applicable procedures) of the exercise of such rights (a "**Change of Control Repurchase Notice**") to the Corporation or the Trustee at any time prior to the close of business on the Business Day next preceding the Change of Control Repurchase Date, subject to extension to comply with Applicable Laws.
- (4) The Change of Control Repurchase Notice shall state: (i) the certificate number of the Debenture which the Holder will deliver to be purchased or exchanged (or, if the Debenture is in Uncertificated Debenture form, any other items required to comply with the applicable procedures), (ii) the portion of the principal amount of the Debenture which the Holder will deliver to be purchased or exchanged, in integral multiples of \$1,000, and (iii) that such Debenture shall be purchased or exchanged as of the Change of Control Repurchase Date pursuant to the terms and conditions specified in the Debentures and in this Indenture.
- (5) The delivery of a Debenture for which a Change of Control Repurchase Notice has been timely delivered to the Trustee and not validly withdrawn prior to, on or after the Change of Control Repurchase Date (together with all necessary endorsements) at the office of the Trustee shall be a condition to the receipt by the Holder of the Change of Control Repurchase Price or Exchanged Debentures therefor.
- (6) The Corporation shall only be obliged to purchase or exchange, pursuant to this Section 3.1 a portion of a Debenture if the principal amount of such portion is \$1,000 or an integral multiple of \$1,000 (provisions of this Indenture that apply to the purchase of all of a Debenture also apply to the purchase of such portion of such Debenture).
- (7) Notwithstanding anything herein to the contrary, any Holder delivering to the Trustee the Change of Control Repurchase Notice contemplated by this Section 3.1 shall have the right to withdraw such Change of Control Repurchase Notice in whole or in a portion thereof that is a principal amount of \$1,000 or in an integral multiple thereof, at any time prior to the close of business on the Business Day prior to the Change of Control Repurchase Date by delivery of a written notice of withdrawal to the Trustee in accordance with the procedures set out in the Change of Control Notice or, if not set out therein, then in accordance with this Section 3.1(7).
- (8) The Trustee shall promptly notify the Corporation of the receipt by it of any Change of Control Repurchase Notice or written withdrawal thereof.
- (9) Anything herein to the contrary notwithstanding, in the case of Uncertificated Debentures, any Change of Control Repurchase Notice may be delivered or withdrawn and such securities may be surrendered or delivered for purchase in accordance with the applicable procedures of the Depository as in effect from time to time.
- (10) Upon receipt by the Trustee of a properly completed Change of Control Repurchase Notice from a Holder, the Holder of the Debenture in respect of which such Change of Control Repurchase Notice was given shall (unless such Change of Control Repurchase Notice is withdrawn as specified in Section 3.1(11)), thereafter be entitled to receive the Change of Control Repurchase Price or Exchanged Debentures, as the case may be, with respect to such Debenture, subject to

there being no Event of Default then occurring including a continuation thereof (other than a default in the payment of the Change of Control Repurchase Price). The Change of Control Repurchase Price shall be paid or the Exchanged Debentures issued to such Holder promptly following the later of (i) the Change of Control Repurchase Date and (ii) the time of delivery of such Debenture to the Trustee by the Holder thereof in the manner required by this Section 3.1.

- (11) A Change of Control Repurchase Notice may be withdrawn by means of a written notice (which may be delivered by mail, overnight courier, hand delivery, facsimile transmission or in any other written form and, in the case of Uncertificated Debentures, may be delivered electronically or by other means in accordance with the applicable procedures of the Depository) of withdrawal delivered by the Holder to the Trustee at any time prior to the close of business on the Business Day immediately prior to the Change of Control Repurchase Date, specifying (1) the principal amount of the Debenture or portion thereof (which must be a principal amount of \$1,000 or an integral multiple of \$1,000 in excess thereof), with respect to which such notice of withdrawal is being submitted, (2) if Certificated Debentures have been issued, the certificate number of the Debentures being withdrawn in whole or in withdrawable part (or if the Debentures are not Uncertificated Debentures, such written notice must comply with the applicable procedures of the Depository) and (3) the portion of the principal amount of the Debentures that will remain subject to the Change of Control Repurchase Notice, which portion must be a principal amount of \$1,000 or an integral multiple thereof.
- (12) On or before 12:00 p.m. (Toronto time) on the Business Day following the applicable Change of Control Repurchase Date, the Corporation shall deposit with the Trustee an amount of money (in immediately available funds if deposited on or after such Change of Control Repurchase Date), sufficient to pay the aggregate Change of Control Repurchase Price of all the Debentures or portions thereof that are to be purchased as of such Change of Control Repurchase Date.
- (13) If a Trustee holds, in accordance with the terms hereof, money sufficient to pay the Change of Control Repurchase Price of any Debenture for which a Change of Control Repurchase Notice has been tendered and not withdrawn in accordance with this Indenture then, on the Business Day following the applicable Change of Control Repurchase Date, such Debenture will cease to be outstanding, whether or not the Debenture is delivered to the Trustee, and interest shall cease to accrue, and the rights of the Holder in respect of the Debenture shall terminate (other than the right to receive the Change of Control Repurchase Price as aforesaid). The Corporation shall publicly announce the principal amount of Debentures repurchased on or as soon as practicable after the Change of Control Repurchase Date.
- (14) The Trustee will promptly return to the respective Holders thereof any Debentures with respect to which a Change of Control Repurchase Notice has been withdrawn in compliance with this Indenture.
- (15) If a Change of Control Repurchase Date falls after a Payment Record Date and on or before the related Interest Payment Date, then interest on the Debentures payable on such Interest Payment Date will be payable to the Holders in whose names the Debentures are registered at the close of business on such Payment Record Date.
- (16) Notwithstanding anything in this Section 3.1 to the contrary, the Corporation shall be entitled to withdraw the Change of Control Notice and, upon Written Order of the Corporation, the notice of Change of Control provided by the Trustee in accordance with Section 3.1(1) in the event that the anticipated Change of Control is terminated or does not occur. In such event, no Debentures shall be purchased hereunder and the Corporation shall be entitled to the return of any funds deposited

as contemplated in Section 3.1(12) and any Debentures delivered by the Holders thereof to the Trustee shall be returned to such Holders.

Section 3.2 Optional Redemption of Outstanding Debentures after Change of Control Repurchase Date

- (1) Notwithstanding Section 3.1, if 90% or more of the principal amount of all of the Debentures then Outstanding on the date of the Change of Control Notice have been tendered and redeemed or exchanged pursuant to a Change of Control Offer, the Corporation shall have the right, at its option, at any time within 30 days of the Change of Control Repurchase Date of such Change of Control Offer, to elect to redeem all, but not less than all, of the remaining Debentures that are then Outstanding, on a date which shall be not more than 30 days and not less than 10 days after a notice of redemption of the Debentures pursuant to this Indenture given by the Corporation to the Trustee and the Holders (for the purposes of this Section 3.2, the "**Redemption Notice**"), at a redemption price equal to the Change of Control Repurchase Price (for the purposes of this Section 3.2, the "**Redemption Price**") of such Repayment Offer; provided that the accrued and unpaid interest thereon, if any, shall be calculated up to but excluding the date fixed for redemption (for the purposes of this Section 3.2, the "**Redemption Date**") set out in such Redemption Notice. Upon the giving of such Redemption Notice pursuant to this Section 3.4, the Maturity Date of the Debentures will be deemed to be the stated Redemption Date.
- (2) Upon a Redemption Notice being given in accordance with this Section 3.2, the Redemption Price shall be and become due and payable on the Redemption Date specified in such Redemption Notice and with the same effect as if it were the Maturity Date of such Debentures, the provisions hereof or of any such Debentures notwithstanding, and, from and after such Redemption Date and the deposit of the Redemption Price with the Trustee, interest shall cease and the Debenture shall cease to be Outstanding, whether or not the Debenture is delivered to the Trustee. Thereafter, all other rights of the Holder will terminate, other than the right to receive the Redemption Price payable in respect of such Debentures upon presentation for surrender of such Debentures at the office of the Trustee, on or after the Redemption Date.
- (3) Upon the Debentures being called for redemption as provided for in this Section 3.2, the Corporation shall deposit with the Trustee or for the account of the Trustee, at least one Business Day prior to the Redemption Date specified in the Redemption Notice, such sums as are sufficient to pay the Redemption Price of the Debentures. From the sums so deposited, the Trustee shall pay or cause to be paid to the Holders, upon surrender of the Debentures, the Redemption Price thereof.

Section 3.3 Purchase of Debentures

Provided that no Event of Default has occurred and is continuing, the Corporation may at any time and from time to time purchase all or any of the Debentures in the market (which shall include purchase from or through an investment dealer or a firm holding membership on a Recognized Stock Exchange) or by tender or by private contract, at any price, subject to compliance with Applicable Securities Laws and the provisions of this Indenture. Debentures so purchased by the Corporation shall be submitted to the Trustee for cancellation in accordance with Section 3.1. If an Event of Default has occurred and is continuing, the Corporation will not have the right to purchase any Debentures except as permitted by this Indenture.

If, upon an invitation for tenders, more Debentures than the Corporation is prepared to accept are tendered at the same lowest price, the Debentures to be purchased by the Corporation will be selected by the Trustee on a pro rata basis or in such other manner (which may include selection by lot, random selection by computer or any other method) as the Trustee may determine acting reasonably and in consultation

with the Corporation and in accordance with Applicable Securities Laws, from the Debentures tendered by each tendering Debentureholder who tendered at such lowest price. For this purpose the Trustee may make, and may from time to time amend, regulations with respect to the manner in which Debentures may be so selected, and regulations so made shall be valid and binding upon all Debentureholders, notwithstanding the fact that as a result thereof one or more such Debentures becomes subject to purchase in part only. The Holder of any Debenture of which a part only is purchased upon surrender of such Debenture for payment, shall be entitled to receive, without expense to such Holder, a replacement Debenture for and evidencing the same obligation as the unpurchased part so surrendered, and the Trustee shall certify and deliver such replacement Debenture upon receipt of the Debenture so surrendered.

Section 3.4 Debentures Purchased in Part

Any Debenture that is to be purchased only in part pursuant to this Article 3 shall be surrendered at the office of the Trustee, and promptly after the date of such purchase, the Corporation shall execute and the Trustee shall authenticate and deliver to the Holder of such Debenture, without service charge, a new Debenture or Debentures, of such authorized denomination or denominations as may be requested by such Holder (which must be equal to \$1,000 principal amount or any integral thereof), in aggregate principal amount equal to, and in exchange for, the portion of the principal amount of the Debenture so surrendered that is not purchased.

Section 3.5 Compliance with Applicable Securities Law upon Purchase of Debentures

In connection with any offer to purchase Debentures under this Article 3, the Corporation shall comply with all Applicable Securities Laws in connection with such offer to purchase or purchase of Debentures, all so as to permit the rights of the Holders and obligations of the Corporation under this Article 3 to be exercised in the time and in the manner specified therein. To the extent that compliance with any Applicable Securities Laws would result in a conflict with any of the terms thereof, this Indenture is hereby modified to the extent required for the Corporation to comply with such Applicable Securities Laws.

Section 3.6 Repayment to the Corporation

To the extent that the aggregate amount of cash deposited by the Corporation pursuant to the provisions of this Article 3 exceeds the aggregate purchase, repurchase or redemption amount or portions thereof that the Corporation is obligated to purchase, repurchase or redeem then the Trustee shall return any such excess cash to the Corporation as soon as practicable following the completion of the applicable requirements hereunder.

Section 3.7 Cancellation of Purchased Debentures

All Debentures purchased or redeemed in whole or in part pursuant to this Article 3 shall be forthwith delivered to and cancelled by the Trustee and may not be reissued or resold and no Debentures shall be issued in substitution therefor.

**ARTICLE 4
CONVERSION OF DEBENTURES**

Section 4.1 Right to Convert

- (1) Upon and subject to the provisions and conditions of this Article 4, the Holder of each Debenture shall have the right at such Holder's option, at any time prior to the close of business on the earlier of (i) the Business Day immediately preceding the Maturity Date of the Debentures; and (ii) if the Debentures are called for redemption by notice to the holders of Debentures pursuant to

this Article 4, on the Business Day immediately preceding the date specified by the Corporation for redemption of the Debentures (the earlier of which will be the “**Time of Expiry**” in respect of the Debentures), to convert any part, being \$1,000 or an integral multiple thereof, of the principal amount of a Debenture into Units at the Conversion Price in effect on the Date of Conversion. To the extent a redemption is a redemption in part only of the Debentures, such right to convert, if not exercised prior to the applicable Time of Expiry, shall survive as to any Debentures not redeemed or converted and be applicable to the next succeeding Time of Expiry.

- (2) Except as provided below, no adjustment in the number of Units to be issued upon conversion will be made for dividends or distributions on Common Shares comprising the Units issuable upon conversion, the record date for the payment of which precedes the date upon which the holder becomes a holder of Common Shares in accordance with Article 4. No fractional Common Shares or Warrants will be issued, any fraction of a Common Share or Warrant that would otherwise be issued will be rounded down to the nearest whole number and Holders will receive a cash payment in satisfaction of any fractional interest based on the Current Market Price as of the Date of Conversion. The Conversion Price applicable to, and the Common Shares and Warrants comprising the Units, securities or other property receivable on the conversion of, the Debentures is subject to adjustment pursuant to the provisions of Section 4.5. All adjustments to the exercise price of the Warrants comprising part of the Units and issuable upon the conversion of the Debentures shall be made in accordance with the terms and conditions of the Warrant Indenture whether or not the Warrants have been issued upon the conversion of the Debentures.
- (3) Holders converting Debentures will receive, in addition to the applicable number of Units, accrued and unpaid interest in respect of the Debentures surrendered for conversion up to but excluding the Date of Conversion from, and including, the most recent Interest Payment Date in accordance with Section 4.4(5).
- (4) Notwithstanding any other provisions of this Indenture, if a Debenture is surrendered for conversion on an Interest Payment Date or during the five preceding Business Days, the Person or persons entitled to receive Units in respect of the Debenture so surrendered for conversion shall not become the holder or holders of record of such Common Shares and Warrants comprising the Units until the Business Day following such Interest Payment Date.
- (5) The issuance of the Common Shares and Warrants comprising the Units upon conversion of the Debentures will be issued pursuant to exemptions from registration under Section 3(a)(9) of the U.S. Securities Act and applicable state securities laws. The Warrants may not be exercised in the United States or by, or for the account or benefit of, any U.S. Person or person in the United States unless an exemption from the registration requirements under the U.S. Securities Act and applicable state securities laws is available at the time of such exercise.

Section 4.2 Notice of Expiry of Conversion Privilege

Notice of the expiry of the conversion privileges of the Debentures shall be given by or on behalf of the Corporation, not more than 60 days and not less than 40 days prior to the date fixed for the Time of Expiry, in the manner provided in Section 11.2.

Section 4.3 Revival of Right to Convert

If the redemption of any Debenture called for redemption by the Corporation is not made or the payment of the purchase price of any Debenture which has been tendered in acceptance of an offer by the Corporation to purchase Debentures for cancellation is not made, in the case of a redemption upon due surrender of such Debenture or in the case of a purchase on the date on which such purchase is required to be made, as the case may be, then, provided the Time of Expiry has not passed, the right to convert such

Debentures shall revive and continue as if such Debenture had not been called for redemption or tendered in acceptance of the Corporation's offer, respectively.

Section 4.4 Manner of Exercise of Right to Convert

- (1) The holder of a Debenture desiring to convert such Debenture in whole or in part into Units shall surrender such Debenture to the Trustee at its principal office in the City of Calgary, Alberta together with the conversion notice attached to the Debenture certificate set out in Schedule 2.2 or any other written notice in a form satisfactory to the Trustee, in either case duly executed by the holder or his executors or administrators or other legal representatives or his or their attorney duly appointed by an instrument in writing in form and executed in a manner satisfactory to the Trustee, exercising his right to convert such Debenture in accordance with the provisions of this Article; provided that with respect to Uncertificated Debentures, the obligation to surrender a Debenture to the Trustee shall be satisfied if the Trustee is provided with all documentation which it may request. Thereupon such Debentureholder or, subject to payment of all applicable stamp or security transfer taxes or other governmental charges and compliance with all reasonable requirements of the Trustee, his nominee(s) or assignee(s) shall be entitled to be entered in the books of the Corporation as at the Date of Conversion (or such later date as is specified in Section 4.1 and Section 4.4(2)) as the holder of the number of Common Shares and Warrants comprising the Units into which such Debenture is convertible in accordance with the provisions of this Article and, as soon as practicable thereafter, the Corporation shall electronically deposit the Common Shares and Warrants comprising the Units as directed by the Debentureholder or deliver to such Debentureholder or, subject as aforesaid, his nominee(s) or assignee(s), a certificate or certificates for such Common Shares and Warrants comprising the Units and make or cause to be made any payment of interest to which such holder is entitled in accordance with Section 4.4(5).
- (2) For the purposes of this Article, a Debenture shall be deemed to be surrendered for conversion on the date (herein called the "**Date of Conversion**") on which it is so surrendered when the register of the Trustee is open and in accordance with the provisions of this Article or, in the case of Uncertificated Debentures which the Trustee received notice of and all necessary documentation in respect of the exercise of the conversion rights and, in the case of a Debenture so surrendered by post or other means of transmission, on the date on which it is received by the Trustee at its principal office specified in Section 4.4(1); provided that if a Debenture is surrendered for conversion on a day on which the register of Common Shares or Warrants is closed, the Person or Persons entitled to receive Common Shares and Warrants shall become the holder or holders of record of such Common Shares and Warrants as at the date on which such registers are next reopened.
- (3) Any part, being \$1,000 or an integral multiple thereof, of a Debenture in a denomination in excess of \$1,000 may be converted as provided in this Article and all references in this Indenture to conversion of Debentures shall be deemed to include conversion of such parts.
- (4) The holder of any Debenture of which only a part is converted shall, upon the exercise of his, her or its right of conversion surrender such Debenture to the Trustee in accordance with Section 4.4(1), and the Trustee shall cancel the same and shall without charge forthwith Authenticate and deliver to the holder a new Debenture or Debentures in an aggregate principal amount equal to the unconverted part of the principal amount of the Debenture so surrendered. It is understood and agreed by the parties hereto that, unless the Trustee is otherwise in a position to perform electronic conversions, in every instance where Uncertificated Debentures held through the NCI are to be converted in whole or in part, such Debentures being converted shall not be represented by Certificated Debentures, and it shall be sufficient for the Trustee to convert such

Debentures upon receiving either the attached exercise form executed by the Depository or an NCI Letter of Instruction in a form agreed upon by the Trustee and the Depository, or such other form that they may require from time to time.

- (5) The holder of a Debenture surrendered for conversion in accordance with this Section 4.4 shall be entitled (subject to any applicable restriction on the right to receive interest on conversion of Debentures of any series) to receive accrued and unpaid interest in respect thereof from the date of the last Interest Payment Date up to but excluding the Date of Conversion (less applicable withholding taxes, if any), and the Common Shares comprising the Units issued upon such conversion shall rank only in respect of distributions or dividends declared in favour of shareholders of record on and after the Date of Conversion or such later date as such holder shall become the holder of record of such Common Shares pursuant to Section 4.4(2), 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.

Section 4.5 Mandatory Conversion

- (1) At any time following the date that is 4 months and one day following the Issue Date, the Corporation may force the conversion of the principal amount of the then Outstanding Debentures at the Conversion Price on not less than 30 days' notice (the "**Mandatory Conversion Notice**") to the Holders in accordance with Section 11.2 and the Trustee and concurrently issuing a press release should the VWAP of the Common Shares be greater than \$1.20 for any 10 consecutive trading days.
- (2) The Mandatory Conversion Notice shall contain the date (the "**Mandatory Conversion Date**") on which the Outstanding Debentures shall be deemed to be surrendered for conversion; provided that the Mandatory Conversion Date shall be a date on which the register of the Trustee is open.
- (3) On the Mandatory Conversion Date, the Trustee shall cancel the Outstanding Debentures held by the Debentureholders. Thereupon such Debentureholder or, subject to payment of all applicable stamp or security transfer taxes or other governmental charges and compliance with all reasonable requirements of the Trustee, his or her nominee(s) or assignee(s) shall be entitled to be entered in the books of the Corporation as at the Mandatory Conversion Date, as the holder of the number of Common Shares into which such Debenture is convertible in accordance with the provisions of this Article and, as soon as practicable thereafter, the Corporation shall electronically deposit the Common Shares in the name of the Debentureholder or deliver to such Debentureholder a certificate or certificates for such Common Shares pursuant to the terms of this Indenture and make or cause to be made any payment of interest to which such holder is entitled in accordance with Section 4.5(4).
- (4) The holder of a Debenture converted in accordance with Section 4.5 shall be entitled to receive accrued and unpaid interest in respect thereof from the date of the last Interest Payment Date up to but excluding the Mandatory Conversion Date (less applicable withholding taxes, if any), and the Common Shares issued upon such conversion shall rank only in respect of distributions or dividends declared in favour of shareholders of record on and after the Mandatory Conversion Date, from which date they will for all purposes be and be deemed to be issued and outstanding as fully paid and non-assessable Common Shares.

Section 4.6 Adjustment of Conversion Price

Subject to the requirements of the OTCQB and the CSE (or any other Recognized Stock Exchange on which the Common Shares are then listed), 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, redivide or change the outstanding Common Shares into a greater number of shares, (ii) reduce, combine or consolidate the outstanding Common Shares into a smaller number of shares, or (iii) issue Common Shares or securities convertible into Common Shares to the holders of all or substantially all of the outstanding Common Shares by way of a dividend or distribution (other than cash dividends or distributions for which an adjustment would be made under Section 4.6(b)) (a “**Common Share Reorganization**”), the Conversion Price in effect on the date of such subdivision, redivision, reduction, combination or consolidation or on the record date for such issue of Common Shares or securities convertible into Common Shares by way of a dividend or distribution, as the case may be, shall be adjusted effective immediately after the record date at which the holders of Common Shares are determined for the purpose of the Common Share Reorganization by multiplying the Conversion Price in effect immediately prior to such record date by a fraction: (1) the denominator of which shall be the number of Common Shares outstanding immediately after giving effect to such Common Share Reorganization (including, in the case where securities exchangeable for or convertible into Common Shares are distributed, the number of Common Shares that would have been outstanding had such securities been exchanged for or converted into Common Shares on such record date, assuming in any case where such securities are not then convertible or exchangeable but subsequently become so, that they were convertible or exchangeable on the record date on the basis upon which they first become convertible or exchangeable); and (2) the numerator of which shall be the number of Common Shares outstanding on such record date before giving effect to such Common Share Reorganization. Such adjustment shall be made successively whenever any event referred to in this Section 4.6 shall occur. Any such issue of Common Shares or securities convertible into Common Shares by way of a dividend or distribution shall be deemed to have been made on the record date for the dividend or distribution for the purpose of calculating the number of outstanding Common Shares under subsections (c) and (d) of this Section 4.6.
- (b) If and whenever at any time prior to the Time of Expiry the Corporation shall fix a record date for the payment of a cash dividend or distribution to the holders of all or substantially all of the outstanding Common Shares in respect of any applicable period, the Conversion Price shall be adjusted immediately after such record date so that it shall be equal to the price determined by multiplying the Conversion Price in effect on such record date by a fraction, of which the denominator shall be the Current Market Price per Common Share on such record date and of which the numerator shall be the Current Market Price per Common Share on such record date minus the amount in cash per Common Share distributed to holders of Common Shares. Such adjustment shall be made successively whenever such a record date is fixed. To the extent that any such cash dividend or distribution is not paid, 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.
- (c) 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 45 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 of a Common Share 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 number arrived at 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 Current Market 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 were included in such fraction, 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 4.6(a) or a consolidation, amalgamation, arrangement, binding share exchange, merger of the Corporation with or into any other Person or other entity or acquisition of the Corporation or other combination pursuant to which the Common Shares are converted into or acquired for cash, securities or other property; 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 (other than a direct or indirect Wholly-Owned Subsidiary of the Corporation) or other entity or a liquidation, dissolution or winding-up of the Corporation, any holder of a Debenture who has not exercised its right of conversion prior to the date of such reclassification, capital reorganization, consolidation, amalgamation, arrangement, merger, share exchange, acquisition, combination, 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 and Warrants comprising the Units then sought to be acquired by it, such amount of cash or the number of shares or other securities or property of the Corporation or of the Person or other entity resulting from such merger, amalgamation, arrangement, acquisition, combination 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 a Debenture would have been entitled to receive on such reclassification, capital reorganization, consolidation, amalgamation, arrangement, merger, share exchange, acquisition, combination, sale or conveyance or liquidation, dissolution or winding-up, if, on the record date or the date of this Indenture, as the case may be, the holder had been the registered holder of the number of Common Shares and Warrants comprising the Units 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 Board of Directors, to give effect to or to evidence the provisions of this Section 4.6(d), the Corporation, its successor, or such purchasing Person or other entity, as the case may be, shall, prior to or contemporaneously with any such reclassification, capital reorganization, consolidation, amalgamation, arrangement, merger, share exchange, acquisition, combination, 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 Indenture with respect to the rights and interests thereafter of the holder of Debentures to

the end that the provisions set forth in this Indenture shall thereafter correspondingly be made applicable, as nearly as may reasonably be, with respect to any cash, shares or other securities or property to which a holder of Debentures is entitled on the exercise of its acquisition rights thereafter. Any indenture entered into between the Corporation and the Trustee pursuant to the provisions of this Section 4.6(d) shall be a supplemental indenture entered into pursuant to the provisions of Section 12.4. Any indenture entered into between the Corporation, any successor to the Corporation or such purchasing Person or other entity and the Trustee shall provide for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided in this Section 4.6(d) and which shall apply to successive reclassifications, capital reorganizations, amalgamations, consolidations, mergers, share exchanges, acquisitions, combinations, sales or conveyances.

- (e) If the Corporation shall make a distribution to all holders of Common Shares of shares in the capital of the Corporation, other than Common Shares, or evidences of indebtedness or other assets of the Corporation, including securities (but excluding (x) any issuance of rights or warrants for which an adjustment was made pursuant to Section 4.6(c), and (y) any dividend or distribution paid exclusively in cash for which an adjustment was made pursuant to Section 4.6(b)(the “**Distributed Securities**”), then in each such case (unless the Corporation distributes such Distributed Securities to the holders of Debentures on such dividend or distribution date (as if each holder had converted such Debenture into Common Shares immediately preceding the record date with respect to such distribution)) the Conversion Price in effect immediately preceding the ex-distribution date fixed for the dividend or distribution shall be adjusted so that the same shall equal the price determined by multiplying the Conversion Price in effect immediately preceding such ex-distribution date by a fraction of which the denominator shall be the VWAP for the Common Shares for the five consecutive trading days immediately prior to the ex-distribution date and of which the numerator shall be the VWAP for the Common Shares for the first five consecutive trading days that occur immediately following the ex-distribution date. Such adjustment shall be made successively whenever any such distribution is made and shall become effective five Business Days immediately following the ex-distribution date. In the event that such dividend or distribution is not so paid or made, the Conversion Price shall again be adjusted to be the Conversion Price that would then be in effect if such dividend or distribution had not been declared.

Notwithstanding the foregoing, if the securities distributed by the Corporation to all holders of its Common Shares consist of capital stock of, or similar equity interests in, a Subsidiary or other business of the Corporation (the “**Spinoff Securities**”), the Conversion Price shall be adjusted, unless the Corporation makes an equivalent distribution to the holders of Debentures, so that the same shall be equal to the rate determined by multiplying the Conversion Price in effect on the record date fixed for the determination of shareholders entitled to receive such distribution by a fraction, the denominator of which shall be the sum of: (A) the VWAP for the Common Shares for the 20 consecutive trading day period (the “**Spinoff Valuation Period**”) commencing on and including the fifth trading day after the date on which ex-dividend trading commences for such distribution on the CSE, or such other national or regional exchange or market on which the Common Shares are then listed or quoted and (B) the product of: (i) the weighted average trading price (calculated in substantially the same way as the Current Market Price is calculated for the Common Shares) over the Spinoff Valuation Period of the Spinoff Securities or, if no such prices are available, the Fair Market Value of the Spinoff Securities (which determination shall be conclusive and shall be evidenced by an

Officer's Certificate delivered to the Trustee) multiplied by (ii) the number of Spinoff Securities distributed in respect of one Common Share and the numerator of which shall be the VWAP for the Common Shares for the Spinoff Valuation Period, such adjustment to become effective immediately preceding the opening of business on the 25th trading day after the date on which ex-dividend trading commences; provided, however, that the Corporation may in lieu of the foregoing adjustment elect to make adequate provision so that each holder of Debentures shall have the right to receive upon conversion thereof the amount of such Spinoff Securities that such holder of Debentures would have received if such Debentures had been converted on the record date with respect to such distribution.

- (f) If any issuer bid made by the Corporation or any of its Subsidiaries for all or any portion of Common Shares shall expire, then, if the issuer bid shall require the payment to shareholders of consideration per Common Share having a Fair Market Value (determined as provided below) that exceeds the Current Market Price per Common Share on the last date (the "**Expiration Date**") tenders could have been made pursuant to such issuer bid (as it may be amended) (the last time at which such tenders could have been made on the Expiration Date is hereinafter sometimes called the "**Expiration Time**"), the Conversion Price shall be adjusted so that the same shall equal the rate determined by multiplying the Conversion Price in effect immediately preceding the close of business on the Expiration Date by a fraction of which: (i) the denominator shall be the sum of (A) the Fair Market Value of the aggregate consideration (which determination shall be conclusive evidence of such Fair Market Value and which shall be evidenced by an Officer's Certificate delivered to the Trustee) payable to shareholders based on the acceptance (up to any maximum specified in the terms of the issuer bid) of all Common Shares validly tendered and not withdrawn as of the Expiration Time (the Common Shares deemed so accepted, up to any such maximum, being referred to as the "**Purchased Common Shares**") and (B) the product of the number of Common Shares outstanding (less any Purchased Common Shares and excluding any Common Shares held in the treasury of the Corporation) at the Expiration Time and the Current Market Price per Common Share on the Expiration Date and (ii) the numerator of which shall be the product of the number of Common Shares outstanding (including Purchased Common Shares but excluding any Common Shares held in the treasury of the Corporation) at the Expiration Time multiplied by the Current Market Price per Common Share on the Expiration Date, such increase to become effective immediately preceding the opening of business on the day following the Expiration Date. In the event that the Corporation is obligated to purchase Common Shares pursuant to any such issuer bid, but the Corporation is permanently prevented by applicable law from effecting any or all such purchases or any or all such purchases are rescinded, the Conversion Price shall again be adjusted to be the Conversion Price which would have been in effect based upon the number of Common Shares actually purchased, if any. If the application of this clause (f) of Section 4.6 to any issuer bid would result in a decrease in the Conversion Price, no adjustment shall be made for such issuer bid under this clause (f).
- (g) In any case in which this Section 4.6 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 of any Debenture converted after such record date and before the occurrence of such event the additional Common Shares and Warrants comprising the Units 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 and

Warrants comprising the Units upon the occurrence of the event requiring such adjustment and the right to receive any distributions made on such additional Common Shares and Warrants comprising the Units declared in favour of holders of record of Common Shares on and after the Date of Conversion or such later date as such holder would, but for the provisions of this Section 4.6(e), have become the holder of record of such additional Common Shares pursuant to Section 4.4(2).

- (h) The adjustments provided for in this Section 4.6 are cumulative and shall apply to successive subdivisions, redivisions, 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 4.6(h) are not required to be made shall be carried forward and taken into account in any subsequent adjustment.
- (i) 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.
- (j) In the event of any question arising with respect to the adjustments provided in this Section 4.6, such question shall be conclusively determined by a firm of nationally recognized chartered accountants appointed by the Corporation and acceptable to the Trustee (who may be the auditors of the Corporation); such accountants shall have access to all necessary records of the Corporation and such determination shall be binding upon the Corporation, the Trustee, and the Debentureholders.
- (k) In case the Corporation shall take any action affecting the Common Shares other than action described in this Section 4.6, which in the opinion of the Board of Directors, would materially affect the rights of Debentureholders, the Conversion Price shall be adjusted in such manner and at such time, by action of the Board of Directors, as the Board of Directors, in their sole discretion acting reasonably and in good faith 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.
- (l) No adjustment in the Conversion Price shall be made in respect of any event described in Section 4.6(a), Section 4.6(b), Section 4.6(c), Section 4.6(e), Section 4.6(f) other than the events described in Section 4.6(a)(i) or Section 4.6(a)(ii) if the holders of the Debentures are entitled to participate in such event on the same terms *mutatis mutandis* as if they had converted their Debentures prior to the date of this Indenture or record date, as the case may be, of such event.
- (m) Except as stated above in this Section 4.6, no adjustment will be made in the Conversion Price for any Debentures as a result of the issuance of Common Shares at less than the Current Market Price for such Common Shares on the date of issuance or the then applicable Conversion Price.
- (n) Notwithstanding any provision in this Indenture, no adjustment pursuant to this Section 4.6 shall be effective unless a corresponding adjustment is made to the Debentures if required in order to maintain the economic equivalency of the Debentures and the Debentures and to maintain the *pari passu* nature of the Debentures and the Debentures set out in Section 2.11.

Section 4.7 No Requirement to Issue Fractional Common Shares or Warrants

The Corporation shall not be required to issue fractional Common Shares or Warrants upon the conversion of Debentures pursuant to this Article. If more than one Debenture shall be surrendered for conversion at one time by the same holder, the number of whole Common Shares or Warrants issuable upon conversion thereof shall be computed on the basis of the aggregate principal amount of such Debentures to be converted. If any fractional interest in a Common Share or Warrant would, except for the provisions of this Section, be deliverable upon the conversion of any principal amount of Debentures, any fraction of a Common Share or Warrant that would otherwise be issued will be rounded down to the nearest whole number and the Corporation shall, in lieu of delivering any certificate representing such fractional interest, make a cash payment to the holder of such Debenture of an amount equal to the fractional interest which would have been issuable multiplied by the Current Market Price.

Section 4.8 Corporation to Reserve Common Shares and Warrants

The Corporation covenants with the Trustee that it will at all times reserve and keep available out of its authorized Common Shares and Warrants (if the number thereof is or becomes limited), solely for the purpose of issue upon conversion of Debentures as in this Article provided, and conditionally allot to Debentureholders who may exercise their conversion rights hereunder, such number of Common Shares and Warrants as shall then be issuable upon the conversion of all Outstanding Debentures. The Corporation covenants with the Trustee that all Common Shares and Warrants which shall be so issuable shall be duly and validly issued as fully-paid and non-assessable.

Section 4.9 Cancellation of Converted Debentures

Subject to the provisions of Section 4.4 as to Debentures converted in part, all Debentures converted in whole or in part under the provisions of this Article shall be forthwith delivered to and cancelled by the Trustee and no Debenture shall be issued in substitution for those converted.

Section 4.10 Certificate as to Adjustment

The Corporation shall from time to time immediately after the occurrence of any event which requires an adjustment or readjustment as provided in Section 4.6, deliver an Officer's Certificate to the Trustee 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, which certificate and the amount of the adjustment specified therein shall be verified by an opinion of a firm of nationally recognized chartered accountants appointed by the Corporation and acceptable to the Trustee (who may be the Auditors of the Corporation) and shall be conclusive and binding on all parties in interest. When so approved, the Corporation shall, except in respect of any subdivision, redivision, reduction, combination or consolidation of the Common Shares, forthwith give notice to the Debentureholders in the manner provided in Section 4.3 specifying the event requiring such adjustment or readjustment and the results thereof, including the resulting Conversion Price.

Section 4.11 Notice of Special Matters

The Corporation covenants with the Trustee that so long as any Debenture remains outstanding, it will give notice to the Trustee, and to the Debentureholders in the manner provided in Section 11.2, of its intention to fix a record date for any event referred to Section 4.6(a), Section 4.6(b), Section 4.6(c), or Section 4.6(e) (other than the subdivision, redivision, reduction, combination or consolidation of its 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 date of this Indenture 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 7 days in each case prior to such applicable record date.

In addition, the Corporation covenants with the Trustee that so long as any Debenture remains outstanding, it will give notice to the Trustee, and to the Debentureholders in the manner provided in Section 11.2, at least 30 days prior to the: (i) date of this Indenture of any transaction referred to in Section 4.6(d) stating the consideration into which the Debentures will be convertible after the date of this Indenture of such transaction; and (ii) Expiration Date of any transaction referred to in Section 4.6(f) stating the consideration paid per Common Share in such transaction.

Section 4.12 Protection of Trustee

Subject to Section 8.1, the Trustee:

- (a) shall not at any time be under any duty or responsibility to any Debentureholder to determine whether any facts exist which may require any adjustment in the Conversion Price, or with respect to the nature or extent of any such adjustment when made, or with respect to the method employed in making the same;
- (b) shall have no duty to determine when an adjustment under this Article 4 should be made, how it should be made or what such adjustment should be, but may accept as conclusive evidence of the fact or the correctness of any such adjustment, and shall be protected in acting and relying upon, an Officers' Certificate and Opinion of Counsel with respect thereto;
- (c) shall not be accountable with respect to the validity or value (or the kind or amount) of any Common Shares, Warrants or of any shares or other securities or property which may at any time be issued or delivered upon the conversion of any Debenture; and
- (d) shall not be responsible for any failure of the Corporation to make any cash payment or to issue, transfer or deliver Common Shares, Warrants or share or warrant certificates upon the surrender of any Debenture for the purpose of conversion, or to comply with any of the covenants contained in this Article.

Section 4.13 U.S. Legends on Common Shares

Each certificate representing Common Shares and Warrants comprising the Units issued upon conversion of Debentures bearing the U.S. Legend (or in lieu of cash as interest thereon) shall have imprinted or otherwise reproduced thereon the U.S. Legend with appropriate adjustments.

Section 4.14 Canadian Private Placement Legend on Common Shares and Warrants

Each certificate representing Common Shares and Warrants comprising the Units issued upon conversion of Debentures (or in lieu of cash as interest thereon), shall have imprinted or otherwise reproduced thereon such legend or legends substantially in the following form, unless not required by Applicable Securities Laws in order to permit the holder to freely trade such Common Shares and Warrants:

“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 CLOSING DATE].”

provided that if, at any time, in the opinion of counsel to the Corporation, such legend is no longer necessary or advisable under Applicable Securities Laws, or the holder of any such legended certificate,

at the holder's expense, provides the Corporation with evidence satisfactory in form and substance to the Corporation (which may include an opinion of counsel satisfactory to the Corporation) to the effect that such legend is not required, such legended certificate may thereafter be surrendered to the Corporation in exchange for a certificate which does not bear such legend.

ARTICLE 5 COVENANTS

As long as any Debentures remain outstanding, the Corporation hereby covenants and agrees with the Trustee for the benefit of the Trustee and the Holders of the then Outstanding Debentures, as follows (unless and for so long as the Corporation and/or one or more of its Subsidiaries are the only Holders (or Beneficial Holders) of the Outstanding Debentures, in which case the following provisions of this Article 5 shall not apply):

Section 5.1 Payment of Principal, Premium and Interest

The Corporation shall duly and punctually pay, or cause to be paid, to every Debentureholder the principal of (and premium, if any), and interest on the Debentures of which it is a Holder in accordance with their terms and the terms of this Indenture.

Section 5.2 Existence; Books of Account

The Corporation shall do or cause to be done all things reasonably necessary to preserve and keep in full force and effect the corporate, partnership or other legal existence, as applicable, and the corporate, partnership or other legal power and capacity, as applicable, of the Corporation to own its properties and assets. The Corporation covenants and agrees that it will keep or cause to be kept proper books of record and account, in which full and correct entries shall be made of all financial transactions and the assets and business of the Corporation in accordance with GAAP.

Section 5.3 Change of Name

The Corporation shall not change its name or change any location of the jurisdiction of incorporation or formation, the registered office, principal place of business or chief executive office of any of them without providing at least 30 Business Days advance notice to the Trustee.

Section 5.4 Notice of Default

The Corporation shall promptly notify the Trustee upon becoming aware of the occurrence of any Default or Event of Default by delivering to the Trustee an Officer's Certificate specifying such Default or Event of Default together with a statement of an officer of the Corporation setting forth details of such Default or Event of Default and the action which has been, or is proposed to be, taken with respect thereto.

Section 5.5 Compliance Certificate

The Corporation shall deliver to the Trustee within 120 days after the end of each Fiscal Year (and at any other reasonable time upon demand by the Trustee) beginning with the Fiscal Year ending December 31, 2018 an Officer's Certificate stating that a review of the Corporation's activities during the preceding fiscal year has been made under the supervision of the signing Responsible Officer of the Corporation with a view to determining whether the Corporation has kept, observed, performed and fulfilled its obligations under this Indenture and further stating, as to the Responsible Officer of the Corporation signing such certificate, whether to the best of such officer's knowledge the Corporation during such preceding fiscal year has kept, observed, performed and fulfilled each and every such covenant contained in this Indenture, and that in the course of the performance by the signer of its duties as an officer of the Corporation it would normally have knowledge of any Default and whether or not the signer knows of

any Default that occurred during such period. If the Responsible Officer of the Corporation does know of any Default, the certificate shall describe the Default, its status and what action the Corporation is taking or proposes to take with respect thereto.

Section 5.6 Securities Laws

The Corporation shall:

- (a) take all reasonable steps and actions and do all such acts and things as may be required to: (i) as long as it meets the minimum listing requirements of such institutions, maintain the listing and posting for trading of the Common Shares on a Recognized Stock Exchange and (ii) maintain its status as a reporting issuer or equivalent in good standing or equivalent under the Applicable Securities Laws in each of the Jurisdictions; and
- (b) at the relevant times and upon exercise of the relevant rights or elections, comply and take all measures necessary to comply at all times with Applicable Securities Laws including, without limitation, make application for any order, ruling, registration or filing or give any notice required under Applicable Securities Laws;

provided that this Section 5.6 shall not prohibit the Corporation from completing a merger, amalgamation, arrangement, business combination or take-over bid pursuant to which the Corporation ceases to be a "distributing corporation" (within the meaning of the *Business Corporations Act* (Ontario));

The Trustee shall have no obligation to verify information relating to the Corporation's compliance with this Section 6.5 and may act and rely upon all information provided by the Corporation with respect to such compliance, without independent inquiry.

Section 5.7 Compliance with Applicable Laws

The Corporation shall comply with the requirements of all Applicable Laws, except for U.S. Marijuana Laws, where any non-compliance with such Applicable Laws, except for U.S. Marijuana Laws, would have a Material Adverse Effect.

Section 5.8 Conduct of Business

The Corporation shall do or cause to be done all things reasonably required to carry on its business in a commercially reasonable manner in accordance with normal industry standards and Applicable Law, other than with respect to U.S. Marijuana Laws.

Section 5.9 No Distribution on Shares if Event of Default

The Corporation shall not declare or pay any distribution to the holders of its issued and outstanding shares after the occurrence of an Event of Default unless and until such default shall have been cured or waived or shall have ceased to exist.

Section 5.10 Payment of Trustee's Remuneration

The Corporation will pay on demand the Trustee's reasonable remuneration for its services as Trustee hereunder and will repay to the Trustee on demand all moneys which shall have been paid by the Trustee out of its own funds in and about the execution of the trusts hereby created. The said remuneration shall continue to be payable until the trusts hereof are finally wound up and whether or not the trusts of this Indenture shall be in course of administration by or under the direction of the court. This Section 5.10 shall survive the resignation of the Trustee or the termination of this Agreement. Notwithstanding the foregoing, the Corporation need not pay or reimburse the Trustee for expenses, disbursements or

advances if the Trustee incurred such expenses, disbursements or advances as a result of its bad faith, wilful misconduct or gross negligence of a right, duty or obligation by the Trustee.

Section 5.11 Further Instruments and Acts

Upon reasonable request of the Trustee, the Corporation will execute and deliver such further instruments and do such further acts as may be reasonably necessary or proper to carry out more effectively the purposes of this Indenture. Without limiting the generality of the foregoing, at any time the Corporation is not listed on a Recognized Stock Exchange, the Corporation shall, so long as any of the Debentures or any Common Shares issuable upon conversion of thereof will at such time constitute "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act, promptly provide to the Trustee and shall, upon written request, provide to any Holder, beneficial owner or prospective purchaser of such Debentures or Common Shares issuable upon conversion of such Debentures the information required to be delivered pursuant to Rule 144A(d)(4) under the U.S. Securities Act to facilitate the resale of such Debentures or Common Shares pursuant to Rule 144A.

Section 5.12 Performance of Covenant by Trustee

If the Corporation fails to perform any of its covenants contained in this Indenture, the Trustee may itself perform any of such covenants capable of being performed by it, but will be under no obligation to do so. All sums expended or advanced by the Trustee for such purpose will be repayable as provided in Section 5.9 of this Indenture. No such performance or advance by the Trustee shall relieve the Corporation of any default hereunder or its continuing obligations hereunder.

Section 5.13 Permits

The Corporation shall maintain all Permits and other agreements or contracts in good standing except in each case where the failure to do so could not reasonably be expected to result in a Material Adverse Effect; provided that this Section 5.13 shall not prohibit the Corporation from selling, pledging, granting a security interest in or otherwise encumbering any Permits.

Section 5.14 Compliance with Material Agreements

The Corporation shall comply in all respects and perform its obligations under all leases (whether real or personal property), and contracts and agreements to which it is a party or by which it is bound if the non-compliance or non-performance of obligations thereunder could be expected to have a Material Adverse Effect.

Section 5.15 Taxes

The Corporation shall pay or cause to be paid, when due, all Taxes imposed upon them or upon their income, sales, capital or profit or any property belonging to them unless any such Tax is contested by them in good faith by appropriate proceedings with adequate provision or reserve, where required by GAAP, and to withhold, collect and remit when due all payroll and withholding taxes, and to collect and remit any harmonized sales, value added, goods and services, sales or similar tax.

Section 5.16 Information

The Corporation shall ensure that all information, that in each case is furnished or made available to the Trustee or the Debentureholders by or on behalf of the Corporation is, or shall be, when furnished, true and correct in all material respects as of the date thereof or, if no such date is specified, then as of the date delivered to the Trustee and/or the Debentureholders, as applicable, and does not, or shall not, when furnished, contain any untrue statement of a material fact or omit to state a material fact necessary in

order to make the statement contained therein not misleading in light of the circumstances under which such statements are made.

ARTICLE 6
EVENTS OF DEFAULT AND REMEDIES

Section 6.1 **Events of Default and Enforcement**

- (1) If and when any one or more of the following events (herein called an “**Event of Default**”) shall happen on or after the date of this Indenture, namely:
- (a) a default in payment of any principal amount or the Change of Control Repurchase Price with respect to the Debentures, when the same becomes due and payable;
 - (b) a default in payment of interest on any Debentures when due and payable and the continuance of such default for 10 days;
 - (c) a default by the Corporation in performing or observing any other covenants, agreements or obligations of the Corporation as described herein, and the continuance of such default for 30 days after the earlier of the Corporation becoming aware of same and written notice to the Corporation by the Trustee or by the Holders of not less than 25% in principal amount of Outstanding Debentures requiring the same to be remedied;
 - (d) the failure to make a Change of Control Offer upon the occurrence of a Change of Control;
 - (e) a decree, judgment, or order by a court having jurisdiction in the premises shall have been entered adjudging the Corporation bankrupt or insolvent or approving as properly filed a petition seeking reorganization, readjustment, arrangement composition or similar relief for the Corporation, under the *Bankruptcy and Insolvency Act* (Canada), *Companies’ Creditors Arrangement Act* (Canada) or any other similar bankruptcy, insolvency or analogous applicable law to include proceedings in desastre and/or the grant of a preliminary vesting order in saisie proceedings, in each case and such decree, judgment or order of a court having jurisdiction in the premises for the appointment of a receiver, liquidator, administrator, controller or trustee or assignee in bankruptcy or insolvency of the Corporation or of a substantial part of its property, or for the winding up or liquidation of its affairs, shall have remained in force for a period of 30 consecutive days;
 - (f) the Corporation shall institute proceedings to be adjudicated a voluntary bankrupt, or shall consent to the filing of a bankruptcy proceeding against it, or shall file a petition or answer or consent seeking reorganization, readjustment, arrangement, composition or similar relief under the *Bankruptcy and Insolvency Act* (Canada), *Companies’ Creditors Arrangement Act* (Canada) or any other similar bankruptcy, insolvency or analogous applicable law or shall consent to the filing or any such petition in each case, or shall consent to the appointment of a receiver or liquidator or trustee or assignee in bankruptcy or insolvency for it or of a substantial part of its property, or shall make an assignment for the benefit of creditors, or shall be unable, or admit in writing its inability, to pay its debts generally as they become due, or corporate action shall be taken by the Corporation in furtherance of any of the aforesaid actions;
 - (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; or

- (h) if any judgment or court order for the payment of money in excess of \$500,000 in the aggregate (or the equivalent amount in any other currency) is rendered against the Corporation that is not discharged in accordance with its terms or in respect of which such cash collateral or other security satisfactory to the Trustee in the amount of the judgment or court order has not been deposited with the Trustee to be set aside to pay such judgment or court order;

then, and in each and every such case which has happened and is continuing (other than an Event of Default specified in clause (e) or (f) above), the Trustee may, in its discretion, and shall, upon the written request of the holders of, collectively, not less than 25% in principal amount of the Outstanding Debentures at such time, declare the principal of (and premium, if any) together with accrued interest on all such Debentures to be due and payable immediately, by a Notice in writing to the Corporation (and to the Trustee if given by the Holders), and upon any such declaration such principal amount and premium, if any, together with accrued interest thereon, shall become immediately due and payable. If the Trustee fails to notify in writing the Corporation pursuant to the terms hereof, the Debentureholders having provided the written request to the Trustee may do so. If an Event of Default specified in clause (e) or (f) occurs, then the principal of (and premium, if any) together with accrued interest on all Outstanding Debentures shall immediately become due and payable without delivery of any Notice or other act on the part of either the Trustee or any Holder.

Section 6.2 Notice of Event of Default

The Trustee shall, within five Business Days after the Trustee becomes aware of the occurrence of an Event of Default, give to the Holders by way of written Notice, Notice of every Event of Default so occurring and continuing at the time the Notice is given to the Holders. When a Notice of the occurrence of an Event of Default is given by the Trustee pursuant to this Section 6.2 and the Event of Default is thereafter cured, the Trustee shall, within 5 Business Days after the Corporation provides written Notice to the Trustee that the Event of Default has been cured and is no longer outstanding, give to all Holders to whom Notice of the occurrence of the Event of Default was given, Notice that the Event of Default is no longer outstanding.

Section 6.3 Waiver of Default

- (1) The holders of, collectively, more than 50% in aggregate principal amount of the Outstanding Debentures, may on behalf of the Holders of all Debentures, by written Notice to the Trustee approved by an instrument in writing signed in one or more counterparts by such Holders or their duly appointed proxies or agents, instruct the Trustee to waive any past Default or Event of Default hereunder and its consequences, except a Default:
 - (a) in the payment of the principal of (or premium, if any) or interest on any Debentures; or
 - (b) in respect of a covenant or provision hereof that under Section 12.2 cannot be modified or amended without approval by Extraordinary Resolution.
- (2) Upon any such waiver, such default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Indenture. No such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

Section 6.4 Waiver of Acceleration

At any time after a declaration of acceleration with respect to the Debentures has been made pursuant to this Article 6 and before a judgment or decree for payment of the money due has been obtained by the Trustee as hereinafter provided, the Holders of, collectively, more than 50% in aggregate principal

amount of Outstanding Debentures by written Notice to the Trustee approved by an instrument in writing signed in one or more counterparts by such holders or their duly appointed proxies or agents, may instruct the Trustee to thereupon rescind and annul such declaration and its consequences if:

- (a) the Corporation has paid or deposited with the Trustee a sum sufficient to pay:
 - (i) all overdue interest on all Debentures;
 - (ii) the principal of or Change of Control Repurchase Price, as applicable (and premium, if any on), any of the Debentures which have become due otherwise than by such declaration of acceleration and interest thereon at the rate or rates prescribed therefore in such Debentures; and
 - (iii) to the extent that payment of such interest is lawful and applicable, interest upon overdue instalments of interest at the rate or rates prescribed therefor in such Debentures;
- (b) all Events of Default with respect to the Debentures, other than the non-payment of the principal of (and premium, if any), and interest on, such Debentures which have become due solely by such declaration of acceleration, have been cured or waived in accordance with the provisions of this Indenture; and
- (c) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Section 6.5 Other Remedies

- (1) If an Event of Default occurs and is continuing, the Trustee may pursue any available remedy to collect the payment of principal of (and premium, if any) or interest on Debentures or to enforce the performance of any terms of the Debentures or this Indenture.
- (2) the Trustee may maintain a Proceeding even if it does not possess any Debentures or does not produce any of them in the Proceeding. A delay or omission by the Trustee or any Holder in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default.

Section 6.6 Application of Money Collected

Any money collected by the Trustee pursuant to this Article 6 in respect of Debentures shall (subject to any claims having priority under Applicable Law) be applied in the following order, at the dates fixed by the Trustee and, in case of the distribution of such money on account of principal of (and premium, if any) or interest, upon presentation of Debentures and the notation thereon of the payment (if only partially paid) and upon surrender thereof (if fully paid):

- (a) first, to the payment of all amounts due to the Trustee of its compensation, costs, charges, expenses, borrowing, advances or other moneys furnished or provided under this Indenture with respect to such Debentures;
- (b) second, to the payment of accrued interest on such Debentures;
- (c) third, to the payment of the principal of (and premium, if any) on such Debentures;
- (d) fourth, to the payment of any other amounts with respect to such Debentures; and
- (e) fifth, to whomever may be lawfully entitled to receive the balance of such money.

Section 6.7 Control by Holders

- (1) The Holders of, collectively, at least a majority in principal amount of the Outstanding Debentures may:
 - (a) direct the time, method and place in the Province of Ontario of conducting any Proceeding for any remedy available to the Trustee or exercising any trust or power conferred on it with respect to the Debentures; and
 - (b) take any other action authorized to be taken by or on behalf of the Holders of any specified aggregate principal amount of Debentures under any provisions of this Indenture or under Applicable Law.
- (2) the Trustee may refuse, however, to follow any direction that Counsel to the Trustee advises conflicts with Applicable Law or this Indenture.

Section 6.8 Limitation on Suits

- (1) No Holder of any Debenture will have any right to pursue any remedy (including any action, suit or proceeding authorized or permitted by this Indenture or pursuant to Applicable Law, except actions for payment of overdue principal, premium, if any, or interest with respect to this Indenture or the Debentures unless: (i) the Holder gives to the Trustee notice of a continuing Event of Default; (ii) the holders of, collectively, at least 25% in principal amount of the then Outstanding Debentures make a request in writing to the Trustee to pursue the remedy; (iii) such Holder or Holders offer or provide to the Trustee sufficient funding and indemnity in form satisfactory to the Trustee against any loss, liability or expense; (iv) the Trustee does not comply with the request within 30 days after receipt of such request and indemnity; and (v) during such 30-day period the Holders of, collectively, a majority in principal amount of Outstanding Debentures do not give the Trustee a direction inconsistent with the request.
- (2) Holders may not use this Indenture to prejudice the rights of another Holder or to obtain a preference or priority over another Holder.

Section 6.9 Collection Suit by Trustee

If an Event of Default occurs and is continuing, the Trustee may recover judgment in its own name and as trustee against the Corporation for the whole amount of principal (and premium, if any) and interest remaining unpaid on the Debentures and any other amounts owing under the terms of this Indenture.

Section 6.10 Trustee May File Proofs of Claim

The Trustee may file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee and the Holders lodged or allowed in any judicial proceedings relative to the Corporation, its creditors or its property.

Section 6.11 Undertaking for Costs

In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as Trustee, a court in its discretion may require the filing by any party litigant in the suit of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys' fees, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defences made by the party litigant. This Section 6.11 does not apply to a suit by the Trustee, a suit by a Holder pursuant to Section 6.8, or a suit by

any Holder, group of Holders, of, collectively, more than 50% in aggregate principal amount of the Outstanding Debentures.

Section 6.12 Delay or Omission Not Waiver

No delay or omission of the Trustee or of any Holder of any Debenture to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article or by law to the Trustee or to the Holders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Holders, as the case may be.

Section 6.13 Remedies Cumulative

No remedy herein conferred upon or reserved to the Trustee or upon or to the Holders is intended to be exclusive of any other remedy, but each remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now existing or hereafter to exist by law or statute.

Section 6.14 Judgment Against the Corporation

The Corporation covenants and agrees with the Trustee that, in case of any Proceeding to obtain judgment for payment of the principal of, premium, if any, or interest, if any, on the Debentures, judgment may be rendered against it in favour of the Holders or in favour of the Trustee, as holder of a power of attorney for the Holders, for the amount which may remain due in respect of the Debentures and the interest and premium, if any, thereon.

Section 6.15 Rights of Holders to Receive Payment

Notwithstanding any other provision of this Indenture, the right of any Holder of a Debenture to receive payment of the principal amount and interest, if any, in respect of the Debentures held by such Holder, on or after the respective due dates expressed in the Debentures and this Indenture (whether upon repurchase or otherwise), and to bring suit for the enforcement of any such payment on or after such respective due dates is, subject to compliance with the provisions of Section 6.8, absolute and unconditional and shall not be impaired or affected without the consent of the Holder.

**ARTICLE 7
SATISFACTION AND DISCHARGE**

Section 7.1 Non-Presentation of Debentures

If any Debentureholder fails to present any Debentures for payment on the date on which the principal of, premium, if any, or interest thereon, becomes payable, whether on a payment date, Maturity Date or any other repayment date, or shall not accept payment on account thereof and give such receipt therefore, if any, as the Trustee may require:

- (a) the Corporation shall thereafter be entitled to pay or deliver to the Trustee and direct the Trustee to set aside; or
- (b) in respect of moneys in the hands of the Trustee which may or should be applied to the payment of the Debentures, the Corporation shall thereafter be entitled to direct the Trustee to set aside;

the principal of, premium, if any, and interest on such Holder's Debentures, in trust to be paid to such Debentureholder upon due presentation or surrender of such Debentures in accordance with the provisions of this Indenture; and thereupon the principal of, premium, if any, and interest payable on each Debenture in respect whereof such moneys have been set aside shall be deemed to have been paid and the

Holder thereof shall thereafter have no right in respect thereof except to receive delivery and payment of the moneys so set aside by the Trustee upon due presentation and surrender thereof, subject to the provisions of Section 2.4.

Section 7.2 Discharge

The Trustee shall at the written request of the Corporation release and discharge this Indenture and execute and deliver such instruments as it shall be advised by Counsel are requisite for that purpose and release the Corporation from its covenants herein contained (other than the provisions relating to the indemnification of the Trustee), upon proof being given to the reasonable satisfaction of the Trustee that the principal of, premium, if any, and interest on (including interest on amounts in default, if any) all of the Debentures and all other moneys payable hereunder have been paid or satisfied or that, all of the Debentures having matured, payment of the principal of, premium, if any, and interest (including interest on amounts in default, if any) on such Debentures and all other moneys payable hereunder have been duly and effectually provided for in accordance with the provisions hereof.

**ARTICLE 8
CONCERNING THE TRUSTEE**

Section 8.1 Duties of Trustee

In the exercise of its rights, duties and obligations prescribed or conferred by this Indenture, the Trustee shall act honestly and in good faith and shall exercise that degree of care, diligence and skill that a reasonably prudent corporate trustee would exercise in comparable circumstances. Subject to the foregoing, the Trustee shall be liable only for an act or failure to act arising from or in connection with dishonesty, bad faith, wilful misconduct, gross negligence or reckless disregard of a right, duty or obligation by the Trustee. The Trustee shall not be liable for any act or default on the part of any agent employed by it or for permitting any agent or co-trustee to receive and retain any moneys payable to the Trustee under this Indenture, except as aforesaid.

Section 8.2 Employ Agents

The Trustee may, but is not required to employ (at the expense of the Corporation) such Counsel, agents and other assistants as it may reasonably require for the proper determination and discharge of its duties under this Indenture, and shall not be responsible for any negligence or misconduct on the part of any such Counsel, agent or other assistant or for any liability incurred by any Person as a result of not employing such Counsel, agent or other assistant, and may pay reasonable remuneration for all services performed for it with respect to this Indenture, and shall be entitled to receive reimbursement for all reasonable disbursements, costs, liabilities and expenses made or incurred by it with respect to this Indenture. All such disbursements, costs, liabilities and expenses in relation to this Indenture and all expenses incidental to the preparation, execution, creation and issuance of the Debentures, whether done or incurred at the request of the Trustee or the Corporation, shall bear interest at the posted annual rate of interest charged by the Trustee from time to time to its corporate trust customers from the date which is 30 days following receipt by the Corporation of an invoice from the Trustee with respect to such expenses until the date of reimbursement and shall (together with such interest) be paid by the Corporation immediately upon receipt of such invoice.

Section 8.3 Reliance on Evidence of Compliance

In the exercise of its rights, duties and obligations under this Indenture, the Trustee may, if it is acting in good faith, act and rely, as to the truth of the statements and the accuracy of the opinions expressed therein, upon statutory declarations, Opinions of Counsel, reports, directions, orders, certificates and Officer's Certificates of the Corporation required by the Trustee to be furnished to it in the exercise of its

rights, duties and obligations under this Indenture, if the Trustee examines such statutory declarations, Opinions of Counsel, reports, directions, orders, certificates or Officer's Certificates of the Corporation and determines that they indicate compliance with the applicable requirements of this Indenture.

Section 8.4 Advice of Experts

The Trustee may act or not act and rely or not rely, and shall be protected in acting or not acting and relying or not relying in good faith, on the opinion, advice or information (including the Opinion of Counsel) obtained from any counsel, auditor, valuator, engineer, surveyor or other expert, whether obtained by the Trustee or by the Corporation in relation to any matter arising in the administration of the trusts hereof and the Trustee shall not be responsible for any misconduct on the part of any of them or for any loss occasioned by so acting unless such action was taken in bad faith or such action constitutes negligence or wilful misconduct, and, if acting in good faith, may rely as to the truth of the statements and the accuracy of the opinions expressed in any report or opinion furnished by such Person and may obtain such assistance as may be necessary to the proper determination and discharge of its duties and may pay proper and reasonable compensation for all such legal and other advice or assistance as aforesaid, including the disbursements of any legal or other advisor or assistants.

Section 8.5 Trustee May Deal in Debentures

In its personal capacity or any other capacity, the Trustee, and each Affiliate of the Trustee, may buy, sell, lend upon, become a pledgee of and deal in the Debentures and generally contract and enter into financial transactions with the Corporation and any Affiliate of the Corporation without being liable to account for any profits made thereby.

Section 8.6 Conditions Precedent to Trustee's Obligation to Act

- (1) The Trustee shall not be bound to give any notice, or to do, observe or perform or see to the observance or performance by the Corporation of any of the obligations imposed under this Indenture or to supervise or interfere with any of the activities of the Corporation, or to do or take any act, action or Proceeding by virtue of the powers conferred on it by this Indenture, unless and until it shall have been required to do so under the terms of this Indenture; nor shall the Trustee be required to take notice of any Default or Event of Default, other than in payment of any moneys required by this Indenture to be paid to the Trustee, unless and until notified in writing of such Default or Event of Default by the Corporation or by any Holder, which notice shall distinctly specify such Default or Event of Default, and in the absence of any such notice the Trustee may conclusively assume that no Default or Event of Default has occurred. Any such notice or requisition shall in no way limit any discretion given to the Trustee in this Indenture to determine whether or not to take action with respect to any Default or Event of default or with respect to any such requisition.
- (2) The obligation of the Trustee to do any of the actions referred to in Section 8.6(1), including to commence or to continue any Proceeding or any right of the Trustee or the Holders, shall be conditional upon the Holders furnishing, when required by notice in writing by the Trustee, sufficient funds to commence or continue such action and an indemnity satisfactory to the Trustee to protect and hold harmless the Trustee against the costs, charges, expenses and liabilities which may result from such action and any loss and damage the Trustee may suffer by reason of such action.

Section 8.7 Trustee Not Required to Give Security

The Trustee shall not be required to grant any Lien or give security for its conduct or administration under this Indenture.

Section 8.8 Resignation or Removal of Trustee; Conflict of Interest

- (1) The Trustee represents and warrants to the Corporation that at the time of the execution and delivery of this Indenture no material conflict of interest exists with respect to the Trustee's role as a fiduciary hereunder.
- (2) The Trustee may resign as trustee hereunder by giving not less than 60 days notice in writing to the Corporation or such shorter notice as the Corporation may accept as sufficient. The Trustee shall resign if a material conflict of interest arises with respect to its role as trustee under this Indenture that is not eliminated within 90 days after the Trustee becomes aware of such conflict of interest. Immediately after the Trustee becomes aware that it has a material conflict of interest it shall provide the Corporation with written notice of the nature of that conflict. Upon any such resignation, the Trustee shall be discharged from all further duties and liabilities under this Indenture. None of the validity and enforceability of this Indenture or the Debentures shall be affected in any manner whatsoever by reason only of the existence of a material conflict of interest on the part of the Trustee (whether arising prior to or after the date of this Indenture). If the Trustee does not comply with this section, any Holder or the Corporation may apply to the Ontario Superior Court of Justice sitting in Toronto for an order that the Trustee be replaced as trustee under this Indenture.
- (3) In the event of the Trustee resigning or being removed by the Holders by Extraordinary Resolution or by the Corporation or being dissolved, becoming insolvent or bankrupt, going into liquidation or otherwise becoming incapable of acting as trustee under this Indenture, the Corporation shall immediately appoint a successor Trustee unless a successor Trustee has already been appointed by the Holders; failing such appointment by the Corporation, the retiring Trustee or any other Holder may apply, at the expense of the Corporation, to a judge of the Ontario Superior Court of Justice sitting in Toronto, on such notice as such judge may direct, for the appointment of a successor Trustee. The successor Trustee so appointed by the Corporation or by such court shall be subject to removal by the Holders by way of an Act of Holders. Any successor Trustee appointed under any provision of this section shall be a corporation authorized to carry on the business of a trust company in Alberta or Canada. On any appointment of the successor Trustee, the successor Trustee shall be vested with the same powers, rights, duties and responsibilities as if it had been originally named in this Indenture as Trustee. The expenses of all acts, documents and Proceedings required under this section will be paid by the Corporation in the same manner as if the amount thereof were fees payable to the Trustee under this Indenture.
- (4) Any successor Trustee shall, immediately upon appointment, become vested with all the estates, properties, rights, powers and trusts of its predecessor in the trusts under this Indenture, with like effect as if originally named as Trustee hereunder. Nevertheless, upon the written request of the successor Trustee or of the Corporation and upon payment of all outstanding fees and expenses, the Trustee ceasing to act shall execute and deliver a document assigning and transferring to such successor Trustee, upon the trusts expressed in this Indenture, all the rights, powers and trusts of the Trustee so ceasing to act, and shall duly assign, transfer and deliver all property (including money) held by such Trustee to the successor Trustee in its place. Should any deed, conveyance or other document in writing from the Corporation be required by any successor Trustee for more fully and certainly vesting in and confirming to it such estates, properties, rights, powers and trusts, then any and all such deeds, conveyances and other documents in writing shall, on the request of the successor Trustee, be made, executed, acknowledged and delivered by the Corporation.
- (5) Any corporation into which the Trustee is amalgamated or with which it is consolidated or to which all or substantially all of its corporate trust business is sold or is otherwise transferred or

any corporation resulting from any consolidation or amalgamation to which the Trustee is a party shall be a successor Trustee under this Indenture without the execution of any document or any further act; provided that such successor Trustee is a corporation qualified to carry on the business of a trust company in Canada or any province thereof and in the United States, and shall not have a material conflict of interest in its role as a fiduciary under this Indenture.

Section 8.9 Authority to Carry on Business; Resignation

The Trustee represents and warrants to the Corporation that at the date of execution and delivery by it of this Indenture it is authorized to carry on the business of a trust company in Alberta. If the Trustee ceases to be so authorized to carry on business, the validity and enforceability of this Indenture and the Debentures issued hereunder shall not be affected in any manner by reason only of such event but the Trustee shall, within 90 days after ceasing to be authorized to carry on the business of a trust company in Canada or a province thereof, either become so authorized or resign in the manner and with the effect specified in Section 8.8.

Section 8.10 Protection of Trustee

By way of supplement to any Applicable Law from time to time relating to trustees and in addition to any other provision of this Indenture for the relief of the Trustee, it is expressly agreed that:

- (a) the Trustee shall not be liable for or by reason of any statements of fact or recitals in this Indenture or in the Debentures (except the representations and warranties contained in Section 8.1 and Section 8.11 which are being given by the Trustee in its personal capacity) or required to verify the same, but all such statements or recitals are and shall be deemed to be made by the Corporation;
- (b) the Trustee shall not be bound to give to any Person notice of the execution of this Indenture unless and until an Event of Default and declaration of acceleration has occurred, and the Trustee has determined or become obliged to enforce the same;
- (c) the Trustee shall not incur any liability or be in any way responsible for the consequence of any breach on the part of the Corporation of any of the covenants contained in this Indenture or of any acts of the agents or servants of the Corporation;
- (d) in addition to and without limiting any other protection of the Trustee hereunder, or otherwise by the law, the Corporation indemnifies and saves harmless the Trustee and its officers, directors and employees and agents from and against any and all liabilities, losses, costs, claims, actions, expenses (including legal fees and disbursements on a solicitor and client basis) or demands whatsoever which may be brought against the Trustee or which it may suffer or incur as a result of or arising out of the performance of its duties and obligations under this Indenture including, without limitation, those arising out of or related to actions taken or omitted to be taken by the Trustee contemplated by this Indenture, and including legal fees and disbursements on a solicitor and client basis and costs and expenses incurred in connection with the enforcement of this indemnity, which the Trustee may suffer or incur, whether at law or in equity, in any way caused by or arising, directly or indirectly, in respect of any act, deed, matter or thing whatsoever made, done, acquiesced in or omitted in or about or in relation to the execution of its duties as Trustee, save only in the event of the gross negligence or reckless disregard in acting or failing to act, or the wilful misconduct, dishonesty or bad faith of the Trustee. It is understood and agreed that this indemnification shall survive the termination or discharge of this Indenture or the resignation or removal of the Trustee;

- (e) without limiting the generality of (d), the Corporation will indemnify and hold harmless the Trustee and upon written request reimburse the Trustee for the amount of (i) any taxes levied or imposed and paid by the Trustee as a result of payments made under or with respect to the Debentures, (ii) any liability (including penalties and interest) arising therefrom or with respect thereto paid by the Trustee as a result of payments made under or with respect to the Debentures and (iii) any taxes levied or imposed and paid by the Trustee with respect to reimbursement under clauses (i) and (ii) of this Section 8.10(e), but excluding any taxes on the Trustee's net income arising from fees for acting as the trustee hereunder or in respect of the Trustee's capital.
- (f) the Trustee may, in the exercise of all or any of the trusts, powers and discretion vested in it under this Indenture, act by the responsible officers of the Trustee; the Trustee may delegate to any Person the performance of any of the trusts and powers vested in it by this Indenture, and any delegation may be made upon such terms and conditions and subject to such regulations as the Trustee may think to be in the best interest of the Holders;
- (g) the Trustee shall not be required to take notice or be deemed to have notice or actual knowledge of any matter under this Indenture, unless the Trustee shall have received from the Corporation or a Holder written notice stating the matter in respect of which the Trustee should have notice or actual knowledge; and
- (h) the Trustee shall not be responsible for any error made or act done by it resulting from reliance upon the signature of any Person on behalf of the Corporation or of any Person on whose signature the Trustee may be called upon to act or refrain from acting under this Indenture.

Section 8.11 Additional Representations and Warranties of Trustee

The Trustee represents and warrants to the Corporation that:

- (a) the Trustee is a trust company validly existing under the laws of its jurisdiction of incorporation;
- (b) the Trustee has full power, authority and right to execute and deliver and perform its obligations under this Indenture, and has taken all necessary action to authorize the execution, delivery and performance by it of this Indenture; and
- (c) this Indenture has been duly executed and delivered by the Trustee.

Section 8.12 Third Party Interests

The Corporation hereby represents to the Trustee that any account to be opened by, or interest to be held by, the Trustee in connection with this Indenture for or to the credit of the Corporation, either: (i) is not intended to be used by or on behalf of any third party; or (ii) is intended to be used by or on behalf of a third party, in which case the Corporation agrees to complete and execute forthwith a declaration in the Trustee's prescribed form as to the particulars of such third party.

Section 8.13 Trustee Not Bound to Act

The Trustee shall retain the right not to act and shall not be liable for refusing to act if, due to a lack of information or for any other reason whatsoever, the Trustee, acting reasonably, determines that such act might cause it to be in non-compliance with any applicable anti-money laundering or anti-terrorist legislation, regulation or guideline. Further, should the Trustee, acting reasonably, determine at any time that its acting under this Indenture has resulted in its being in non-compliance with any applicable anti-

money laundering or anti-terrorist legislation, regulation or guideline, then it shall have the right to resign on 10 days' written notice to the Corporation provided: (i) that the Trustee's written notice shall describe the circumstances of such non-compliance to the extent permitted under applicable anti-money laundering or anti-terrorist legislation, regulations or guidelines; and (ii) that if such circumstances are rectified to the Trustee's satisfaction within such 10-day period, then such resignation shall not be effective.

Section 8.14 Compliance with Privacy Laws

The parties acknowledge that certain Applicable Laws addressing the protection of individuals' personal information (collectively, the "Privacy Laws") applies to obligations and activities under this Indenture. Despite any other provision of this Indenture, no party to this Indenture shall take or direct any action that would contravene, or cause the other to contravene, applicable Privacy Laws. The Corporation shall, prior to transferring or causing to be transferred personal information to the Trustee, obtain and retain required consents of the relevant individuals to the collection, use and disclosure of their personal information, or shall have determined that such consents either have previously been given upon which the parties can rely or are not required under the Privacy Laws. The Trustee shall use commercially reasonable efforts to ensure that its services hereunder comply with Privacy Laws. Specifically, the Trustee agrees: (a) to have a designated chief privacy officer; (b) to maintain policies and procedures to protect personal information and to receive and respond to any privacy complaint or inquiry; (c) to use personal information solely for the purposes of providing its services under or ancillary to this Indenture and not to use it for any other purpose except with the consent of or direction from the Corporation or the individual involved; (d) not to sell or otherwise improperly disclose personal information to any third party; and (e) to employ administrative, physical and technological safeguards to reasonably secure and protect personal information against loss, theft, or unauthorized access, use or modification.

ARTICLE 9 MEETINGS OF DEBENTUREHOLDERS

Section 9.1 Purposes for Which Meetings May be Called

A meeting of Debentureholders may be called at any time and from time to time pursuant to this Article to make, give or take any Act provided by this Indenture to be made, given or taken by Debentureholders.

Section 9.2 Call, Notice and Place of Meetings

- (1) The Trustee may at any time and from time to time and shall, on receipt of a Corporation Request or a requisition in writing made by the Holders of, collectively, at least 25% in principal amount of the Outstanding Debentures, call a meeting of Debentureholders for any purpose specified in Section 9.1, to be held at such time and at such place in the City of Toronto, Province of Ontario, as the Trustee shall determine. Notice of every meeting of Debentureholders, setting forth the time and place of such meeting and in general terms the action proposed to be taken at such meeting, shall be given, in the manner provided in Section 11.2, not less than 21 or more than 60 days prior to the date fixed for the meeting.
- (2) If at any time the Corporation, pursuant to a Board Resolution, or the Holders of, collectively, at least 25% in principal amount of the Outstanding Debentures shall have requested the Trustee to call a meeting of the Debentureholders for any purpose specified in Section 9.1, by written request setting forth in reasonable detail the action proposed to be taken at the meeting, and the Trustee shall not have made the mailing of the notice of such meeting within 30 days after receipt of such request, funding and indemnity or shall not thereafter proceed to cause the meeting to be held as provided herein, then the Corporation or the Debentureholders in the amount above specified, as the case may be, may determine the time and the place in the City of Toronto,

Province of Ontario, for such meeting and may call such meeting for such purposes by giving notice thereof as provided in (1).

Section 9.3 Proxies

A Debentureholder may be present and vote at any meeting of Debentureholders, and may sign written resolutions and other instruments in writing in lieu of a meeting as contemplated in Section 9.8, by an authorized representative. The Corporation with the approval of the Trustee may, from time to time, make and vary regulations as it shall think fit providing for and governing any or all the following matters for the purpose of enabling the Debentureholders to vote at any such meeting by proxy:

- (a) the form of the instrument appointing a proxy, which shall be in writing, and the manner in which the same shall be executed and the production of the authority of any Person signing on behalf of a Debentureholder;
- (b) the deposit of instruments appointing proxies at such place as the Trustee, the Corporation or the Debentureholder convening the meeting, as the case may be, may in the notice convening the meeting, direct and the time, if before the holding of the meeting or any adjournment thereof by which the same must be deposited; and
- (c) the deposit of instruments appointing proxies at such approved place or places other than the place at which the meeting is to be held and enabling particulars of such instruments appointing proxies to be mailed, faxed, or sent by other electronic communication before the meeting to the Corporation or to the Trustee at the place where the same is to be held and for the voting of proxies so deposited as though the instruments themselves were produced at the meeting.

Section 9.4 Persons Entitled to Vote at Meetings

To be entitled to vote at any meeting of Debentureholders, a Person shall be: (a) a holder of one or more Outstanding Debentures; or (b) a Person appointed by an instrument in writing as proxy for a holder or holders of one or more Outstanding Debentures by such holder or holders. The only persons who shall be entitled to be present or to speak at any meeting of Debentureholders shall be the persons entitled to vote at such meeting and their counsel, any representatives of the Trustee and its Counsel and any representatives of the Corporation and its Counsel.

Section 9.5 Quorum; Action

- (1) Persons entitled to vote 25% in principal amount of Outstanding Debentures, collectively, shall constitute a quorum for a meeting of Debentureholders. In the absence of a quorum within 30 minutes of the time appointed for any such meeting, the meeting shall, if convened at the request of Debentureholders, be dissolved. In the absence of a quorum in any other case the meeting may be adjourned for a period of not less than 10 days as determined by the chairman of the meeting prior to the adjournment of such meeting. In the absence of a quorum at any such adjourned meeting, the Debentureholders present or represented at such adjourned meeting shall constitute the quorum and the business for which the meeting was adjourned may be transacted. Notice of the reconvening of any adjourned meeting shall be given as provided in Section 9.2(1), except that such notice need be given not less than five days prior to the date on which the meeting is scheduled to be reconvened.
- (2) Except as limited by Section 12.2, any resolution presented to a meeting or adjourned meeting duly reconvened at which a quorum is present as aforesaid may be adopted only by the affirmative vote of holders of, collectively, a majority in principal amount of the Debentures present or represented by proxy at such meeting or adjourned meeting; provided, however, that,

except as limited by Section 12.2, any resolution with respect to any Act that this Indenture expressly provides may be made, given or taken by the Holders of a specified percentage, which is less than a majority, in principal amount of Outstanding Debentures may be adopted at a meeting or an adjourned meeting duly reconvened and at which a quorum is present as aforesaid by the affirmative vote of the holders of such specified percentage in principal amount of Outstanding Debentures.

- (3) Any resolution passed or decision taken at any meeting of Debentureholders duly held in accordance with this Section 9.5 will be binding on all Debentureholders, whether or not present or represented at the meeting.

Section 9.6 Determination of Voting Rights Chairman; Conduct and Adjournment of Meetings

- (1) Notwithstanding any other provisions of this Indenture, the Trustee or the Corporation, with the approval of the Trustee, may make and from time to time may vary such reasonable regulations as it may deem advisable for any meeting of Debentureholders in regard to proof of the holding of Debentures and the appointment of proxies and in regard to the appointment and duties of scrutineers of votes, the submission and examination of proxies, certificates and other evidence of the right to vote, and such other matters concerning the conduct of the meeting as it shall deem appropriate. Except as otherwise permitted by any such regulations, the holding of Debentures shall be proved in the manner specified in Section 1.12 and the appointment of any proxy shall be proved in the manner specified in Section 1.12.
- (2) The Trustee shall, by an instrument in writing, appoint a chairman and secretary of the meeting, unless the meeting shall have been called by the Corporation or by Debentureholders as provided in Section 1.12, in which case the Corporation or the Debentureholders calling the meeting, as the case may be, shall in like manner appoint a chairman and secretary.
- (3) At any meeting of Debentureholders, each Holder of a Debenture or proxy shall be entitled to one vote for each one thousand Dollars (\$1,000) principal amount of Debentures held or represented by such Holder; provided, however, that no vote shall be cast or counted at any meeting in respect of any Debenture challenged as not Outstanding and ruled by the chairman of the meeting to be not Outstanding. The chairman of the meeting shall have no right to vote, except as a Holder of a Debenture or proxy.
- (4) Any meeting of Debentureholders duly called pursuant to Section 9.2 at which a quorum is present may be adjourned from time to time by Persons entitled to vote, collectively, a majority in principal amount of Outstanding Debentures represented at the meeting and the meeting may be held as so adjourned without further notice.

Section 9.7 Counting Votes and Recording Action of Meetings

The vote upon any resolution submitted to any meeting of Debentureholders shall be by written ballots on which shall be inscribed the signatures of the Debentureholders or of their representatives by proxy and the principal amounts and serial numbers of Outstanding Debentures held or represented by them if such Debentures are not Uncertificated Debentures. The chairman of the meeting shall appoint a scrutineer of votes who shall count all votes cast at the meeting for or against any resolution and who shall make and file with the secretary of the meeting their verified written reports in triplicate of all votes cast at the meeting. A record of the proceedings of each meeting of Debentureholders shall be prepared by the secretary of the meeting and there shall be attached to said record the reports of the scrutineer of votes on any vote by ballot taken thereat.

Section 9.8 Instruments in Writing

All actions which may be taken and all powers which may be exercised by the Holders and holders of Series Debentures at a meeting held as hereinbefore in this Article 9 may also be taken and exercised (i) by the Holders of, collectively, a majority in principal amount of Outstanding Debentures by an instrument in writing signed in one or more counterparts by such Holders or their duly appointed proxies or agents with respect to resolutions which are not Extraordinary Resolutions and (ii) by the Holders of, collectively, not less than 66⅔% in principal amount of Outstanding Debentures by an instrument in writing signed in one or more counterparts by such Holders or their duly appointed proxies or agents with respect to resolutions which are Extraordinary Resolutions and the expression “**Extraordinary Resolution**” when used in this Indenture shall include an instrument so signed.

Section 9.9 Holdings by the Corporation Disregarded

In determining whether Holders holding Debentures evidencing the required number of Debentures are present at a meeting of Holders for the purpose of determining a quorum or for the purpose of determining whether Holders have concurred in any consent, waiver, resolution or other action under this Indenture, the Debentures owned legally or beneficially by the Corporation shall be disregarded.

Section 9.10 Persons Entitled to Attend Meetings

The Corporation and the Trustee, by their respective directors, officers and employees, the auditors of the Corporation and the legal advisers of the Corporation, the Trustee or any Debentureholder may attend and speak at any meeting of the Debentureholders, but shall have no vote as such.

Section 9.11 Meaning of “Extraordinary Resolution”

- (1) The expression “**Extraordinary Resolution**” when used in this Indenture means, subject to the provisions of Section 9.8, and except as hereinafter in this Article provided, a resolution proposed to be passed as an Extraordinary Resolution at a meeting of Debentureholders (including an adjourned meeting) duly convened for the purpose and held in accordance with the provisions of this Article at which the holders of, collectively, not less than 25% of the aggregate principal amount of the Debentures then outstanding are present in Person or by proxy and passed by the favourable votes of the holders of, collectively, not less than 66⅔% of the aggregate principal amount of the Debentures present or represented by proxy at the meeting and voted upon on a poll on such resolution.
- (2) If, at any such meeting, the holders of, collectively, not less than 25% of the aggregate principal amount of the Debentures then outstanding are not present in Person or by proxy within 30 minutes after the time appointed for the meeting, then the meeting, if convened by or on the requisition of Debentureholders, shall be dissolved but in any other case it shall stand adjourned to such date, being not less than 21 nor more than 60 days later, and to such place and time as may be appointed by the chairman. Not less than 10 days’ notice shall be given of the time and place of such adjourned meeting in the manner provided in Section 9.3. Such notice shall state that at the adjourned meeting the Debentureholders present in Person or by proxy shall form a quorum. At the adjourned meeting the Debentureholders present in Person or by proxy shall form a quorum and may transact the business for which the meeting was originally convened and a resolution proposed at such adjourned meeting and passed thereat by the affirmative vote of holders of, collectively, not less than 66⅔% of the aggregate principal amount of the Debentures present or represented by proxy at the meeting and voted upon on a poll shall be an Extraordinary Resolution within the meaning of this Indenture, notwithstanding that the holders of, collectively, not less than 25% in the aggregate principal amount of the Debentures then outstanding are not present in Person or by proxy at such adjourned meeting.

- (3) Votes on an Extraordinary Resolution shall always be given on a poll and no demand for a poll on an Extraordinary Resolution shall be necessary.

Section 9.12 Powers Cumulative

Any one or more of the powers in this Indenture stated to be exercisable by the Debentureholders by Extraordinary Resolution or otherwise may be exercised from time to time and the exercise of any one or more of such powers from time to time shall not be deemed to exhaust the rights of the Debentureholders to exercise the same or any other such power or powers thereafter from time to time.

**ARTICLE 10
AMALGAMATION, CONSOLIDATION, CONVEYANCE, TRANSFER OR LEASE**

Section 10.1 Amalgamation and Consolidations of Corporation and Conveyances Permitted Subject to Certain Conditions

The Corporation will not consolidate with, amalgamate or merge into any other Person or enter into any reorganization or arrangement or effect any conveyance, sale, transfer or lease of all or substantially all of its assets (any such transaction, a "**Subject Transaction**"), other than with or into one or more of the Corporation's Wholly-Owned Subsidiaries and other than such transactions as are permitted under this Indenture, unless in any such case:

- (a) the Corporation shall be the continuing Person, or if not, in the case of a successor Person (or the Person that leases or that acquires by conveyance, sale or transfer all or substantially all of the assets of the Corporation) (such Person being referred to as the "**Successor Entity**"), such Successor Entity shall (in the case where it is a successor Person to the Corporation) (i) be organized and existing under the laws of Canada or of any province thereof, and (ii) expressly assume the due and punctual payment of the principal of, the premium, if any, and interest on all Outstanding Debentures, according to their tenor (or issue Exchanged Debentures pursuant to Article 3). Such Successor Entity shall in all instances expressly assume the due and punctual performance and observance of all the covenants and conditions of this Indenture to be performed by the Corporation by supplemental indenture satisfactory to the Trustee, executed and delivered to the Trustee by the Successor Entity;
- (b) in the case where the Successor Entity is a successor Person to the Corporation, the Debentures will be valid and binding obligations of the Successor Entity entitling the Holders thereof, as against the Successor Entity, to all the rights of Debentureholders under this Indenture;
- (c) there shall not immediately after the date of this Indenture of the Subject Transaction be a Default or Event of Default; and
- (d) if the Corporation will not be the continuing Person, the Corporation shall have, at or prior to the date of this Indenture of the Subject Transaction delivered to the Trustee an Officer's Certificate stating that the Subject Transaction complies with this Section 10.1 and, if a supplemental indenture is required in connection with the Subject Transaction, such supplemental indenture complies with this Article, and that all conditions precedent herein provided for and relating to the Subject Transaction have been complied with.

Upon the assumption of the Corporation's obligations by the Successor Entity in such circumstances, the Corporation shall be discharged from all obligations under the Debentures and this Indenture. Although Subject Transactions are permitted under this Indenture subject to compliance with this Article 10, certain

Subject Transactions may constitute a Change of Control of the Corporation, permitting each Holder to require the Corporation to purchase the Debentures of such holder as provided in this Indenture.

Section 10.2 Rights and Duties of Successor Entity

- (1) In case of any Subject Transaction and upon any such assumption by the Successor Entity, such Successor Entity shall agree to be bound by the terms of this Indenture as principal obligor in place of the Corporation with the same effect as if it had been named herein as the Corporation. Such Successor Entity to the Corporation thereupon may cause to be signed, and may issue either in its own name or in the name of the Corporation, any or all Debentures which theretofore shall not have been signed by the Corporation and delivered to the Trustee. All Debentures so issued shall in all respects have the same legal rank and benefit under this Indenture as Debentures theretofore or thereafter issued in accordance with the terms of this Indenture as though all of such Debentures have been issued at the date of the execution hereof.
- (2) In the case of any Subject Transaction, such changes in phraseology and form (but not in substance) may be made in Debentures thereafter to be issued as may be appropriate.

**ARTICLE 11
NOTICES**

Section 11.1 Notice to Corporation

Any Notice to the Corporation shall be in writing and shall be valid and effective if delivered, sent by electronic transmission (with receipt confirmed), or mailed to the Corporation, at:

CLS Holdings USA, Inc.
1810 E. Sahara Avenue, Suite 613
Las Vegas, NV
89104

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

Cassels Brock & Blackwell LLP
Scotia Plaza, 40 King Street West
Suite 2100
Toronto, ON M5H 3C2

Attention: Cam Mingay
Email: cmingay@casselsbrock.com

and such Notice shall be deemed to have been received by the Corporation, where given by delivery, on the day of delivery, where sent by electronic transmission (with receipt confirmed), on the day of transmittal of such Notice if sent before 5:00 p.m. (Toronto time) on a Business Day and on the next succeeding Business Day if not sent before 5:00 p.m. (Toronto time) on a Business Day, and, where mailed, on the fifth Business Day following the mailing date, but only if sent by first class mail from a destination within Canada, or only by airmail, postage prepaid, if sent from a destination outside Canada. The Corporation may from time to time notify the Trustee of a change in address or electronic mail address by Notice given as provided in Section 11.3.

Section 11.2 Notice to Holders

- (1) Any Notice to Debentureholders may be effectively given if delivered, sent by electronic or facsimile transmission (with receipt confirmed), or mailed, in each case at the post office or

electronic mail address appearing in the relevant register and such Notice shall be deemed to have been received by a Holder, where given by delivery, on the day of delivery, where sent by electronic or facsimile transmission (with receipt confirmed) on the day of transmittal of such Notice if sent before 5:00 p.m. (Toronto time) on a Business Day, and, where mailed, on the fifth Business Day following the mailing date.

- (2) If the regular mail service is suspended or for any other reason it shall be impracticable to give Notice to Debentureholders by mail, then such notification to Debentureholders may be given by the publication of the Notice once in a daily newspaper with national circulation in Canada or in any other manner approved by the Trustee, and it shall constitute sufficient Notice to such Holders for every purpose hereunder. In any case where Notice to Debentureholders is given by mail, neither the failure to mail such Notice nor any defect in any Notice so mailed to any particular Holder shall affect the sufficiency of such Notice with respect to other Debentureholders.
- (3) Any Notice sent to the Debentureholders as provided above shall be effective notwithstanding that any such Notice has accidentally or inadvertently not been delivered or mailed to one or more such Holders.

Section 11.3 Notice to Trustee

Any Notice to the Trustee shall be in writing and shall be valid and effective if delivered, sent by facsimile transmission (with receipt confirmed), or mailed to Odyssey Trust Company, at:

Odyssey Trust Company
Stock Exchange Tower
350 – 300 5th Ave SW
Calgary, Alberta, T2P 3C4

Attention: Dan Sander
Email: dsander@odysseytrust.com

and such Notice shall be deemed to have been received by Odyssey Trust Company, where given by delivery, on the day of delivery, where sent by electronic or facsimile transmission (with receipt confirmed), on the day of transmittal of such Notice if sent before 5:00 p.m. (Calgary time) on a Business Day and on the next succeeding Business Day if not sent before 5:00 p.m. (Calgary time) on a Business Day, and, where mailed, on the third Business Day following the mailing date. Odyssey Trust Company may from time to time notify the Corporation of a change in address or electronic mail address by Notice given as provided in Section 11.1.

Section 11.4 Mail Service Interruption

If by reason of any interruption of mail service, actual or threatened, any notice to be given to the Trustee would reasonably be unlikely to reach its destination by the time notice by mail is deemed to have been given pursuant to Section 11.3, such notice shall be valid and effective only if delivered at the appropriate address in accordance with Section 11.3.

ARTICLE 12
AMENDMENTS, SUPPLEMENTS AND WAIVERS

Section 12.1 Without Consent of Holders

The Corporation and the Trustee may amend or supplement this Indenture (including the form of Warrant Indenture prior to the execution thereof) or the Debentures without notice to or consent of any Debentureholder for the purpose of:

- (a) evidencing a successor to the Corporation and the assumption by that successor of the Corporation's obligations under this Indenture and the Debentures;
- (b) complying with the requirements of the *Canada Business Corporations Act* or other Applicable Law that may be applicable to trust indentures;
- (c) evidence and provide for the acceptance of an appointment under the Indenture of a successor trustee; provided that the successor trustee is otherwise qualified and eligible to act as such under the terms of this Indenture;
- (d) curing any ambiguity, omission, inconsistency or correcting or supplementing any defective provision contained in this Indenture; or
- (e) making any other changes to this Indenture that do not adversely affect the interest of the Holders in any material respect, (and in the case of a change affecting the rights of the Trustee, with its consent).

Section 12.2 With Consent of Holders

- (a) Subject to Section 12.1 and except as otherwise provided in this Section 12.2, the Corporation and the Trustee may amend or supplement this Indenture or the Debentures with the approval of the Holders of, collectively, at least a majority in aggregate principal amount of the Debentures then outstanding. However, without approval thereof by Extraordinary Resolution, an amendment, supplement or waiver may not:
 - (i) alter the manner of calculation or rate of accrual of interest on the Debentures or change the time of payment;
 - (ii) change the Stated Maturity of the Debentures or reduce the principal amount, Change of Control Repurchase Price or Redemption Price with respect to the Debentures;
 - (iii) make any change that adversely affects the rights of Holders to require the Corporation to purchase the Debentures at the option of Holders or make any change to any other covenant that adversely affects the rights of the Holders;
 - (iv) change the currency of payment of principal of, or interest on, the Debentures; or
 - (v) change the provisions in this Indenture that relate to modifying or amending this Indenture.
- (b) After an amendment, supplement or waiver under this Section 12.2 becomes effective, the Corporation shall promptly mail to the Holders affected thereby a notice briefly describing the amendment, supplement or waiver. Any failure of the Corporation to mail such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such amendment, supplement or waiver.

Section 12.3 Additional Powers Exercisable by Extraordinary Resolution

In addition to the powers conferred upon them by any other provisions of this Indenture (including under Section 12.2) or by law, a meeting of the Debentureholders shall have the following powers exercisable from time to time by Extraordinary Resolution, subject to receipt of the prior approval of the applicable Recognized Stock Exchange, where required:

- (a) power to authorize the Trustee to grant extensions of time for payment of any principal, premium or interest on the Debentures, whether or not the principal, premium or interest, the payment of which is extended, is at the time due or overdue;
- (b) power to sanction any modification, abrogation, alteration, compromise or arrangement of the rights of the Debentureholders or, subject to the consent of the Trustee, the Trustee against the Corporation, or against its property, whether such rights arise under this Indenture or the Debentures or otherwise;
- (c) power to assent to any modification of or change in or addition to or omission from the provisions contained in this Indenture or any Debenture which shall be agreed to by the Corporation and to authorize the Trustee to concur in and execute any indenture supplemental hereto embodying any modification, change, addition or omission;
- (d) power to sanction any scheme for the reconstruction, reorganization or recapitalization of the Corporation or for the consolidation, amalgamation or merger of the Corporation with any other Person or for the sale, leasing, transfer or other disposition of all or substantially all of the undertaking, property and assets of the Corporation or any part thereof, provided that no such sanction shall be necessary in respect of any such transaction if the provisions of Article 10 shall have been complied with;
- (e) power to direct or authorize the Trustee to exercise any power, right, remedy or authority given to it by this Indenture in any manner specified in any such Extraordinary Resolution or to refrain from exercising any such power, right, remedy or authority;
- (f) power to waive, and direct the Trustee to waive, any default hereunder or to cancel any declaration made by the Trustee pursuant to Section 6.1 which is not permitted to be waived or cancelled, as the case may be, in Section 6.3 by holders of, collectively, more than 50% of the principal amount of the Outstanding Debentures, either unconditionally or upon any condition specified in such Extraordinary Resolution;
- (g) power to restrain any Debentureholder from taking or instituting any suit, action or proceeding for the purpose of enforcing payment of the principal, premium or interest on the Debentures, or for the execution of any trust or power hereunder;
- (h) power to direct any Debentureholder who, as such, has brought any action, suit or proceeding, to stay or discontinue or otherwise deal with the same, if the taking of such suit, action or proceeding shall have been permitted by Article 6, upon payment of the costs, charges and expenses reasonably and properly incurred by such Debentureholder in connection therewith;
- (i) power to assent to any compromise or arrangement with any creditor or creditors or any class or classes of creditors, whether secured or otherwise, and with holders of any Voting Securities or other securities of the Corporation;
- (j) power to appoint a committee with power and authority (subject to such limitations, if any, as may be prescribed in the resolution) to exercise, and to direct the Trustee to

exercise, on behalf of the Debentureholders, such of the powers of the Debentureholders as are exercisable by Extraordinary Resolution or other resolution as shall be included in the resolution appointing the committee. The resolution making such appointment may provide for payment of the expenses and disbursements of and compensation to such committee. Such committee shall consist of such number of persons as shall be prescribed in the resolution appointing it and the members need not be themselves Debentureholders. Every such committee may elect its chairman and may make regulations respecting its quorum, the calling of its meetings, the filling of vacancies occurring in its number and its procedure generally. Such regulations may provide that the committee may act at a meeting at which a quorum is present or may act by minutes signed by the number of members thereof necessary to constitute a quorum. All acts of any such committee within the authority delegated to it shall be binding upon all Debentureholders. Neither the committee nor any member thereof shall be liable for any loss arising from or in connection with any action taken or omitted to be taken by them in good faith;

- (k) power to remove the Trustee from office and to appoint a new Trustee or Trustees provided that no such removal shall be effective unless and until a new Trustee or Trustees shall have become bound by this Indenture; and
- (l) power to amend, alter or repeal any Extraordinary Resolution previously passed or sanctioned by the Debentureholders or by any committee appointed pursuant to (j).

Section 12.4 Execution of Supplemental Indentures

In executing, or accepting the additional trusts created by, any supplemental indenture permitted by this Article 12 (a “**Supplemental Indenture**”) or the modifications thereby of the trusts created by this Indenture, the Trustee shall be entitled to receive, and subject to Section 8.1, shall be fully protected in acting and relying upon, an Opinion of Counsel stating that the execution of such Supplemental Indenture is authorized or permitted by this Indenture, is not inconsistent herewith, is a valid and binding obligation of the Corporation, enforceable in accordance with its terms, subject to enforceability being limited by bankruptcy, insolvency or other laws affecting the enforcement of creditor’s rights generally and equitable remedies including the remedies of specific performance and injunction being granted only in the discretion of a court of competent jurisdiction and, in connection with a Supplemental Indenture executed pursuant to this Section 12.4, that the Trustee is authorized to execute and deliver such Supplemental Indenture without the consent of the Holders and, in connection with a Supplemental Indenture executed pursuant to Section 12.2, that the requisite consents of the Holders have been validly obtained in accordance with Section 12.2 hereof. The Trustee may, but shall not be obligated to, enter into any such Supplemental Indenture that adversely affects the Trustee’s own rights, duties or immunities under this Indenture or otherwise.

Section 12.5 Effect of Supplemental Indentures

Upon the execution of any Supplemental Indenture under this Article 12, this Indenture shall be modified in accordance therewith, and such Supplemental Indenture shall form a part of this Indenture for all purposes, unless otherwise so specified; and every Holder theretofore or thereafter certified and delivered under this Indenture shall be bound by the Supplemental Indenture.

Section 12.6 Reference in Debentures to Supplemental Indentures

Debentures certified and delivered after the execution of any Supplemental Indenture pursuant to this Article 12 may, and shall if required by the Trustee, bear a notation in form approved by the Trustee as to any matter provided for in such Supplemental Indenture. If the Corporation shall so determine, new

Debentures so modified as to conform, in the opinion of the Trustee and the Board of Directors, to any such Supplemental Indenture may be prepared and executed by the Corporation and certified and delivered by the Trustee in exchange for Outstanding Debentures.

**ARTICLE 13
MISCELLANEOUS PROVISIONS**

Section 13.1 Acceptance of Trusts

The Corporation and the Trustee hereby specifically acknowledge and agree that the Trustee is acting hereunder in its capacity as the Person holding the power of attorney of the Holders for the purposes of this Indenture and in conformity with and subject to the terms and conditions of this Indenture. Each Holder, by its acceptance thereof, accepts and confirms the appointment of the Trustee as the Person holding the power of attorney of such Holder for the purposes of this Indenture and in conformity with and subject to the terms and conditions of this Indenture.

Section 13.2 No Debenture Interest Created

Nothing in this Indenture or in the Debentures, express or implied, shall be construed to constitute a security interest under the Uniform Commercial Code or similar legislation, now in effect or hereafter enacted and made effective, in any jurisdiction.

Section 13.3 Protection of Trustee

The Trustee shall not be obligated under any circumstances whatsoever in the fulfilment of any of the circumstances and obligations hereunder, to expend or risk its funds or otherwise incur financial liability.

Section 13.4 Counterparts and Formal Date

This Indenture may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all of which shall together constitute one and the same instrument and notwithstanding their date of execution shall be deemed to bear a date as of the date hereof. Without limiting the foregoing, if the signatures on behalf of one party to this Indenture are on different counterparts, this shall be taken to be, and have the same effect as, signatures on the same counterpart and on a single copy of this Indenture.

[Signature page follows]

IN WITNESS WHEREOF the parties hereto have executed this Indenture as of the date first written above.

CLS HOLDINGS, USA INC.

By: /s/ Jeffrey Binder
Name: Jeffrey Binder
Title: CEO and Director

ODYSSEY TRUST COMPANY, as Trustee

By: /s/ Dan Sander
Name:
Title: Authorized Signatory

By:
Name:
Title: Authorized Signatory

**SCHEDULE 2.2
FORM OF DEBENTURE**

[DEBENTURES WILL BE CREATED for U.S. and NON-U.S. PURCHASERS]

FOR CANADIAN HOLDERS:

“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 CLOSING DATE].”

FOR UNITED STATES HOLDERS:

THE SECURITIES REPRESENTED HEREBY AND THE SECURITIES ISSUABLE PURSUANT HERETO HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “U.S. SECURITIES ACT”), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. THE HOLDER HEREOF, BY PURCHASING THESE SECURITIES, AGREES FOR THE BENEFIT OF CENTRAL COAST AGRICULTURE, INC. (THE “CORPORATION”) THAT SUCH SECURITIES MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, DIRECTLY OR INDIRECTLY, ONLY: (A) TO THE CORPORATION, (B) OUTSIDE THE UNITED STATES IN ACCORDANCE WITH RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT (“REGULATION S”) AND IN COMPLIANCE WITH APPLICABLE LOCAL LAWS AND REGULATIONS, (C) IN ACCORDANCE WITH (1) RULE 144A UNDER THE U.S. SECURITIES ACT OR (2) RULE 144 UNDER THE U.S. SECURITIES ACT, IF AVAILABLE, AND IN EACH CASE IN ACCORDANCE WITH APPLICABLE U.S. STATE SECURITIES LAWS, (D) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE U.S. SECURITIES ACT OR (E) IN A TRANSACTION THAT DOES NOT REQUIRE REGISTRATION UNDER THE U.S. SECURITIES ACT OR ANY APPLICABLE STATE LAWS, PROVIDED THAT, IN THE CASE OF TRANSFERS PURSUANT TO (C)(2) OR (E) ABOVE THE HOLDER HAS, PRIOR TO SUCH TRANSFER, FURNISHED TO THE CORPORATION AN OPINION TO SUCH EFFECT FROM COUNSEL OF RECOGNIZED STANDING, OR OTHER EVIDENCE, IN EITHER CASE REASONABLY SATISFACTORY TO THE CORPORATION. DELIVERY OF THIS CERTIFICATE MAY NOT CONSTITUTE “GOOD DELIVERY” IN SETTLEMENT OF TRANSACTIONS ON STOCK EXCHANGES IN CANADA.

[Insert CUSIP]

[Insert ISIN]

§●

No. ●

CLS HOLDINGS USA, INC.

(A corporation incorporated under the laws of the State of Nevada)

8.0% UNSECURED CONVERTIBLE DEBENTURE

CLS HOLDINGS USA, INC. (the “**Corporation**”), for value received, hereby acknowledges itself indebted and promises to pay to the order of the registered holder on December 12, 2021 (the “**Maturity Date**”), or on such earlier date as the principal amount hereof may become due in accordance with the provisions of the Indenture hereinafter mentioned, the principal sum of

[insert amount],

in lawful money of the United States, on presentation and surrender of this Debenture (as defined below) at the principal office of the Trustee (defined below) in the manner specified in the Indenture (as defined below), in the City of Calgary, Province of Alberta, and to pay interest on the principal amount then

Outstanding (as defined in the Indenture) at the rate of 8.0% per annum from the date of issue or from the most recent Interest Payment Date to which interest has been paid or made available for payment on the Debentures then outstanding, whichever is later, at the option of the Corporation, in like money, in equal quarterly instalments in arrears on the last day of March, June, September and December in each year (each such date, an “**Interest Payment Date**”), commencing on December 31, 2018 with overdue interest, if any, at the same rate after as well as before maturity and after as well as before default in payment of principal or interest.

For a period of 18 months from the Issue Date, any Interest Obligation payable hereunder shall automatically accrue to the principal amount of the Debentures, and shall thereafter be deemed to be part of the principal amount of the Debentures. As interest on this Debenture becomes due following the 18 month period from the Issue Date, the Corporation (subject to early repurchase pursuant to the terms of the Indenture (as defined below)) shall forward or cause to be forwarded by ordinary post to the registered address of the registered Holder of the Debenture for the time being, or in the case of joint Holders to the registered address of one of such joint Holders, a cheque or electronic funds transfer for such interest, payable to the order of such Holder or Holders. The forwarding of such cheque or electronic funds transfer shall satisfy and discharge the liability for interest on this Debenture to the extent of the sum represented thereby, unless such cheques, if any, be not paid on presentation.

For the purposes of disclosure under the *Interest Act* (Canada), whenever interest is computed under this Debenture on the 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 by multiplying such rate of interest by the actual number of days in such calendar year of calculation and dividing it by the number of days in the deemed year.

This Debenture is one of the 8.0% Unsecured Convertible Debentures due December 12, 2021 (the “**Debentures**”) created and issued under an Indenture (the “**Indenture**”) dated as of December 12, 2018 made between, *inter alia*, the Corporation and Odyssey Trust Company, as trustee (the “**Trustee**”). Reference is hereby made to the Indenture for a description of the rights of the holders of the Debentures, the Corporation and the Trustee and of the terms and conditions upon which the Debentures are issued and held, all to the same effect as if the provisions of the Indenture were herein set forth, to all of which provisions the Holder of this Debenture, by acceptance hereof, agrees. To the extent that the terms and conditions stated in this Debenture conflict with the terms and conditions of the Indenture, the Indenture shall prevail. All capitalized terms used herein have the meaning ascribed thereto in the Indenture unless otherwise indicated.

The Debentures are issuable as fully registered Debentures in denominations of \$1,000 and integral multiples of \$1,000. The Debentures of any authorized denomination may be exchanged, as provided in the Indenture, for Debentures in equal aggregate principal amount, provided that Debentures tendered for exchange must be equal to \$1,000 principal amount or any integral thereof.

Any part, being \$1,000 or an integral multiple thereof, of the principal of this Debenture, provided that the principal amount of this Debenture is in a denomination in excess of \$1,000, is convertible, at the option of the holder hereof, upon surrender of this Debenture at the principal office of the Trustee in Calgary, Alberta, at any time prior to the close of business on the Business Day immediately preceding the Maturity Date, or if this Debenture is called for redemption on or prior to such date, then to the extent so called for redemption, up to but not after the close of business on the last Business Day immediately preceding the date specified for redemption of this Debenture, into Units, with each Unit consisting of one Common Share and one-half of one Warrant (without adjustment for interest accrued hereon or for dividends or distributions on Common Shares issuable upon conversion) at the Conversion Price, all subject to the terms and conditions and in the manner set forth in the Indenture, including adjustment to the Conversion Price in accordance with the Indenture. No Debenture may be converted during the five

Business Days preceding and including March 31, June 30, September 30 and December 31 in each year, commencing December 31, 2018, as the registers of the Trustee will be closed during such periods. The Indenture makes provision for the adjustment of the Conversion Price in the events therein specified. No fractional Common Shares or Warrants will be issued on any conversion and any fraction of a Common Share or Warrant that would otherwise be issued will be rounded down to the nearest whole number, and in lieu thereof, the Corporation will satisfy such fractional interest by a cash payment equal to the Current Market Value of such fractional interest determined in accordance with this Indenture. Holders converting their Debentures will receive accrued and unpaid interest thereon up to but excluding the date of conversion. If a Debenture is surrendered for conversion on an Interest Payment Date or during the five preceding Business Days, the Person or persons entitled to receive Common Shares and Warrants in respect of the Debenture so surrendered for conversion shall not become the holder or holders of record of such Common Shares and Warrants until the Business Day following such Interest Payment Date.

This Debenture and all other Debentures certified and issued under the Indenture rank *pari passu* with one another, in accordance to their tenor without discrimination, preference or priority. The Indenture contains restrictions on the Corporation's ability to pay dividends.

Upon the giving of notice by the Trustee of the occurrence of an Event of Default in accordance with the Indenture, the Debentures will become immediately due and payable.

The Corporation will be required, in connection with a Change of Control, to make an offer to repurchase the Debentures then Outstanding by notice to the Holders thereof and the Trustee. The Change of Control Repurchase Price payable to the Holders will be, depending on the date upon which the Change of Control occurs, determined in accordance with the provisions of the Indenture, plus accrued and unpaid interest thereon, if any.

At any time following the date that is 4 months and one day following the Issue Date, the Corporation may force the conversion of the principal amount of the then Outstanding Debentures at the Conversion Price on not less than 30 days' notice should the VWAP of the Common Shares be greater than \$1.20 for any 10 consecutive trading days.

Any payments made by or on behalf of the Corporation under or with respect to the Debentures will be made free and clear of and without withholding or deduction for or on account of any Taxes, unless the Corporation or any other payor is required to withhold or deduct Taxes by Applicable Law or by the interpretation or administration thereof by the relevant Governmental Authority. If the Corporation or any other payor of any amount under or in respect of any amount under or in respect to the Debentures (including any amount paid in respect of proceeds of disposition of the Debentures to a Debentureholder) is so required to withhold or deduct any amount for or on account of Taxes from any payment made under or with respect to the Debentures, in respect of any payment by the Corporation the Trustee will make such withholding or deduction and will remit the full amount withheld or deducted to the relevant Governmental Authority as and when required by Applicable Law.

The Indenture contains provisions for the holding of meetings of Debentureholders and rendering certain resolutions passed at such meetings by, or by instruments in writing signed by, the Holders of, collectively, not less than a majority, or in the case of matters requiring approval by Extraordinary Resolution, not less than two-thirds, in aggregate principal amount of the Outstanding Debentures, binding upon all Debentureholders, subject to the provisions of the Indenture.

This Debenture may only be transferred upon compliance with the conditions precedent in the Indenture on the register kept at the principal office of the Trustee and at such other place or places, if any, and/or by such other registrar or registrars, if any, as the Corporation with the approval of the Trustee may designate, and may be exchanged at any such place, by the Holder hereof or his executors or administrators or other legal representatives or his or their attorney duly appointed by an instrument in

writing in form and execution satisfactory to the Trustee, and upon compliance with such reasonable requirements as the Trustee and/or registrar may prescribe, and such transfer shall be duly noted thereon by the Trustee or other registrar.

Neither the Debentures nor the Common Shares or Warrants issuable upon conversion of the Debentures have been or will be registered under the U.S. Securities Act of 1933, as amended (the “**U.S. Securities Act**”), or any state securities laws of the United States. The issuance of the Common Shares and Warrants comprising the Units issuable upon conversion of the Debentures will be issued pursuant to exemptions from registration under Section 3(a)(9) of the U.S. Securities Act and applicable state securities laws. The Warrants may not be exercised in the United States or by, or for the account or benefit of, any U.S. Person or person in the United States unless an exemption from the registration requirements under the U.S. Securities Act and applicable state securities laws is available at the time of such exercise.

This Debenture shall not become obligatory for any purpose until it shall have been certified by the Trustee for the time being under the Indenture.

This Debenture shall be governed by and construed in accordance with the laws of the province of Alberta and the federal laws of Canada applicable thereto.

The Holder of this Debenture, by receiving and holding same, hereby accepts and agrees to be bound by the terms, and to be entitled to the benefits of this Debenture and of the Indenture and confirms the appointment of the Trustee and of the Indenture, the whole in accordance with and subject to the respective provisions thereof.

The Corporation will furnish to any Holder, upon written request and without charge, a copy of the Indenture.

[signature page follows]

IN WITNESS WHEREOF CLS HOLDINGS USA, INC. has caused this debenture to be signed by an authorized signing officer.

DATED as of December 12, 2018.

CLS HOLDINGS USA, INC.

By: “Jeffrey Binder”
Name: Jeffrey Binder
Title: Chairman and CEO

TRUSTEE'S CERTIFICATE

This Debenture is one of the 8.0% Unsecured Debentures due December 12, 2021 referred to in the within-mentioned Indenture.

ODYSSEY TRUST COMPANY, as Trustee

By: _____
Authorized Signatory
Date of Certification:

FORM OF ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto _____, whose address and social insurance number, if applicable, are set forth below, this Debenture (or \$ principal amount hereof*) of **CLS HOLDINGS USA, INC.** (the "**Corporation**") standing in the name(s) of the undersigned in the register maintained by the registrar appointed by the Corporation with respect to such Debenture and does hereby irrevocably appoint _____ as its attorney to transfer such Debenture in such register, with full power of substitution in the premises.

Dated: _____

Address of Transferee: _____

(Street Address, City, Province and Postal Code)

Social Insurance Number of Transferee, if applicable: _____

*If less than the full principal amount of the within Debenture is to be transferred, indicate in the space provided above the principal amount (which must be equal to \$1,000 principal amount or any integral thereof) to be transferred.

The signature(s) to this assignment must correspond with the name(s) as written upon the face of this Debenture in every particular without alteration or any change whatsoever. The signature(s) on this form must be guaranteed by one of the following methods:

Canada and the USA: A Medallion Signature Guarantee obtained from a member of an acceptable medallion Signature Guarantee Program (STAMP, SEMP, MSP). Many commercial banks, savings banks, credit unions, and all broker dealers participate in a Medallion Signature Guarantee Program. The Guarantor must affix a stamp bearing the actual words "**Medallion Guaranteed**".

Canada: A Signature Guarantee obtained from a major Canadian Schedule I chartered bank. The Guarantor must affix a stamp bearing the actual words "**Signature Guaranteed**". Signature Guarantees are not accepted from Treasury Branches, Credit Unions or Caisses Populaires unless they are members of a Medallion Signature Guarantee Program.

USA: The undersigned confirms that this Debenture is being transferred (please check one):

- to the Corporation;
 - outside the United States in accordance with Rule 904 of Regulation S under the U.S. Securities Act, and the undersigned has furnished to the Trustee such documentation as the Trustee or the Corporation has reasonably requested, including, if requested, an opinion of counsel;
 - in accordance with Rule 144A ("**Rule 144A**") under the U.S. Securities Act to a Person who the undersigned reasonably believes is a Qualified Institutional Buyer, as such term is defined in Rule 144A, that is purchasing for its own account or for the account of one or more Qualified Institutional Buyers and to whom notice is given that the offer, sale, pledge or transfer is being made in reliance on Rule 144A;
 - in accordance with the exemption from registration under the U.S. Securities Act provided by Rule 144 thereunder, and the undersigned has provided a legal opinion of counsel of recognized standing, satisfactory to the Corporation, acting reasonably, to the effect that the sale of such securities is not required to be registered under the U.S. Securities Act;
-

- pursuant to an effective registration statement under the U.S. Securities Act;
- in another transaction that does not require registration under the U.S. Securities Act, and the undersigned has provided a legal opinion of counsel of recognized standing, satisfactory to the Corporation, acting reasonably, to the effect that the sale of such securities is not required to be registered under the U.S. Securities Act;

and in each case such transfer is in accordance with any applicable securities laws of any state of the United States.

Outside North America: For holders located outside North America, present the certificate(s) and/or document(s) that require a guarantee to a local financial institution that has a corresponding Canadian or American affiliate which is a member of an acceptable Medallion Signature Guarantee program. The corresponding affiliate will arrange for the signature to be over-guaranteed.

The registered holder of this Debenture is responsible for the payment of any documentary, stamp or other transfer taxes that may be payable in respect of the transfer of this Debenture.

Signature of Guarantor:

Authorized Officer Signature of transferring registered Holder

Name of Institution

FORM OF NOTICE OF CONVERSION

TO: CLS HOLDINGS USA, INC. (the “Corporation”)

c/o Odyssey Trust Company

Stock Exchange Tower
350 – 300 5th Ave SW
Calgary, Alberta, T2P 3C4

Note: All capitalized terms used herein have the meaning ascribed thereto in the indenture (the “**Indenture**”) dated as of December 12, 2018 between the Corporation and Odyssey Trust Company, as trustee, unless otherwise indicated.

The undersigned registered holder of 8.0% Unsecured Convertible Debentures (the “**Debentures**”) irrevocably elects to convert such Debentures (or \$ _____ principal amount thereof*) in accordance with the terms of the Indenture referred to in such Debentures and tenders herewith the Debentures, and, if applicable, directs that the Common Shares and Warrants of the Corporation issuable upon a conversion be issued and delivered to the person indicated below. (If Common Shares and Warrants are to be issued in the name of a person other than the holder, all requisite transfer taxes must be tendered by the undersigned).

Dated: _____

(Name of Registered Holder)

(Signature of Registered Holder)

* If less than the full principal amount of the Debentures, indicate in the space provided the principal amount (which must \$1,000 integral multiples thereof).

NOTE: If Common Shares and Warrants are to be issued in the name of a person other than the holder, the signature must be guaranteed by a chartered bank, a trust company or by a member of an acceptable Medallion Guarantee Program. The Guarantor must affix a stamp bearing the actual words: “SIGNATURE GUARANTEED”.

(Print name in which Common Shares and Warrants are to be issued, delivered and registered)

Name: _____

(Address)

(City, Province and Postal Code)

Name of guarantor: _____

Authorized signature: _____

SCHEDULE SECTION 2.26
FORM OF REGULATION S RULE 904 TRANSFER CERTIFICATE

UNSECURED CONVERTIBLE DEBENTURES DUE DECEMBER 12, 2021

In connection with the transfer of \$ _____ principal amount of 8.0% Unsecured Convertible Debentures due December 12, 2021 (the "**Debentures**") of CLS Holdings USA, Inc. (the "Corporation"), the undersigned transferor hereby represents and warrants to the Corporation and Odyssey Trust Company (the "Trustee") that:

- (a) it acknowledges that the sale of the securities of the Corporation to which this certificate relates is being made in reliance on Rule 904 of Regulation S ("**Regulation S**") under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**");
- (b) it is not an "affiliate" (as defined in Rule 405 under the U.S. Securities Act) of the Corporation, a "distributor" as defined in Regulation S or an "affiliate" of a "distributor";
- (c) the offer of the Debentures was not made to a Person in the United States and either (1) at the time the buy order was originated, the buyer was outside the United States, or the seller and any Person acting on its behalf reasonably believe that the buyer was outside the United States, or (2) the transaction was executed on or through the facilities of a "designated offshore securities market" (as such term is defined in Regulation S) such as the Toronto Stock Exchange, and neither the seller nor any Person acting on its behalf knows that the transaction has been prearranged with a buyer in the United States or a U.S. Person;
- (d) neither the seller nor any affiliate of the seller nor any Person acting on any of their behalf has engaged or will engage in any "directed selling efforts" (as such term is defined in Regulation S) in the United States in connection with the offer and sale of the Debentures;
- (e) the sale is bona fide and not for the purpose of "washing off" the resale restrictions imposed because the securities are "restricted securities" (as that term is defined in Rule 144(a)(3) under the U.S. Securities Act);
- (f) the seller does not intend to replace the securities sold in reliance on Rule 904 of Regulation S with fungible unrestricted securities; and
- (g) the contemplated sale is not a transaction, or part of a series of transactions which, although in technical compliance with Regulation S, is part of a plan or scheme to evade the registration provisions of the U.S. Securities Act.

[signature page follows]

TRANSFEROR:

By: _____
Authorized Signing Officer

Date of Certification:

AFFIRMATION BY SELLER'S BROKER-DEALER [if any]

We have read the foregoing representations of our customer designated in this Declaration (the "Seller") with regard to our sale, for such Seller's account, of the securities described therein, and we hereby affirm that, following due inquiry, we are of the belief that (1) the buyer is not a "U.S. Person," and (2) that, to the best of our knowledge and belief, all other statements made therein are full, true and correct, (A) no offer to sell the Common Shares was made to a person in the United States; (B) the sale of the Common Shares will be executed in, on or through the facilities of the Canadian Securities Exchange/Toronto Stock Exchange/TSX Venture Exchange within ten (10) trading days of receiving a certificate representing the Common Shares, and we will not knowingly sell the Common Shares to any buyer in the United States; (C) no "directed selling efforts" will be made in the United States by the undersigned, any affiliate of the undersigned, or any person acting on behalf of the undersigned; and (D) we will do no more than execute the order or orders to sell the Common Shares as agent for the Seller and will receive no more than the usual and customary broker's commission that would be received by a person executing such transaction as agent.

Terms used herein have the meanings given to them by Rule 902 of Regulation S (see below).

Name of Firm

By: _____

Signature of Authorized Officer

Name of Authorized Officer (Please Print)

Date: _____

CLS HOLDINGS USA, INC.

as the Corporation

and

ODYSSEY TRUST COMPANY

as the Warrant Agent

WARRANT INDENTURE
Providing for the Issue of Warrants

Dated as of December 12, 2018

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WARRANT INDENTURE

THIS WARRANT INDENTURE is dated as of December 12, 2018.

BETWEEN:

CLS HOLDINGS USA, INC., a corporation existing under the laws of the State of Nevada (the “**Corporation**”),

- and -

ODYSSEY TRUST COMPANY, a trust company existing under the laws of Alberta (the “**Warrant Agent**”)

WHEREAS in connection with a private placement of Convertible Debentures (as defined herein) by the Corporation, the Corporation is proposing to issue up to 25,559,750 Warrants (as defined herein), pursuant to this Indenture on the Issue Date (as defined herein);

AND WHEREAS pursuant to this Indenture, each Warrant shall, subject to adjustment, entitle the holder thereof to acquire one Common Share upon payment of the Exercise Price (as defined herein) prior to the Expiry Time (as defined herein) upon the terms and conditions herein set forth;

AND WHEREAS all acts and deeds necessary have been done and performed to make the Warrants, when created and issued as provided in this Indenture, legal, valid and binding upon the Corporation with the benefits and subject to the terms of this Indenture;

AND WHEREAS the foregoing recitals are made as representations and statements of fact by the Corporation and not by the Warrant Agent;

NOW THEREFORE, in consideration of the premises and mutual covenants hereinafter contained and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Corporation hereby appoints the Warrant Agent as warrant agent to hold the rights, interests and benefits contained herein for and on behalf of those persons who from time to time become the holders of Warrants issued pursuant to this Indenture and the parties hereto agree as follows:

ARTICLE 1 INTERPRETATION

1.1 Definitions.

In this Indenture, including the recitals and schedules hereto, and in all indentures supplemental hereto:

“**Accredited Investor**” means an “accredited investor” within the meaning of Rule 501(a) of Regulation D under the U.S. Securities Act;

“**Adjustment Period**” means the period from the Effective Date up to and including the Expiry Time;

“**Applicable Legislation**” means any statute of Canada or the United States, or a province or state thereof, and the regulations under any such named or other statute, relating to warrant indentures or to the rights, duties and obligations of warrant agents under warrant indentures, to the extent that such provisions are at the time in force and applicable to this Indenture;

“**Auditors**” means a firm of chartered accountants duly appointed as auditors of the Corporation;

“**Authenticated**” means (a) with respect to the issuance of a Warrant Certificate, one which has been duly signed by the Corporation and authenticated by manual signature of an authorized signatory of the Warrant Agent, and (b) with respect to the issuance of an Uncertificated Warrant, one in respect of which the Warrant Agent has completed all Internal Procedures such that the particulars of such Uncertificated Warrant as required by Section 2.6 are entered in the register of holders of Warrants, “Authenticate”, “Authenticating” and “Authentication” have the appropriate correlative meanings;

“**beneficial owner**” means a person that has a beneficial interest in a Warrant;

“**Book Entry Only Participants**” means institutions that participate directly or indirectly in the Depository’s book entry registration system for the Warrants;

“**Book Entry Only Warrants**” means Warrants that are to be held only by or on behalf of the Depository;

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

“**CDS Global Warrants**” means Warrants representing all or a portion of the aggregate number of Warrants issued in the name of the Depository represented by an Uncertificated Warrant, or if requested by the Depository or the Corporation, by a Warrant Certificate;

“**Certificated Warrant**” means a Warrant evidenced by a writing or writings substantially in the form of Schedule “A”, attached hereto;

“**Common Shares**” means, subject to Article 4, fully paid and non-assessable common shares of the Corporation as presently constituted;

“**Convertible Debentures**” means the 8.0% unsecured convertible debentures of the Corporation issued at a price of \$1,000 per Convertible Debenture as part of the Offering;

“**Counsel**” means a barrister or solicitor or a firm of barristers and solicitors retained by the Warrant Agent or retained by the Corporation and acceptable to the Warrant Agent, which may or may not be counsel for the Corporation;

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

“**Current Market Price**” of the Common Shares at any date means the weighted average of the trading price per Common Share for such Common Shares for each day there was a closing price for the twenty consecutive Trading Days ending within five days prior to such date on the CSE or if on such date the Common Shares are not listed on the CSE, on such stock exchange upon which such Common Shares are listed and as selected by the Directors, or, if such Common Shares are not listed on any stock exchange then on such over-the-counter market as may be selected for such purpose by the Directors;

“**Depository**” means CDS Clearing and Depository Services Inc. or such other person as is designated in writing by the Corporation to act as depository in respect of the Warrants;

“**Directors**” means the board of directors of the Corporation;

“**Dividends**” means any dividends paid by the Corporation;

“**Effective Date**” means the date of this Indenture;

“**Exchange Rate**” means the number of Common Shares subject to the right of purchase under each Warrant which as of the date hereof is one;

“**Exercise Date**” means, in relation to a Warrant, the Business Day on which such Warrant is validly exercised or deemed to be validly exercised in accordance with Article 3 hereof;

“**Exercise Notice**” has the meaning set forth in Section 3.2(1);

“**Exercise Price**” at any time means the price at which a whole Common Share may be purchased by the exercise of a whole Warrant, which is initially \$1.10 per Common Share, payable in immediately available Canadian funds, subject to adjustment in accordance with the provisions of Article 4;

“**Expiry Date**” means 36 months from the Closing Date;

“**Expiry Time**” means 5:00 p.m. (Toronto time) on the Expiry Date;

“**Extraordinary Resolution**” has the meaning set forth in Section 7.11;

“**Issue Date**” for a particular Warrant means the date on which the Warrant is actually issued by or on behalf of the Corporation;

“**Offering**” means the private placement of Convertible Debentures completed on December 12, 2018;

“**person**” means an individual, body corporate, partnership, trust, agent, executor, administrator, legal representative or any unincorporated organization;

“**register**” means the one set of records and accounts maintained by the Warrant Agent pursuant to Section 2.10;

“**Registration Statement**” means a registration statement filed and effective with the SEC under the U.S. Securities Act registering the resale by the holders of the Warrants of the Common Shares issuable upon exercise of the Warrants;

“**Regulation D**” means Regulation D under the U.S. Securities Act;

“**Regulation S**” means Regulation S under the U.S. Securities Act;

“**Securities Laws**” means, collectively, the applicable securities laws of the United States, including without limitation, the *U.S. Securities Act*, the *U.S. Exchange Act* and the rules and regulations promulgated thereunder, and each of the states of the United States and each of the provinces of Canada and the respective regulations made and forms prescribed thereunder together with all applicable published rules, policy statements, notices and blanket orders and rulings of the securities commissions or similar regulatory authorities (including the CSE) in each of the provinces of Canada, the United States and in each of the states of the United States;

“**Shareholders**” means holders of Common Shares;

“**successor entity**” has the meaning ascribed thereto in Section 8.2;

“**Tax Act**” means the *Income Tax Act* (Canada) and the regulations thereunder;

“**this Warrant Indenture**”, “**this Indenture**”, “**this Agreement**”, “**hereto**” “**herein**”, “**hereby**”, “**hereof**” and similar expressions mean and refer to this Indenture and any indenture, deed or instrument supplemental hereto; and the expressions “**Article**”, “**Section**”, “**subsection**” and “**paragraph**” followed by a number, letter or both mean and refer to the specified article, section, subsection or paragraph of this Indenture;

“**Trading Day**” means a day on which the CSE is open for the transaction of business and with respect to another stock exchange or over-the-counter market means, a day on which such exchange or over-the-counter market is open for the transaction of business;

“**Trading Market**” means the CSE or, if the Common Shares are not then traded or quoted on the CSE, any other stock exchange or over-the-counter market on which the Common Shares are principally traded or quoted;

“**Uncertificated Warrant**” means any Warrant which is not a Certificated Warrant;

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

“**Units**” means the units of the Corporation underlying the Convertible Debentures issued pursuant to the Offering with each Unit comprised of one Unit Share and one half of one Warrant;

“**Unit Share**” means the Common Shares partially comprising the Units;

“**U.S. Exchange Act**” means the United States Securities Exchange Act of 1934, as amended and the rules and regulations promulgated thereunder;

“**U.S. Person**” means a “U.S. Person” as set forth in Regulation S and includes, subject to certain exclusions set out therein, the following: (i) any natural person resident in the United States; (ii) any partnership or corporation organized or incorporated under the laws of the United States; (iii) any estate of which any executor or administrator is a U.S. Person; (iv) any trust of which any trustee is a U.S. Person; (v) any agency or branch of a foreign entity located in the United States; (vi) any non-discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary for the benefit or account of a U.S. Person; (vii) any discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organized, incorporated, or (if an individual) resident in the United States; (viii) any partnership or corporation if (A) organized or incorporated under the laws of any jurisdiction other than the United States and (B) formed by a U.S. Person principally for the purpose of investing in securities not registered under the U.S. Securities Act, unless it is organized or incorporated, and owned, by “accredited investors” (as defined in Rule 501(a) of Regulation D) who are not natural persons, estates or trusts;

“**U.S. Purchaser**” is (a) any U.S. Person that purchased Convertible Debentures, (b) any person that purchased Convertible Debentures on behalf of any U.S. Person or any person in the United States, (c) any purchaser of Convertible Debentures that received an offer of the Convertible Debentures while in the United States, (d) any person that was in the United States at the time the purchaser’s buy order was made or the subscription agreement for Convertible Debentures was executed or delivered;

“**U.S. Securities Act**” means the United States *Securities Act* of 1933, as amended and the rules and regulations promulgated thereunder;

“**VWAP**” means, for any date, the price determined by the first of the following clauses that applies: (a) if the Common Shares are then listed or quoted on the Trading Market, the daily volume weighted average price of the Common Shares for such date (or the nearest preceding date) on the principal Trading Market, (b) if the Common Shares are not then listed or quoted for trading on a Trading Market and if prices for the Common Shares are then reported in the “Pink Sheets” published by OTC Markets Group, Inc. (or a similar organization or agency succeeding to its functions of reporting prices), the most recent bid price per share of the Common Shares so reported, or (c) in all other cases, the fair market value of a share of Common Shares as determined by an independent

appraiser selected in good faith by the holders of a majority in interest of the Warrants then outstanding and reasonably acceptable to the Corporation, the fees and expenses of which shall be paid by the Corporation;

“**Warrant Agency**” means the principal offices of the Warrant Agent in the City of Calgary, Alberta, or such other place as may be designated in accordance with Section 3.5;

“**Warrant Agent**” means Odyssey Trust Company, in its capacity as warrant agent of the Warrants, or its successors from time to time;

“**Warrant Certificate**” means a certificate, substantially in the form set forth in Schedule “A” hereto or such other form as may be approved by the Corporation, and the Warrant Agent, to evidence those Warrants that will be evidenced by a certificate;

“**Warrantholders**”, or “**holders**” without reference to Warrants, means the persons entered in the register hereinafter mentioned as holders of Warrants outstanding at such time;

“**Warrantholders’ Request**” means an instrument signed in one or more counterparts by Warrantholders holding in the aggregate not less than 25% of the aggregate number of all Warrants then unexercised and outstanding, requesting the Warrant Agent to take some action or proceeding specified therein;

“**Warrants**” means the Common Share purchase warrants created by, authorized by and issuable under this Indenture, to be issued and countersigned hereunder as a Certificated Warrant and/or Uncertificated Warrant, entitling the holder thereof to purchase one Common Share (subject to adjustment as herein provided) for each Warrant upon payment of the Exercise Price prior to the Expiry Time;

“**Warrant Shares**” has the meaning ascribed to such term in Section 2.9(1) hereof; and

“**written order of the Corporation**”, “**written request of the Corporation**”, “**written consent of the Corporation**” and “**certificate of the Corporation**” mean, respectively, a written order, request, consent and certificate signed in the name of the Corporation by its Chief Executive Officer or Chief Financial Officer, or a person acting in any such capacity for the Corporation and may consist of one or more instruments so executed.

1.2 Gender and Number.

Words importing the singular number or masculine gender shall include the plural number or the feminine or neuter genders, and vice versa.

1.3 Headings, Etc.

The division of this Indenture into Articles and Sections, the provision of a Table of Contents and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Indenture or of the Warrants.

1.4 Day not a Business Day.

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

1.5 Time of the Essence.

Time shall be of the essence of this Indenture.

1.6 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.

1.7 Applicable Law.

This Indenture, the Warrants, the Warrant Certificates (including all documents relating thereto, which by common accord have been and will be drafted in English) shall be construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein. Each of the parties hereto, which shall include the Warranholders, irrevocably attorns to the exclusive jurisdiction of the courts of the Province of Ontario with respect to all matters arising out of this Indenture and the transactions contemplated herein.

**ARTICLE 2
ISSUE OF WARRANTS**

2.1 Creation and Issue of Warrants.

A maximum of up to 25,559,750 Warrants (subject to adjustment as herein provided) are hereby authorized to be created and authorized to be issued in accordance with the terms and conditions hereof. By written order of the Corporation, the Warrant Agent shall deliver Authenticated Warrants to Warranholders and record the name of the Warranholders on the Warrant register. Registration of interests in Warrants held by the Depository may be evidenced by a position appearing on the register for Warrants of the Warrant Agent for an amount representing the aggregate number of such Warrants outstanding from time to time.

2.2 Terms of Warrants.

- (1) Subject to the applicable conditions for exercise set out in Article 3 having been satisfied and subject to adjustment in accordance with Article 4, each Warrant shall entitle each Warranholder thereof, upon exercise at any time after the Issue Date and prior to the Expiry Time, to acquire one Common Share upon payment of the Exercise Price.

- (2) No fractional Warrants shall be issued or otherwise provided for hereunder and Warrants may only be exercised in a sufficient number to acquire whole numbers of Common Shares. Any fractional Common Shares shall be rounded down to the nearest whole number and the holder shall not be entitled to any compensation in respect of any fractional Common Share which is not issued.
- (3) Each Warrant shall entitle the holder thereof to such other rights and privileges as are set forth in this Indenture.
- (4) The number of Common Shares which may be purchased pursuant to the Warrants and the Exercise Price therefor shall be adjusted upon the events and in the manner specified in Article 4.

2.3 Warrantholder not a Shareholder.

Except as may be specifically provided herein, nothing in this Indenture or in the holding of a Warrant Certificate, entitlement to a Warrant or otherwise, shall, in itself, confer or be construed as conferring upon a Warrantholder any right or interest whatsoever as a Shareholder, including, but not limited to, the right to vote at, to receive notice of, or to attend, meetings of Shareholders or any other proceedings of the Corporation, or the right to Dividends and other allocations.

2.4 Warrants to Rank Pari Passu.

All Warrants shall rank equally and without preference over each other, whatever may be the actual date of issue thereof.

2.5 Form of Warrants.

The Warrants may be issued in both certificated and uncertificated form. All Warrants issued in certificated form shall be evidenced by a Warrant Certificate (including all replacements issued in accordance with this Indenture), substantially in the form set out in Schedule "A" hereto, which shall be dated as of the Issue Date, shall bear such distinguishing letters and numbers as the Corporation may, with the approval of the Warrant Agent, prescribe, and shall be issuable in any denomination excluding fractions. All Warrants issued to the Depository may be in either a certificated or uncertificated form, such uncertificated form being evidenced by a book position on the register of Warrantholders to be maintained by the Warrant Agent in accordance with Section 2.10.

2.6 Book Entry Only Warrants.

- (1) Registration of beneficial interests in and transfers of Warrants held by the Depository shall be made only through the book entry registration system and no Warrant Certificates shall be issued in respect of such Warrants except where physical certificates evidencing ownership in such securities are required or as set out herein or as may be requested by the Depository, as determined by the Corporation, from time to time. Except as provided in this Section 2.6, owners of beneficial interests in any CDS Global Warrants shall not be entitled to have Warrants registered in their names and shall not

receive or be entitled to receive Warrants in definitive form or to have their names appear in the register referred to in Section 2.10 herein. Notwithstanding any terms set out herein, Warrants having the legend set forth in Section 2.8(4)(1) herein may not be held in the name of the Depository or in the form of Uncertificated Warrants.

- (2) Notwithstanding any other provision in this Indenture, no CDS Global Warrants may be exchanged in whole or in part for Warrants registered, and no transfer of any CDS Global Warrants in whole or in part may be registered, in the name of any person other than the Depository for such CDS Global Warrants or a nominee thereof unless:
- (a) the Depository notifies the Corporation that it is unwilling or unable to continue to act as depository in connection with the Book Entry Only Warrants and the Corporation is unable to locate a qualified successor;
 - (b) the Corporation determines that the Depository is no longer willing, able or qualified to discharge properly its responsibilities as holder of the CDS Global Warrants and the Corporation is unable to locate a qualified successor;
 - (c) the Depository ceases to be a clearing agency or otherwise ceases to be eligible to be a depository and the Corporation is unable to locate a qualified successor;
 - (d) the Corporation determines that the Warrants shall no longer be held as Book Entry Only Warrants through the Depository;
 - (e) such right is required by applicable law, as determined by the Corporation and the Corporation's Counsel; or
 - (f) the Warrant is to be exercised by or for the account or benefit of a person in the United States or a U.S. Person, in which case such Warrantholder will request the withdrawal of the Uncertificated Warrant from the non-certificated inventory system of the Depository and request a Certificated Warrant in exchange for such Uncertificated Warrant (in which case, the Warrant Certificate shall contain the legend set forth in Section 2.9(1), if applicable);

following which, Warrants Certificates shall be registered and issued to the beneficial owners of such Warrants or their nominees as directed by the Depository. The Corporation shall provide a certificate of the Corporation giving notice to the Warrant Agent of the occurrence of any event outlined in this Section 2.6(2)(a) to (f).

- (3) Subject to the provisions of this Section 2.6, any transfer of CDS Global Warrants for Warrants which are not CDS Global Warrants may be made in whole or in part in accordance with the provisions of Section 2.13, *mutatis mutandis*. All such Warrants issued in exchange for a CDS Global Warrant or any portion thereof shall be registered in such names as the Depository for such CDS Global Warrants shall direct and shall be entitled to the same benefits and subject to the same terms and conditions (except insofar as they relate specifically to CDS Global Warrants or to any legend required by Section 2.9(1) and the restrictions set out in such legend) as the CDS Global Warrants or portion thereof surrendered upon such exchange.

- (4) Every Warrant that is Authenticated upon registration or transfer of a CDS Global Warrant, or in exchange for or in lieu of a CDS Global Warrant or any portion thereof, whether pursuant to this Section 2.6, or otherwise, shall be Authenticated in the form of, and shall be, a CDS Global Warrant, unless such Warrant is registered in the name of a person other than the Depository for such CDS Global Warrant or a nominee thereof.
- (5) Notwithstanding anything to the contrary in this Indenture, subject to applicable law, the CDS Global Warrant will be issued as an Uncertificated Warrant, unless otherwise requested in writing by the Depository or the Corporation.
- (6) The rights of beneficial owners of Warrants who hold securities entitlements in respect of the Warrants through the book entry registration system shall be limited to those established by applicable law and agreements between the Depository and the Book Entry Only Participants and between such Book Entry Only Participants and the beneficial owners of Warrants who hold securities entitlements in respect of the Warrants through the book entry registration system, and such rights must be exercised through a Book Entry Only Participant in accordance with the rules and procedures of the Depository.
- (7) Notwithstanding anything herein to the contrary, neither the Corporation nor the Warrant Agent nor any agent thereof shall have any responsibility or liability for:
 - (a) the electronic records maintained by the Depository relating to any ownership interests or any other interests in the Warrants or the depository system maintained by the Depository, or payments made on account of any ownership interest or any other interest of any person in any Warrant represented by an electronic position in the book entry registration system (other than the Depository or its nominee);
 - (b) maintaining, supervising or reviewing any records of the Depository or any Book Entry Only Participant relating to any such interest; or
 - (c) any advice or representation made or given by the Depository or those contained herein that relate to the rules and regulations of the Depository or any action to be taken by the Depository on its own direction or at the direction of any Book Entry Only Participant.
- (8) The Corporation may terminate the application of this Section 2.6 in its sole discretion in which case all Warrants shall be evidenced by Warrant Certificates registered in the name of a person other than the Depository.

2.7 Signing of Warrant Certificates.

- (1) The form of certificate representing Warrants shall be substantially as set out in Schedule "A" hereto or such other form as is authorized from time to time by the Warrant Agent. Each Warrant Certificate shall be Authenticated manually by or on behalf of the Warrant Agent. Each Warrant Certificate shall be signed by either of the Chief Executive Officer or Chief Financial Officer of the Corporation whose signature shall appear on the

Warrant Certificate and may be printed, lithographed or otherwise mechanically reproduced thereon and, in such event, certificates so signed are as valid and binding upon the Corporation as if it had been signed manually. Any Warrant Certificate which has the applicable signatures as hereinbefore provided shall be valid notwithstanding that one or more of the persons whose signature is printed, lithographed or mechanically reproduced no longer holds office at the date of issuance of such certificate. The Warrant Certificates may be engraved, printed or lithographed, or partly in one form and partly in another, as the Warrant Agent may determine.

- (2) Any Warrant Certificate validly issued in accordance with the terms of this Indenture in effect at the time of issue of such Warrant Certificate shall, subject to the terms of this Indenture and applicable law, validly entitle the holder to acquire Common Shares, notwithstanding that the form of such Warrant Certificate may not be in the form currently required by this Indenture.

2.8 Authentication by the Warrant Agent.

- (1) No Warrant shall be considered issued and shall be valid or obligatory or shall entitle the holder thereof to the benefits of this Indenture, until it has been Authenticated by the Warrant Agent. Authentication by the Warrant Agent shall not be construed as a representation or warranty by the Warrant Agent as to the validity of this Indenture or of such Warrant Certificates or Uncertificated Warrants (except the due Authentication thereof) or as to the performance by the Corporation of its obligations under this Indenture and the Warrant Agent shall in no respect be liable or answerable for the use made of the Warrants or any of them or of the consideration therefor. Authentication by the Warrant Agent shall be conclusive evidence as against the Corporation that the Warrants so Authenticated have been duly issued hereunder and that the holder thereof is entitled to the benefits of this Indenture.
- (2) The Warrant Agent shall Authenticate Uncertificated Warrants (whether upon original issuance, exchange, registration of transfer, partial payment, or otherwise) by completing its Internal Procedures and the Corporation shall, and hereby acknowledges that it shall, thereupon be deemed to have duly and validly issued such Uncertificated Warrants under this Indenture. Such Authentication shall be conclusive evidence that such Uncertificated Warrant has been duly issued hereunder and that the holder or holders are entitled to the benefits of this Indenture. The register shall be final and conclusive evidence as to all matters relating to Uncertificated Warrants with respect to which this Indenture requires the Warrant Agent to maintain records or accounts. In case of differences between the register at any time and any other time the register at the later time shall be controlling, absent manifest error and such Uncertificated Warrants are binding on the Corporation.
- (3) No Certificated Warrant shall be considered issued and Authenticated or, if Authenticated, shall be obligatory or shall entitle the holder thereof to the benefits of this Indenture, until it has been Authenticated by manual signature by or on behalf of the Warrant Agent. Such Authentication on any such Certificated Warrant shall be conclusive evidence that such Certificated Warrant is duly Authenticated and is valid and

a binding obligation of the Corporation and that the holder is entitled to the benefits of this Indenture.

- (4) No Uncertificated Warrant shall be considered issued, shall be obligatory or shall entitle the holder thereof to the benefits of this Indenture, until it has been Authenticated by entry on the register of the particulars of the Uncertificated Warrant. Such Authentication of an Uncertificated Warrant shall be conclusive evidence that such Uncertificated Warrant is a valid and binding obligation of the Corporation and that the holder is entitled to the benefits of this Indenture.

2.9 Legends.

- (1) Neither the Warrants nor the Common Shares issuable upon exercise thereof (the “**Warrant Shares**”) have been, nor will they be, registered under the U.S. Securities Act or the Securities Laws of any state, and may not be offered, sold or otherwise disposed of unless an exemption from the registration requirements under the U.S. Securities Act and applicable state securities laws is available or the Warrants and Warrant Shares, as applicable, are the subject of an effective registration statement under the U.S. Securities Act. Warrants and, if applicable, Warrant Shares must be issued only in individually certificated form.

Certificates representing Warrants and, if applicable, any Warrant Shares and any certificates issued in replacement thereof or in substitution therefor, shall, until such time as the same is no longer required under applicable requirements of the U.S. Securities Act or applicable state securities laws, bear a legend in substantially the following form:

THE SECURITIES REPRESENTED HEREBY AND THE SECURITIES ISSUABLE UPON THE EXERCISE HEREOF HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”). THESE SECURITIES MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, DIRECTLY OR INDIRECTLY, ONLY (A) TO THE COMPANY, (B) IF THE SECURITIES HAVE BEEN REGISTERED IN COMPLIANCE WITH THE REGISTRATION REQUIREMENTS UNDER THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS (C) IN COMPLIANCE WITH THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS UNDER THE SECURITIES ACT IN ACCORDANCE WITH RULE 144 THEREUNDER, IF APPLICABLE, AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS, OR (D) IN A TRANSACTION THAT DOES NOT REQUIRE REGISTRATION UNDER THE SECURITIES ACT OR ANY APPLICABLE STATE LAWS AND REGULATIONS GOVERNING THE OFFER AND SALE OF SECURITIES, AND THE HOLDER HAS, PRIOR TO SUCH SALE, FURNISHED TO THE COMPANY AN OPINION OF COUNSEL OF RECOGNIZED STANDING, OR OTHER EVIDENCE OF EXEMPTION, REASONABLY SATISFACTORY TO THE COMPANY. THE HOLDER HEREOF WILL NOT, DIRECTLY OR INDIRECTLY, ENGAGE IN ANY HEDGING TRANSACTION WITH REGARD TO THIS SECURITY, EXCEPT AS PERMITTED BY THE SECURITIES ACT. DELIVERY OF THIS

CERTIFICATE MAY NOT CONSTITUTE “GOOD DELIVERY” IN SETTLEMENT OF TRANSACTIONS ON STOCK EXCHANGES IN CANADA.”

[IN THE CASE OF WARRANTS ONLY: “THE SECURITIES EVIDENCED HEREBY AND THE SECURITIES ISSUABLE UPON EXERCISE HEREOF HAVE NOT BEEN REGISTERED UNDER THE 1933 ACT OR U.S. STATE SECURITIES LAWS. THIS WARRANT MAY NOT BE EXERCISED IN THE UNITED STATES OR BY OR ON BEHALF OF, OR FOR THE ACCOUNT OR BENEFIT OF, A PERSON IN THE UNITED STATES OR A U.S. PERSON UNLESS THE COMMON SHARES ISSUABLE UPON EXERCISE OF THIS WARRANT HAVE BEEN REGISTERED UNDER THE 1933 ACT AND APPLICABLE STATE SECURITIES LAWS OR AN EXEMPTION FROM SUCH REGISTRATION REQUIREMENTS IS AVAILABLE.”]

- (2) Each Warrant originally issued on the date hereof and issued in exchange therefor or in substitution thereof (if issued prior to the date that a receipt is issued for a (final) prospectus qualifying the resale of the Warrants and Underlying Shares) shall bear or be deemed to bear the following legend or such variations thereof as the Corporation may prescribe from time to time:

“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 (I) [CLOSING DATE], AND (II) THE DATE THE ISSUER BECAME A REPORTING ISSUER IN ANY PROVINCE OR TERRITORY.”

provided that if, at any time, in the opinion of counsel to the Corporation, such legend is no longer necessary or advisable under applicable Securities Laws, or the holder of any such legended certificate, at the holder's expense, provides the Corporation with evidence satisfactory in form and substance to the Company (which may include an opinion of counsel satisfactory to the Company) to the effect that such legend is not required, such legended certificate may thereafter be surrendered to the Corporation in exchange for a certificate which does not bear such legend.

- (3) Notwithstanding any other provisions of this Indenture, in processing and registering transfers of Warrants, no duty or responsibility whatsoever shall rest upon the Warrant Agent to determine the compliance by any transferor or transferee with the terms of the legend contained in subsections 2.9(1), or 2.9(2), or with the relevant securities laws or regulations, including, without limitation, Regulation S, and the Warrant Agent shall be entitled to assume that all transfers that are processed in accordance with this Indenture are legal and proper.

2.10 Register of Warrants

- (1) The Warrant Agent shall maintain records and accounts concerning the Warrants, whether certificated or uncertificated, which shall contain the information called for below with respect to each Warrant, together with such other information as may be required by law or as the Warrant Agent may elect to record. All such information shall be kept in one set of accounts and records which the Warrant Agent shall designate (in such manner as shall permit it to be so identified as such by an unaffiliated party) as the register of the holders of Warrants. The information to be entered for each account in the register of Warrants at any time shall include (without limitation):
 - (a) the name and address of the holder of the Warrants, the date of Authentication thereof and the number Warrants;
 - (b) whether such Warrant is a Certificated Warrant or an Uncertificated Warrant and, if a Certificated Warrant, the unique number or code assigned to and imprinted thereupon and, if an Uncertificated Warrant, the unique number or code assigned thereto if any;
 - (c) whether such Warrant has been cancelled; and
 - (d) a register of transfers in which all transfers of Warrants and the date and other particulars of each transfer shall be entered.
- (2) The register shall be available for inspection by the Corporation and or any Warrantholder during the Warrant Agent's regular business hours on a Business Day and upon payment to the Warrant Agent of its reasonable fees. Any Warrantholder exercising such right of inspection shall first provide an affidavit in form satisfactory to the Corporation and the Warrant Agent stating the name and address of the Warrantholder and agreeing not to use the information therein except in connection with an effort to call a meeting of Warrantholders or to influence the voting of Warrantholders at any meeting of Warrantholders.

2.11 Issue in Substitution for Warrant Certificates Lost, etc.

- (1) If any Warrant Certificate becomes mutilated or is lost, destroyed or stolen, the Corporation, subject to applicable law, and subsection 2.11(2) shall issue and thereupon the Warrant Agent shall certify and deliver, a new Warrant Certificate of like tenor, and bearing the same legend, if applicable, as the one mutilated, lost, destroyed or stolen in exchange for and in place of and upon cancellation of such mutilated Warrant Certificate, or in lieu of and in substitution for such lost, destroyed or stolen Warrant Certificate, and the substituted Warrant Certificate shall be in a form approved by the Warrant Agent and the Warrants evidenced thereby shall be entitled to the benefits hereof and shall rank equally in accordance with its terms with all other Warrants issued or to be issued hereunder.
- (2) The applicant for the issue of a new Warrant Certificate pursuant to this Section 2.11 shall bear the cost of the issue thereof, and in the case of mutilation shall, as a condition

precedent to the issue thereof, deliver to the Warrant Agent the mutilated Warrant Certificate, and in case of loss, destruction or theft shall, as a condition precedent to the issuance thereof, furnish to the Corporation and to the Warrant Agent such evidence of ownership and of the loss, destruction or theft of the Warrant Certificate so lost, destroyed or stolen as shall be satisfactory to the Corporation and to the Warrant Agent, in their sole discretion, and such applicant shall also be required to furnish an indemnity and surety bond in amount and form satisfactory to the Corporation and the Warrant Agent, in their sole discretion, and shall pay the reasonable charges of the Corporation and the Warrant Agent in connection therewith.

2.12 Exchange of Warrant Certificates.

- (1) Any one or more Warrant Certificates representing any number of Warrants may, upon compliance with the reasonable requirements of the Warrant Agent (including compliance with applicable Securities Laws), be exchanged for one or more other Warrant Certificates representing the same aggregate number of Warrants, and bearing the same legend, if applicable, as represented by the Warrant Certificate or Warrant Certificates so exchanged.
- (2) Warrant Certificates may be exchanged only at the Warrant Agency or at any other place that is designated by the Corporation with the approval of the Warrant Agent. Any Warrant Certificate tendered for exchange shall be cancelled and surrendered to the Warrant Agent.

2.13 Transfer and Ownership of Warrants.

- (1) The Warrants may only be transferred on the register kept by the Warrant Agent at the Warrant Agency by the holder or its legal representatives or its attorney duly appointed by an instrument in writing in form and execution satisfactory to the Warrant Agent only upon
 - (a) surrendering to the Warrant Agent at the Warrant Agency the Warrant Certificates representing the Warrants to be transferred together with a duly executed transfer form as set forth in Schedule "A" (together with a opinion of counsel, if required by Sections 2.9(1));
 - (b) in the case of Book Entry Only Warrants, in accordance with procedures prescribed by the Depository under the book entry registration system, and
 - (c) upon compliance with:
 - (i) the conditions herein;
 - (ii) such reasonable requirements as the Warrant Agent may prescribe; and
 - (iii) all applicable Securities Laws and requirements of regulatory authorities;

and such transfer shall be duly noted in such register by the Warrant Agent. Upon compliance with such requirements, the Warrant Agent shall issue to the transferee of a Certificated Warrant, a Warrant Certificate, representing the Warrants transferred.

- (2) The Warrant Agent shall not register a transfer unless the transferor has provided the Warrant Agent with the Warrant Certificate and such securities may be transferred only as set forth in such Section 2.9(1).
- (3) Subject to the provisions of this Indenture and applicable law, the Warrantholder shall be entitled to the rights and privileges attaching to the Warrants, and the issue of Common Shares by the Corporation upon the exercise of Warrants in accordance with the terms and conditions herein contained shall discharge all responsibilities of the Corporation and the Warrant Agent with respect to such Warrants and neither the Corporation nor the Warrant Agent shall be bound to inquire into the title of any such holder.
- (4) The Corporation will be entitled, and may direct the Warrant Agent, to refuse to recognize any transfer, or enter the name of any transferee, of any Warrant on the register kept by the Warrant Agent, if such transfer would constitute a violation of Securities Laws or the rules, regulations or policies of any regulatory authority having jurisdiction. The Warrant Agent is entitled to assume compliance with all applicable Securities Laws unless otherwise notified in writing by the Corporation. No duty shall rest with the Warrant Agent to determine compliance of the transferee or transferor of any Warrant with Securities Laws.
- (5) Any Warrant Certificate issued to a transferee upon transfers contemplated by this section 2.13 shall bear the appropriate legends, as required by applicable Securities Laws, as set forth in subsection 2.8(4).

2.14 Cancellation of Surrendered Warrants.

All Warrant Certificates surrendered pursuant to Article 3 or transferred or exchanged pursuant to Article 2 shall be cancelled by the Warrant Agent and so noted on the register by the Warrant Agent and upon such circumstances all such Uncertificated Warrants shall be deemed cancelled and so noted on the register by the Warrant Agent. Upon request by the Corporation, the Warrant Agent shall furnish to the Corporation a cancellation certificate identifying the Warrant Certificates so cancelled, the number of Warrants evidenced thereby, the number of Common Shares, if any, issued pursuant to such Warrants, as applicable, and the details of any Warrant Certificates issued in substitution or exchange for such Warrant Certificates cancelled.

ARTICLE 3 EXERCISE OF WARRANTS

3.1 Right of Exercise.

Subject to the provisions hereof, each registered Warrantholder may exercise the right conferred on such holder to subscribe for and purchase one Common Share for each Warrant after the Issue Date and prior to the Expiry Time and in accordance with the

conditions herein; provided, however, that such exercise must be permitted under applicable U.S. Securities Laws and provided further that a Warrantholder holding an Uncertificated Warrant that is in the United States or that is a U.S. Person will first request the withdrawal of the Uncertificated Warrant from the non-certificated inventory system of the Depository and request a Certificated Warrant in exchange for such Uncertificated Warrant.

If no Registration Statement is effective under the U.S. Securities Act, or if the prospectus contained therein is not available for the resale of the Common Shares issuable upon exercise of the Warrants by the holder exercising the Warrant, at any time prior to the Expiry Time, such Warrantholder shall be notified forthwith by the Warrant Agent that such Warrantholder is entitled to a cashless exercise, in part or in whole, in accordance with Section 3.2(2).

3.2 Warrant Exercise.

- (1) Holders of Certificated Warrants who wish to exercise the Warrants held by them in order to acquire Common Shares must, if permitted pursuant to the terms and conditions hereunder and as set forth in any applicable legend, complete the exercise form (the “**Exercise Notice**”) which form is attached to the Warrant Certificate which may be amended by the Corporation with the consent of the Warrant Agent, if such amendment does not, in the reasonable opinion of the Corporation and the Warrant Agent, materially and adversely affect the rights, entitlements and interests of the Warrantholders, and deliver such certificate(s), the executed Exercise Notice and a certified cheque, bank draft or money order payable to or to the order of the Corporation for the aggregate Exercise Price to the Warrant Agent at the Warrant Agency. The Warrants represented by a Warrant Certificate shall be deemed to be surrendered upon personal delivery of such certificate, Exercise Notice and aggregate Exercise Price or, if such documents are sent by mail or other means of transmission, upon actual receipt thereof by the Warrant Agent at the office referred to above.
- (2) If, at the time of exercise of any Warrant in accordance with this Indenture, there is no effective Registration Statement under the U.S. Securities Act covering the resale by the holder of a portion of the Common Shares to be issued upon exercise of the Warrant, or the prospectus contained therein is not available for the resale of the Common Shares to the Warrantholder under the U.S. Securities Act by reason of a blackout or suspension of use thereof, then the Warrants may be exercised, in part for that portion of the Common Shares not registered for resale by the holder under an effective Registration Statement or in whole in the case of the prospectus not being available for the resale of such Common Shares, at such time by means of a “cashless exercise” in which the Warrantholder shall be entitled to receive a number of Common Shares equal to the quotient obtained by dividing [(A-B) (X)] by (A), where:

A = the last VWAP for the Trading Day immediately preceding the time of delivery of the Exercise Form giving rise to the applicable “cashless exercise” (to clarify, the “last VWAP” will be the VWAP as calculated over an entire Trading Day such

that, in the event that a Warrant is exercised at a time when the Trading Market is open, the prior Trading Day's VWAP shall be used in this calculation);

B = the Exercise Price of the Warrant, as adjusted hereunder (if any); and

X = the number of Common Shares that would be issuable upon exercise of the Warrant in accordance with the terms of such Warrant if such exercise were by means of a cash exercise rather than a cashless exercise..

If Common Shares are issued pursuant to such a cashless exercise, the parties acknowledge and agree that in accordance with Section 3(a)(9) of the U.S. Securities Act, such Common Shares shall take on the registered characteristics of the Warrants being exercised. The Corporation agrees not to take any position contrary to this Section 3.2(2). Upon receipt of a duly completed Exercise Form that specifies a cashless exercise, the Warrant Agent will notify the Corporation, which will calculate and provide to the Warrant Agent the number of Common Shares to be allotted to the Warrantholder.

For the avoidance of doubt, a Warrantholder may only exercise his or her warrants by means of "cashless exercise" if there is no effective Registration Statement under the U.S. Securities Act registering the resale by such holder of the Common Shares issuable upon exercise of the Warrants, or the prospectus contained therein is not available for, the resale by the holder of the Common Shares acquirable upon the exercise of his or her Warrants. If there is an effective registration statement under the U.S. Securities Act registering the resale by the holder of a portion of the Common Shares issuable upon exercise, or the prospectus contained therein is available for, the the resale by the holder of the Common Shares, such Warrantholder may only exercise his or her Warrants in accordance with Section 3.2 (1) in relation to that portion of the Common Shares registered for resale under the Registration Statement.

- (3) A beneficial holder of Uncertificated Warrants evidenced by a security entitlement in respect of Warrants in the book entry registration system who desires to exercise his or her Warrants must do so by causing a Book Entry Only Participant to deliver to the Depository on behalf of the entitlement holder, notice of the owner's intention to exercise Warrants in a manner acceptable to the Depository, provided that a Warrantholder holding an Uncertificated Warrant that is in the United States or that is a U.S. Person will first request the withdrawal of the Uncertificated Warrant from the non-certificated inventory system of the Depository and request a Certificated Warrant in exchange for such Uncertificated Warrant. Forthwith upon receipt by the Depository of such notice, as well as payment for the Exercise Price, the Depository shall deliver to the Warrant Agent confirmation of its intention to exercise Warrants ("**Confirmation**") in a manner acceptable to the Warrant Agent, including by electronic means through the book entry registration system.
- (4) Payment representing the aggregate Exercise Price must be provided to the appropriate office of the Book Entry Only Participant in a manner acceptable to it. A notice in form acceptable to the Book Entry Only Participant and payment from such beneficial holder should be provided to the Book Entry Only Participant sufficiently in advance so as to

permit the Book Entry Only Participant to deliver notice and payment to the Depository and for the Depository in turn to deliver notice and payment to the Warrant Agent prior to Expiry Time. The Depository will initiate the exercise by way of the Confirmation and forward the aggregate Exercise Price electronically to the Warrant Agent for prompt onward payment by the Warrant Agent to the Corporation which the Warrant Agent will promptly pay to the Corporation, and the Warrant Agent will execute the exercise by issuing to the Depository through the book entry registration system the Common Shares to which the exercising Warrantholder is entitled pursuant to the exercise. Any expense associated with the exercise process will be for the account of the entitlement holder exercising the Warrants and/or the Book Entry Only Participant exercising the Warrants on its behalf.

- (5) By causing a Book Entry Only Participant to deliver notice to the Depository, a Warrantholder shall be deemed to have irrevocably surrendered his or her Warrants so exercised and appointed such Book Entry Only Participant to act as his or her exclusive settlement agent with respect to the exercise of the Warrants and the receipt of Common Shares in connection with the obligations arising from such exercise.
- (6) The Exercise Notice referred to in this Section 3.2 shall be signed by the Warrantholder, or its executors or administrators or other legal representatives or an attorney of the Warrantholder, duly appointed by an instrument in writing satisfactory to the Warrant Agent.
- (7) Any notice which the Depository determines to be incomplete, not in proper form or not duly executed shall for all purposes be void and of no effect and the exercise to which it relates shall be considered for all purposes not to have been exercised thereby. A failure by a Book Entry Only Participant to exercise or to give effect to the settlement thereof in accordance with the Warrantholder's instructions will not give rise to any obligations or liability on the part of the Corporation or Warrant Agent to the Book Entry Only Participant or the Warrantholder.
- (8) Any exercise referred to in this Section 3.2 shall require that the entire Exercise Price for Common Shares subscribed for must be paid at the time of subscription and such Exercise Price and original Exercise Notice executed by the Warrantholder must be received by the Warrant Agent prior to the Expiry Time.
- (9) Notwithstanding the foregoing in this Section 3.2, Warrants may only be exercised pursuant to this Section 3.2 by or on behalf of a Warrantholder, who is permitted to and makes one of the certifications set forth on the Exercise Notice and delivers, if applicable, any opinion or other evidence as required by the Corporation.
- (10) If the form of Exercise Notice set forth in the Warrant Certificate shall have been amended, the Corporation shall cause the amended Exercise Notice to be forwarded to all Warrantholders.
- (11) Exercise Notices and Confirmations must be delivered to the Warrant Agent at any time during the Warrant Agent's actual business hours on any Business Day prior to the

Expiry Time. Any Exercise Notice or Confirmations received by the Warrant Agent after business hours on any Business Day will be deemed to have been received by the Warrant Agent on the next following Business Day.

- (12) Any Warrant with respect to which an Exercise Notice or Confirmation is not received by the Warrant Agent before the Expiry Time shall be deemed to have expired and become void and all rights with respect to such Warrants shall terminate and be cancelled.

3.3 U.S. Restrictions; Legended Certificates

- (1) **The Warrants and the Common Shares issuable upon exercise thereof have not been and will not be registered under the U.S. Securities Act or the securities laws of any state of the United States, and the Warrants may not be exercised unless an exemption from the registration requirements of the U.S. Securities Act and the Securities Laws of all applicable states is available.** The Warrant Agent shall not issue or register Common Shares or the certificates representing such Common Shares unless the Warrantholder provides:

- (i) a written certification that the Warrantholder at the time of exercise of the Warrants (a) is not in the United States; (b) is not a U.S. Person and is not exercising the Warrants on behalf of a U.S. Person or a person in the United States; (c) represents and warrants that the exercise of the Warrants and the acquisition of the Common Shares issuable upon exercise thereof occurred in an “offshore transaction” (as defined under Regulation S under the U.S. Securities Act) (d) will not engage in hedging transactions involving the Common Shares except as permitted under the U.S. Securities Act; (e) acknowledges that the Common Shares have not been registered under the U.S. Securities Act, are “restricted securities” under Rule 144 under the U.S. Securities Act and are subject to a one-year distribution compliance period under the U.S. Securities Act during which time they may not be offered or sold into the United States or to, or for the account or benefit of a U.S. Person, except pursuant to registration under the U.S. Securities Act or pursuant to an available exemption from such registration; (f) agrees to resell such Common Shares only in accordance with the provisions of Regulation S under the U.S. Securities Act, pursuant to registration under the U.S. Securities Act, or pursuant to an available exemption from registration under the U.S. Securities Act; or
- (ii) a written certification that the Warrantholder is the original U.S. Purchaser and (a) purchased the Warrants directly from the Corporation pursuant to a duly executed subscription agreement (including any required certifications set forth therein) for the purchase of Convertible Debentures; (b) is exercising the Warrants solely for its own account or for the account of the original beneficial purchaser, if any; (c) each of it and any beneficial purchaser was on the date the Convertible Debentures were purchased from the Corporation, and is on the date of exercise of the Warrants, an Accredited Investor; and (d) all the representations, warranties and

covenants set forth in the written and duly executed subscription agreement (including any required certifications set forth therein) made by the Warrantholder for the purchase of Convertible Debentures from the Corporation continue to be true and correct as if duly executed as of the date thereof; or

- (iii) an opinion of counsel of recognized standing, in form and substance reasonably satisfactory to the Corporation, to the effect that the exercise of the Warrants and the issuance of the Warrant Shares are exempt from registration under the U.S. Securities Act or any applicable state securities laws.
- (2) No certificates representing Common Shares will be registered or delivered to an address in the United States unless the Warrantholder complies with the requirements set forth in subsection 3.3(1)(ii) or subsection 3.3(1)(iii) and, in the case of subsection 3.3(1)(iii), the Corporation has confirmed in writing to the Warrant Agent that the opinion of counsel and such other evidence required by the Corporation is reasonably satisfactory to the Corporation. The certificates representing any Common Shares issued in connection with the exercise of Warrants shall bear the legend set forth in subsection 3.3(3) of this Indenture. Common Shares must be issued only in individually certificated form.
- (3) Certificates representing Common Shares issued upon the exercise of Warrants (and each certificate issued in exchange therefor or in substitution thereof) shall bear the following legend:

THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). THESE SECURITIES MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, DIRECTLY OR INDIRECTLY, ONLY (A) TO THE COMPANY, (B) IF THE SECURITIES HAVE BEEN REGISTERED IN COMPLIANCE WITH THE REGISTRATION REQUIREMENTS UNDER THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS (C) IN COMPLIANCE WITH THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS UNDER THE SECURITIES ACT IN ACCORDANCE WITH RULE 144 THEREUNDER, IF APPLICABLE, AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS, OR (D) IN A TRANSACTION THAT DOES NOT REQUIRE REGISTRATION UNDER THE SECURITIES ACT OR ANY APPLICABLE STATE LAWS AND REGULATIONS GOVERNING THE OFFER AND SALE OF SECURITIES, AND THE HOLDER HAS, PRIOR TO SUCH SALE, FURNISHED TO THE COMPANY AN OPINION OF COUNSEL OF RECOGNIZED STANDING, OR OTHER EVIDENCE OF EXEMPTION, REASONABLY SATISFACTORY TO THE COMPANY. THE HOLDER HEREOF WILL NOT, DIRECTLY OR INDIRECTLY, ENGAGE IN ANY HEDGING TRANSACTION WITH REGARD TO THIS SECURITY, EXCEPT AS PERMITTED BY THE SECURITIES ACT. DELIVERY OF THIS

CERTIFICATE MAY NOT CONSTITUTE “GOOD DELIVERY” IN SETTLEMENT OF TRANSACTIONS ON STOCK EXCHANGES IN CANADA.”

- (4) Common Shares issued upon the exercise of Warrants prior to the date that a receipt is issued for a (final) prospectus qualifying the resale of the Warrants and Underlying Shares shall bear or be deemed to bear the following legend:

“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 (I) [CLOSING DATE], AND (II) THE DATE THE ISSUER BECAME A REPORTING ISSUER IN ANY PROVINCE OR TERRITORY.”

3.4 Transfer Fees and Taxes.

If any of the Common Shares subscribed for are to be issued to a person or persons other than the Warrantholder, the Warrantholder shall execute the form of transfer and will comply with such reasonable requirements as the Warrant Agent may stipulate and will pay to the Corporation or the Warrant Agent on behalf of the Corporation, all applicable transfer or similar taxes and the Corporation will not be required to issue or deliver certificates evidencing Common Shares unless or until such Warrantholder shall have paid to the Corporation or the Warrant Agent on behalf of the Corporation, the amount of such tax or shall have established to the satisfaction of the Corporation and the Warrant Agent that such tax has been paid or that no tax is due.

3.5 Warrant Agency.

To facilitate the exchange, transfer or exercise of Warrants and compliance with such other terms and conditions hereof as may be required, the Corporation has appointed the Warrant Agency, as the agency at which Warrants may be surrendered for exchange or transfer or at which Warrants may be exercised and the Warrant Agent has accepted such appointment. The Corporation may from time to time designate alternate or additional places as the Warrant Agency (subject to the Warrant Agent’s prior approval) and will give notice to the Warrant Agent of any proposed change of the Warrant Agency. Branch registers shall also be kept at such other place or places, if any, as the Corporation, with the approval of the Warrant Agent, may designate. The Warrant Agent will from time to time when requested to do so by the Corporation or any Warrantholder, subject to Section 2.10(1), upon payment of the Warrant Agent’s reasonable charges, furnish a list of the names and addresses of Warrantholders showing the number of Warrants held by each such Warrantholder.

3.6 Effect of Exercise of Warrants.

- (1) Upon the exercise of Warrants pursuant to and in compliance with Section 3.2 and subject to Section 3.3 and Section 0, the Common Shares to be issued pursuant to the

Warrants exercised shall be deemed to have been issued and the person or persons to whom such Common Shares are to be issued shall be deemed to have become the holder or holders of such Common Shares as of the Exercise Date, unless the registers shall be closed on such date, in which case the Common Shares subscribed for shall be deemed to have been issued and such person or persons deemed to have become the holder or holders of record of such Common Shares, on the date on which such registers are reopened.

- (2) Within two Business Days after the Exercise Date with respect to a Warrant, the Warrant Agent on behalf of the Corporation shall deliver or shall cause to be delivered or mailed to the person or persons in whose name or names the Warrant is registered or, if so specified in writing by the holder, cause to be delivered to such person or persons at the Warrant Agency where the Warrant Certificate was surrendered, a certificate or certificates for the appropriate number of Common Shares subscribed for, or any other appropriate evidence of the issuance of Common Shares to such person or persons.

3.7 Partial Exercise of Warrants; Fractions.

- (1) The holder of any Warrants may exercise his right to acquire a number of whole Common Shares less than the aggregate number which the holder is entitled to acquire. In the event of any exercise of a number of Warrants less than the number which the holder is entitled to exercise, the holder of Warrants upon such exercise shall, in addition, be entitled to receive, without charge therefor, a new Warrant Certificate(s), bearing the same legend, if applicable, or other appropriate evidence of Warrants, in respect of the balance of the Warrants held by such holder and which were not then exercised.
- (2) Notwithstanding anything herein contained including any adjustment provided for in Article 4, the Corporation shall not be required, upon the exercise of any Warrants, to issue fractions of Common Shares. Warrants may only be exercised in a sufficient number to acquire whole numbers of Common Shares. Any fractional Common Shares shall be rounded down to the nearest whole number and the holder of such Warrants shall not be entitled to any compensation in respect of any fractional Common Share which is not issued.

3.8 Expiration of Warrants.

- (1) Immediately after the Expiry Time, all rights under any Warrant in respect of which the right of acquisition provided for herein shall not have been exercised shall cease and terminate and each Warrant shall be void and of no further force or effect.

3.9 Accounting and Recording.

- (1) The Warrant Agent shall promptly account to the Corporation with respect to Warrants exercised, and shall promptly forward to the Corporation (or into an account or accounts of the Corporation with the bank or trust company designated by the Corporation for that purpose), all monies received by the Warrant Agent on the subscription of Common Shares through the exercise of Warrants and any securities or other instruments, from time to time received by the Warrant Agent shall be received as agent for, and shall be

segregated and kept apart by the Warrant Agent for the Warrantholders and the Corporation as their interests may appear.

- (2) The Warrant Agent shall record the particulars of Warrants exercised, which particulars shall include the names and addresses of the persons who become holders of Common Shares on exercise and the Exercise Date, in respect thereof. The Warrant Agent shall provide such particulars in writing to the Corporation within five Business Days of any request by the Corporation therefor.

3.10 Securities Restrictions.

Notwithstanding anything herein contained, Common Shares will be issued upon exercise of a Warrant only in compliance with the Securities Laws of any applicable jurisdiction.

ARTICLE 4 ADJUSTMENT OF NUMBER OF COMMON SHARES AND EXERCISE PRICE

4.1 Adjustment of Number of Common Shares and Exercise Price.

The subscription rights in effect under the Warrants for Common Shares issuable upon the exercise of the Warrants shall be subject to adjustment from time to time as follows:

- (a) if, at any time during the Adjustment Period, the Corporation shall:
- (i) subdivide, re-divide or change its outstanding Common Shares into a greater number of Common Shares;
 - (ii) reduce, combine or consolidate its outstanding Common Shares into a smaller number of Common Shares;
 - (iii) issue Common Shares or securities exchangeable for, or convertible into, Common Shares to all or substantially all of the holders of Common Shares by way of distribution or stock dividend (other than a distribution of Common Shares upon the exercise of Warrants);

(any of such events in Section 4.1(a) being called a “**Common Share Reorganization**”) then the Exercise Price shall be adjusted as of the effective date or record date of such subdivision, re-division, change, reduction, combination, consolidation, distribution or stock dividend, as the case may be, by multiplying the Exercise Price in effect immediately prior to such effective date or record date by a fraction, the numerator of which shall be the number of Common Shares outstanding on such effective date or record date before giving effect to such Common Share Reorganization and the denominator of which shall be the number of Common Shares outstanding as of the effective date or record date after giving effect to such Common Share Reorganization (including, in the case where securities exchangeable for or convertible into Common Shares are distributed, the number of Common Shares that would have been outstanding had such

securities been exchanged for or converted into Common Shares on such record date or effective date).

Such adjustment shall be made successively whenever any event referred to in this Section 4.1(a) shall occur. Upon any adjustment of the Exercise Price pursuant to Section 4.1(a), the Exchange Rate shall be contemporaneously adjusted by multiplying the number of Common Shares theretofore obtainable on the exercise thereof by a fraction of which the numerator shall be the Exercise Price in effect immediately prior to such adjustment and the denominator shall be the Exercise Price resulting from such adjustment;

- (b) if and whenever at any time during the Adjustment Period, the Corporation shall fix a record date for the issuance of rights, options or warrants to all or substantially all the holders of its outstanding Common Shares entitling them, for a period expiring not more than 45 days after such record date, to subscribe for or purchase Common Shares (or securities convertible or exchangeable into Common Shares) at a price per Common Share (or having a conversion or exchange price per Common Share) less than 95% of the Current Market Price on such record date (a “**Rights Offering**”), the Exercise Price shall be adjusted immediately after such record date so that it shall equal the amount determined by multiplying the Exercise 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 number arrived at 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 or exchangeable securities so offered) by such Current Market Price, 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 or exchangeable securities so offered are convertible or exchangeable; any Common Shares owned by or held for the account of the Corporation shall be deemed not to be outstanding for the purpose of any such computation; such adjustment shall be made successively whenever such a record date is fixed; to the extent that no such rights or warrants are exercised prior to the expiration thereof, the Exercise Price shall be readjusted to the Exercise Price which would then be in effect if such record date had not been fixed or, if any such rights or warrants are exercised, to the Exercise Price which would then be in effect based upon the number of Common Shares (or securities convertible or exchangeable into Common Shares) actually issued upon the exercise of such rights or warrants, as the case may be. Upon any adjustment of the Exercise Price pursuant to this Section 4.1(b), the Exchange Rate will be adjusted immediately after such record date so that it will equal the rate determined by multiplying the Exchange Rate in effect on such record date by a fraction, of which the numerator shall be the Exercise Price in effect immediately prior to such adjustment and the denominator shall be the Exercise Price resulting from such adjustment. Such adjustment will be made successively whenever such a record date is fixed, provided that if two or more such record dates or record dates referred to in this Section 4.1(b) are fixed

within a period of 25 Trading Days, such adjustment will be made successively as if each of such record dates occurred on the earliest of such record dates;

- (c) if and whenever at any time during the Adjustment Period 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) securities of any class, whether of the Corporation or any other trust (other than Common Shares), (ii) rights, options or warrants to subscribe for or purchase Common Shares (or other securities convertible into or exchangeable for Common Shares), other than pursuant to a Rights Offering; (iii) evidences of its indebtedness, or (iv) any property or other assets then, in each such case, the Exercise Price shall be adjusted immediately after such record date so that it shall equal the price determined by multiplying the Exercise 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 Current Market Price on such record date, less the excess, if any, of the fair market value on such record date, as determined by the Directors (whose determination shall be conclusive), of such securities or other assets so issued or distributed over the fair market value of any consideration received therefor by the Corporation from the holders of the Common Shares, and of which the denominator shall be the total number of Common Shares outstanding on such record date multiplied by such Current Market Price; and Common Shares owned by or held for the account of the Corporation shall be deemed not to be outstanding for the purpose of any such computation; such adjustment shall be made successively whenever such a record date is fixed; to the extent that such distribution is not so made, the Exercise Price shall be readjusted to the Exercise Price which would then be in effect if such record date had not been fixed. Upon any adjustment of the Exercise Price pursuant to this Section 4.1(c), the Exchange Rate will be adjusted immediately after such record date so that it will equal the rate determined by multiplying the Exchange Rate in effect on such record date by a fraction, of which the numerator shall be the Exercise Price in effect immediately prior to such adjustment and the denominator shall be the Exercise Price resulting from such adjustment;
- (d) if and whenever at any time during the Adjustment Period, there is a reclassification of the Common Shares or a capital reorganization of the Corporation other than as described in Section 4.1(a) or a consolidation, amalgamation, arrangement or merger of the Corporation with or into any other body corporate, trust, partnership 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 body corporate, trust, partnership or other entity, any Warrantholder who has not exercised its right of acquisition prior to the effective date of such reclassification, capital reorganization, consolidation, amalgamation, arrangement or merger, sale or conveyance, upon the exercise of such right thereafter, shall be entitled to receive upon payment of the Exercise Price and shall accept, in lieu of the number of Common Shares that prior to such effective date the Warrantholder would have been entitled to receive, the number of shares or other securities or property of the Corporation or of the body corporate, trust, partnership or other

entity resulting from such merger, amalgamation or consolidation, or to which such sale or conveyance may be made, as the case may be, that such Warrantholder would have been entitled to receive on such reclassification, capital reorganization, consolidation, amalgamation, arrangement or merger, sale or conveyance, if, on the effective date thereof, as the case may be, the Warrantholder had been the registered holder of the number of Common Shares to which prior to such effective date it was entitled to acquire upon the exercise of the Warrants. If determined appropriate by the Warrant Agent, relying on advice of Counsel, to give effect to or to evidence the provisions of this Section 4.1(d), the Corporation, its successor, or such purchasing body corporate, partnership, trust 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, enter into an indenture which shall provide, to the extent possible, for the application of the provisions set forth in this Indenture with respect to the rights and interests thereafter of the Warrantholders to the end that the provisions set forth in this Indenture shall thereafter correspondingly be made applicable, as nearly as may reasonably be, with respect to any shares, other securities or property to which a Warrantholder is entitled on the exercise of its acquisition rights thereafter. Any indenture entered into between the Corporation and the Warrant Agent pursuant to the provisions of this Section 4.1(d) shall be a supplemental indenture entered into pursuant to the provisions of Article 8 hereof. Any indenture entered into between the Corporation, any successor to the Corporation or such purchasing body corporate, partnership, trust or other entity and the Warrant Agent shall provide for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided in this Section 4.1 and which shall apply to successive reclassifications, capital reorganizations, amalgamations, consolidations, mergers, sales or conveyances;

- (e) in any case in which this Section 4.1 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 Warrantholder of any Warrant exercised after the record date and prior to completion of such event the additional Common Shares issuable by reason of the adjustment required by such event before giving effect to such adjustment; provided, however, that the Corporation shall deliver to such Warrantholder an appropriate instrument evidencing such Warrantholder'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 relevant date of exercise or such later date as such Warrantholder would, but for the provisions of this Section 4.1(e), have become the holder of record of such additional Common Shares pursuant to Section 4.1;
- (f) in any case in which Section 4.1(a)(iii), Section 4.1(b) or Section 4.1(c) require that an adjustment be made to the Exercise Price, no such adjustment shall be made if the Warrantholders of the outstanding Warrants receive, subject to the

approval of the CSE if required, the rights or warrants referred to in Section 4.1(a)(iii), Section 4.1(b) or the shares, rights, options, warrants, evidences of indebtedness or assets referred to in Section 4.1(c), as the case may be, in such kind and number as they would have received if they had been holders of Common Shares on the applicable record date or effective date, as the case may be, by virtue of their outstanding Warrant having then been exercised into Common Shares at the Exercise Price in effect on the applicable record date or effective date, as the case may be;

- (g) the adjustments provided for in this Section 4.1 are cumulative, and shall, in the case of adjustments to the Exercise Price be computed to the nearest whole cent and shall apply to successive subdivisions, re-divisions, changes, reductions, combinations, consolidations, distributions, stock dividends, issues or other events resulting in any adjustment under the provisions of this Section 4.1, provided that, notwithstanding any other provision of this Section, no adjustment of the Exercise Price shall be required unless such adjustment would require an increase or decrease of at least 1% in the Exercise Price then in effect; provided, however, that any adjustments which by reason of this Section 4.1(g) are not required to be made shall be carried forward and taken into account in any subsequent adjustment; and
- (h) after any adjustment pursuant to this Section 4.1, the term “Common Shares” where used in this Indenture shall be interpreted to mean securities of any class or classes which, as a result of such adjustment and all prior adjustments pursuant to this Section 4.1, the Warrantholder is entitled to receive upon the exercise of his Warrant, and the number of Common Shares indicated by any exercise made pursuant to a Warrant shall be interpreted to mean the number of Common Shares or other property or securities a Warrantholder is entitled to receive, as a result of such adjustment and all prior adjustments pursuant to this Section 4.1, upon the full exercise of a Warrant.

4.2 Entitlement to Common Shares on Exercise of Warrant.

All Common Shares or shares of any class or other securities, which a Warrantholder is at the time in question entitled to receive on the permitted exercise of its Warrant, whether or not as a result of adjustments made pursuant to this Article 4, shall, for the purposes of the interpretation of this Indenture, be deemed to be Common Shares which such Warrantholder is entitled to acquire pursuant to such Warrant.

4.3 No Adjustment for Certain Transactions.

Notwithstanding anything in this Article 4, no adjustment shall be made in the acquisition rights attached to the Warrants if the issue of Common Shares is being made pursuant to this Indenture or in connection with (a) any share incentive plan or restricted share plan or share purchase plan in force from time to time for directors, officers, employees, consultants or other service providers of the Corporation; or (b) the satisfaction of existing instruments issued at the date hereof.

4.4 Determination by Independent Firm.

In the event of any question or dispute arising with respect to the adjustments provided for in this Article 4 such question shall be conclusively determined by an independent firm of chartered accountants other than the Auditors, who shall have access to all necessary records of the Corporation, and such determination shall be binding upon the Corporation, the Warrant Agent, all holders and all other persons interested therein.

4.5 Proceedings Prior to any Action Requiring Adjustment.

As a condition precedent to the taking of any action which would require an adjustment in any of the acquisition rights pursuant to any of the Warrants, including the number of Common Shares which are to be received upon the exercise thereof, the Corporation shall take any action which may, in the opinion of Counsel, be necessary in order that the Corporation has unissued and reserved in its authorized capital and may validly and legally issue as fully paid and non-assessable all the Common Shares which the holders of such Warrants are entitled to receive on the full exercise thereof in accordance with the provisions hereof.

4.6 Certificate of Adjustment.

The Corporation shall from time to time immediately after the occurrence of any event which requires an adjustment or readjustment as provided in Article 4, deliver a certificate of the Corporation to the Warrant Agent specifying the nature of the event requiring the same and the amount of the adjustment or readjustment necessitated thereby and setting forth in reasonable detail the method of calculation and the facts upon which such calculation is based. The Warrant Agent shall rely, and shall be protected in so doing, upon the certificate of the Corporation and any other document filed by the Corporation pursuant to this Article 4 for all purposes.

4.7 Notice of Special Matters.

The Corporation covenants with the Warrant Agent that, so long as any Warrant remains outstanding, it will give notice to the Warrant Agent and to the Warranholders of its intention to fix a record date that is prior to the Expiry Date for any matter for which an adjustment may be required pursuant to Section 4.1. Such notice shall specify the particulars of such event and the record date for such event, provided that the Corporation shall only be required to specify in the notice such particulars of the event as shall have been fixed and determined on the date on which the notice is given. The Corporation shall use its reasonable commercial efforts to give such notice not less than 14 days prior to such applicable record date. If notice has been given and the adjustment is not then determinable, the Corporation shall promptly, after the adjustment is determinable, file with the Warrant Agent a computation of the adjustment and give notice to the Warranholders of such adjustment computation.

4.8 No Action after Notice.

The Corporation covenants with the Warrant Agent that it will not close its transfer books or take any other corporate action which might deprive the Warrantholder of the opportunity to exercise its right of acquisition pursuant thereto during the period of 14 days after the giving of the certificate or notices set forth in Section 4.6 and Section 4.7.

4.9 Other Action.

If the Corporation, after the date hereof, shall take any action affecting the Common Shares other than action described in Section 4.1, which in the reasonable opinion of the Directors would materially affect the rights of Warrantholders, the Exercise Price and/or Exchange Rate, the number of Common Shares which may be acquired upon exercise of the Warrants shall be adjusted in such manner and at such time, by action of the Directors, acting reasonably and in good faith, in their sole discretion as they may determine to be equitable to the Warrantholders in the circumstances, provided that no such adjustment will be made unless any requisite prior approval of any stock exchange on which the Common Shares are listed for trading has been obtained.

4.10 Protection of Warrant Agent.

The Warrant Agent shall not:

- (a) at any time be under any duty or responsibility to any Warrantholder to determine whether any facts exist which may require any adjustment contemplated by Section 4.1, or with respect to the nature or extent of any such adjustment when made, or with respect to the method employed in making the same;
- (b) be accountable with respect to the validity or value (or the kind or amount) of any Common Shares or of any other securities or property which may at any time be issued or delivered upon the exercise of the rights attaching to any Warrant;
- (c) be responsible for any failure of the Corporation to issue, transfer or deliver Common Shares or certificates for the same upon the surrender of any Warrants for the purpose of the exercise of such rights or to comply with any of the covenants contained in this Article; and
- (d) incur any liability or be in any way responsible for the consequences of any breach on the part of the Corporation of any of the representations, warranties or covenants herein contained or of any acts of the directors, officers, employees, agents or servants of the Corporation.

4.11 Participation by Warrantholder.

No adjustments shall be made pursuant to this Article 4 if the Warrantholders are entitled to participate in any event described in this Article 4 on the same terms, *mutatis mutandis*, as if the Warrantholders had exercised their Warrants prior to, or on the effective date or record date of, such event.

ARTICLE 5
RIGHTS OF THE CORPORATION AND COVENANTS

5.1 Optional Purchases by the Corporation.

Subject to compliance with applicable Securities Laws and approval of applicable regulatory authorities, the Corporation may from time to time purchase by private contract or otherwise any of the Warrants. Any such purchase shall be made at the lowest price or prices at which, in the opinion of the Directors, such Warrants are then obtainable, plus reasonable costs of purchase, and may be made in such manner, from such persons and on such other terms as the Corporation, in its sole discretion, may determine. In the case of Certificated Warrants, Warrant Certificates representing the Warrants purchased pursuant to this Section 5.1 shall forthwith be delivered to and cancelled by the Warrant Agent and reflected accordingly on the register of Warrants. In the case of Uncertificated Warrants, the Warrants purchased pursuant to this Section 5.1 shall be reflected accordingly on the register of Warrants in accordance with procedures prescribed by the Depository under the book entry registration system. No Warrants shall be issued in replacement thereof.

5.2 General Covenants.

The Corporation covenants with the Warrant Agent that so long as any Warrants remain outstanding:

- (a) it will reserve and keep available a sufficient number of Common Shares for the purpose of enabling it to satisfy its obligations to issue Common Shares upon the exercise of the Warrants;
- (b) it will cause the Common Shares from time to time acquired pursuant to the exercise of the Warrants to be duly issued and delivered in accordance with the Warrants and the terms hereof;
- (c) all Common Shares which shall be issued upon exercise of the right to acquire provided for herein shall be fully paid and non-assessable;
- (d) it will use reasonable commercial efforts to maintain its existence and carry on its business in the ordinary course, to maintain its status as a Canadian reporting issuer in good standing, and to preserve its listing on the Canadian Securities Exchange provided that this clause shall not be construed as limiting or restricting the Corporation to agree to a consolidation, amalgamation, arrangement, takeover bid or merger that would result in the Corporation winding up, dissolving or ceasing to exist, so long as the holders of Common Shares receive securities of an entity which is existing, or cash, or the holders of Common Shares have approved the transaction in accordance with the requirements of applicable corporate and securities laws;

- (e) it will give notice to the Warrant Agent and Warrantholders of a default under the terms of the Indenture which remains unrectified for a period of ten Business Days; and
- (f) generally, it will well and truly perform and carry out all of the acts or things to be done by it as provided in this Indenture.

5.3 Warrant Agent's Remuneration and Expenses.

The Corporation covenants that it will pay to the Warrant Agent from time to time reasonable remuneration for its services hereunder and will pay or reimburse the Warrant Agent upon its request for all reasonable expenses, disbursements and advances incurred or made by the Warrant Agent in the administration or execution of the duties hereby created (including the reasonable compensation and the disbursements of its Counsel and all other advisers and assistants not regularly in its employ) both before any default hereunder and thereafter until all duties of the Warrant Agent hereunder shall be finally and fully performed. Any amount owing hereunder and remaining unpaid after 30 days from the invoice date will bear interest at the then current rate charged by the Warrant Agent against unpaid invoices and shall be payable upon demand. This Section shall survive the resignation or removal of the Warrant Agent and/or the termination of this Indenture.

5.4 Performance of Covenants by Warrant Agent.

If the Corporation shall fail to perform any of its covenants contained in this Indenture, then the Corporation will notify the Warrant Agent in writing of such failure and upon receipt by the Warrant Agent of such notice, the Warrant Agent may notify the Warrantholders of such failure on the part of the Corporation and may itself perform any of the covenants capable of being performed by it but, subject to Section 9.2, shall be under no obligation to perform said covenants or to notify the Warrantholders of such performance by it. All sums expended or advanced by the Warrant Agent in so doing shall be repayable as provided in Section 5.3. No such performance, expenditure or advance by the Warrant Agent shall relieve the Corporation of any default hereunder or of its continuing obligations under the covenants herein contained.

5.5 Enforceability of Warrants.

The Corporation covenants and agrees that it is duly authorized to create and issue the Warrants to be issued hereunder and that the Warrants, when issued and Authenticated as herein provided, will be valid and enforceable against the Corporation in accordance with the provisions hereof and the terms hereof and that, subject to the provisions of this Indenture, the Corporation will cause the Common Shares from time to time acquired upon exercise of Warrants issued under this Indenture to be duly issued and delivered in accordance with the terms of this Indenture.

**ARTICLE 6
ENFORCEMENT**

6.1 Suits by Warrantholders.

All or any of the rights conferred upon any Warrantholder by any of the terms of this Indenture may be enforced by the Warrantholder by appropriate proceedings but without prejudice to the right which is hereby conferred upon the Warrant Agent to proceed in its own name to enforce each and all of the provisions herein contained for the benefit of the Warrantholders.

6.2 Suits by the Corporation.

The Corporation shall have the right to enforce full payment of the Exercise Price of all Common Shares issued to a Warrantholder hereunder and shall be entitled to demand such payment from the Warrantholder or alternatively to instruct the Warrant Agent to cause the cancellation of the share certificates and the amendment of the securities register accordingly.

6.3 Immunity of Shareholders, etc.

The Warrant Agent and the Warrantholders hereby waive and release any right, cause of action or remedy now or hereafter existing in any jurisdiction against any incorporator or any past, present or future shareholder, trustee, employee or agent of the Corporation or any successor Corporation on any covenant, agreement, representation or warranty by the Corporation herein. The obligations hereunder are not personally binding upon, nor shall resort hereunder be had to, the private property of any of the past, present or future Directors or Shareholders of the Corporation or any of the past, present or future officers, employees or agents of the Corporation, but only the property of the Corporation (or any successor person) shall be bound in respect hereof.

6.4 Waiver of Default.

Upon the happening of any default hereunder:

- (a) the Warrantholders of not less than 51% of the Warrants then outstanding shall have power (in addition to the powers exercisable by Extraordinary Resolution) by requisition in writing to instruct the Warrant Agent to waive any default hereunder and the Warrant Agent shall thereupon waive the default upon such terms and conditions as shall be prescribed in such requisition; or
- (b) the Warrant Agent shall have power to waive any default hereunder upon such terms and conditions as the Warrant Agent may deem advisable, on the advice of Counsel, if, in the Warrant Agent's opinion, based on the advice of Counsel, the same shall have been cured or adequate provision made therefor;

provided that no delay or omission of the Warrant Agent or of the Warrantholders to exercise any right or power accruing upon any default shall impair any such right or

power or shall be construed to be a waiver of any such default or acquiescence therein and provided further that no act or omission either of the Warrant Agent or of the Warrantholders in the premises shall extend to or be taken in any manner whatsoever to affect any subsequent default hereunder of the rights resulting therefrom.

ARTICLE 7
MEETINGS OF WARRANTHOLDERS

7.1 Right to Convene Meetings.

The Warrant Agent may at any time and from time to time, and shall on receipt of a written request of the Corporation or of a Warrantholders' Request and upon being indemnified and funded to its reasonable satisfaction by the Corporation or by the Warrantholders signing such Warrantholders' Request against the costs which may be incurred in connection with the calling and holding of such meeting, convene a meeting of the Warrantholders. If the Warrant Agent fails to so call a meeting within seven days after receipt of such written request of the Corporation or such Warrantholders' Request and the indemnity and funding given as aforesaid, the Corporation or such Warrantholders, as the case may be, may convene such meeting. Every such meeting shall be held in the City of Toronto or at such other place as may be mutually approved or determined by the Warrant Agent and the Corporation.

7.2 Notice.

At least 21 days' prior written notice of any meeting of Warrantholders shall be given to the Warrantholders in the manner provided for in Section 10.2 and a copy of such notice shall be sent by mail to the Warrant Agent (unless the meeting has been called by the Warrant Agent) and to the Corporation (unless the meeting has been called by the Corporation). Such notice shall state the time when and the place where the meeting is to be held, shall state briefly the general nature of the business to be transacted thereat and shall contain such information as is reasonably necessary to enable the Warrantholders to make a reasoned decision on the matter, but it shall not be necessary for any such notice to set out the terms of any resolution to be proposed or any of the provisions of this Section 7.2.

7.3 Chairman.

An individual (who need not be a Warrantholder) designated in writing by the Warrant Agent and the Corporation shall be chairman of the meeting and if no individual is so designated, or if the individual so designated is not present within fifteen minutes from the time fixed for the holding of the meeting, the Warrantholders present in person or by proxy shall choose an individual present to be chairman.

7.4 Quorum.

Subject to the provisions of Section 7.11, at any meeting of the Warrantholders a quorum shall consist of Warrantholder(s) present in person or by proxy and holding at least 10% of the aggregate number of all the then outstanding Warrants. If a quorum of the

Warrantholders shall not be present within thirty minutes from the time fixed for holding any meeting, the meeting, if summoned by Warrantholders or on a Warrantholders' Request, shall be dissolved; but in any other case the meeting shall be adjourned to the same day in the next week (unless such day is not a Business Day, in which case it shall be adjourned to the next following Business Day) at the same time and place and no notice of the adjournment need be given. Any business may be brought before or dealt with at an adjourned meeting which might have been dealt with at the original meeting in accordance with the notice calling the same. No business shall be transacted at any meeting unless a quorum be present at the commencement of business. At the adjourned meeting the Warrantholders present in person or by proxy shall form a quorum and may transact the business for which the meeting was originally convened, notwithstanding that they may not be holding at least 10% of the aggregate number of all then outstanding Warrants.

7.5 Power to Adjourn.

The chairman of any meeting at which a quorum of the Warrantholders is present may, with the consent of the meeting, adjourn any such meeting, and no notice of such adjournment need be given except such notice, if any, as the meeting may prescribe.

7.6 Show of Hands.

Every question submitted to a meeting shall be decided in the first place by a majority of the votes given on a show of hands except that votes on an Extraordinary Resolution shall be given in the manner hereinafter provided. At any such meeting, unless a poll is duly demanded as herein provided, a declaration by the chairman that a resolution has been carried or carried unanimously or by a particular majority or lost or not carried by a particular majority shall be conclusive evidence of the fact.

7.7 Poll and Voting.

- (1) On every Extraordinary Resolution, and on any other question submitted to a meeting and after a vote by show of hands when demanded by the chairman or by one or more of the Warrantholders acting in person or by proxy and holding in the aggregate at least 5% of all the Warrants then outstanding, a poll shall be taken in such manner as the chairman shall direct. Questions other than those required to be determined by Extraordinary Resolution shall be decided by a majority of the votes cast on the poll.
- (2) On a show of hands, every person who is present and entitled to vote, whether as a Warrantholder or as proxy for one or more absent Warrantholders, or both, shall have one vote. On a poll, each Warrantholder present in person or represented by a proxy duly appointed by instrument in writing shall be entitled to one vote in respect of each Warrant then held or represented by it. A proxy need not be a Warrantholder. The chairman of any meeting shall be entitled, both on a show of hands and on a poll, to vote in respect of the Warrants, if any, held or represented by him.

7.8 Regulations.

- (1) The Warrant Agent, or the Corporation with the approval of the Warrant Agent, may from time to time make and from time to time vary such regulations as it shall think fit for:
- (a) the setting of the record date for a meeting for the purpose of determining Warrantheolders entitled to receive notice of and to vote at the meeting;
 - (b) the deposit of instruments appointing proxies at such place and time as the Warrant Agent, the Corporation or the Warrantheolders convening the meeting, as the case may be, may in the notice convening the meeting direct;
 - (c) the deposit of instruments appointing proxies at some approved place or places other than the place at which the meeting is to be held and enabling particulars of such instruments appointing proxies to be mailed or telecopied before the meeting to the Corporation or to the Warrant Agent at the place where the same is to be held and for the voting of proxies so deposited as though the instruments themselves were produced at the meeting;
 - (d) the form of the instrument of proxy; and
 - (e) generally for the calling of meetings of Warrantheolders and the conduct of business thereat.
- (2) Any regulations so made shall be binding and effective and the votes given in accordance therewith shall be valid and shall be counted. Save as such regulations may provide, the only persons who shall be recognized at any meeting as a Warrantheolder, or be entitled to vote or be present at the meeting in respect thereof (subject to Section 7.9), shall be Warrantheolders or proxies of Warrantheolders.

7.9 Corporation and Warrant Agent May be Represented.

The Corporation and the Warrant Agent, by their respective directors, officers, agents and employees and the Counsel for the Corporation and for the Warrant Agent may attend any meeting of the Warrantheolders.

7.10 Powers Exercisable by Extraordinary Resolution.

In addition to all other powers conferred upon them by any other provisions of this Indenture or by law, the Warrantheolders at a meeting shall, subject to the provisions of Section 7.11, have the power exercisable from time to time by Extraordinary Resolution:

- (a) to agree to any modification, abrogation, alteration, compromise or arrangement of the rights of Warrantheolders or the Warrant Agent in its capacity as warrant agent hereunder (subject to the Warrant Agent's prior consent, acting reasonably) or on behalf of the Warrantheolders against the Corporation whether such rights arise under this Indenture or otherwise;

- (b) to amend, alter or repeal any Extraordinary Resolution previously passed or sanctioned by the Warrantholders;
- (c) to direct or to authorize the Warrant Agent, subject to Section 9.2(2) hereof, to enforce any of the covenants on the part of the Corporation contained in this Indenture or to enforce any of the rights of the Warrantholders in any manner specified in such Extraordinary Resolution or to refrain from enforcing any such covenant or right;
- (d) to waive, and to direct the Warrant Agent to waive, any default on the part of the Corporation in complying with any provisions of this Indenture either unconditionally or upon any conditions specified in such Extraordinary Resolution;
- (e) to restrain any Warrantholder from taking or instituting any suit, action or proceeding against the Corporation for the enforcement of any of the covenants on the part of the Corporation in this Indenture or to enforce any of the rights of the Warrantholders;
- (f) to direct any Warrantholder who, as such, has brought any suit, action or proceeding to stay or to discontinue or otherwise to deal with the same upon payment of the costs, charges and expenses reasonably and properly incurred by such Warrantholder in connection therewith;
- (g) to assent to any change in or omission from the provisions contained in this Indenture or any ancillary or supplemental instrument which may be agreed to by the Corporation, and to authorize the Warrant Agent to concur in and execute any ancillary or supplemental indenture embodying the change or omission;
- (h) with the consent of the Corporation, such consent not to be unreasonably withheld, to remove the Warrant Agent or its successor in office and to appoint a new warrant agent or warrant agents to take the place of the Warrant Agent so removed; and
- (i) to assent to any compromise or arrangement with any creditor or creditors or any class or classes of creditors, whether secured or otherwise, and with holders of any shares or other securities of the Corporation.

7.11 Meaning of Extraordinary Resolution.

- (1) The expression “**Extraordinary Resolution**” when used in this Indenture means, subject as hereinafter provided in this Section 7.11 and in Section 7.14, a resolution proposed at a meeting of Warrantholders duly convened for that purpose and held in accordance with the provisions of this Article 7 at which there are present in person or by proxy Warrantholders holding at least 10% of the aggregate number of all then outstanding Warrants and passed by the affirmative votes of Warrantholders holding not less than 66 2/3% of the aggregate number of all then outstanding Warrants represented at the meeting and voted on the poll upon such resolution.

- (2) If, at the meeting at which an Extraordinary Resolution is to be considered, Warranholders holding at least 10% of the aggregate number of all then outstanding Warrants are not present in person or by proxy within 30 minutes after the time appointed for the meeting, then the meeting, if convened by Warranholders or on a Warranholders' Request, shall be dissolved; but in any other case it shall stand adjourned to such day, being not less than 15 or more than 60 days later, and to such place and time as may be appointed by the chairman. Not less than 14 days' prior notice shall be given of the time and place of such adjourned meeting in the manner provided for in Section 10.2. Such notice shall state that at the adjourned meeting the Warranholders present in person or by proxy shall form a quorum but it shall not be necessary to set forth the purposes for which the meeting was originally called or any other particulars. At the adjourned meeting the Warranholders present in person or by proxy shall form a quorum and may transact the business for which the meeting was originally convened and a resolution proposed at such adjourned meeting and passed by the requisite vote as provided in Section 7.11(1) shall be an Extraordinary Resolution within the meaning of this Indenture notwithstanding that Warranholders holding at least 10% of the aggregate number of all the then outstanding Warrants are not present in person or by proxy at such adjourned meeting.
- (3) Subject to Section 7.14, votes on an Extraordinary Resolution shall always be given on a poll and no demand for a poll on an Extraordinary Resolution shall be necessary.

7.12 Powers Cumulative.

Any one or more of the powers or any combination of the powers in this Indenture stated to be exercisable by the Warranholders by Extraordinary Resolution or otherwise may be exercised from time to time and the exercise of any one or more of such powers or any combination of powers from time to time shall not be deemed to exhaust the right of the Warranholders to exercise such power or powers or combination of powers then or thereafter from time to time.

7.13 Minutes.

Minutes of all resolutions and proceedings at every meeting of Warranholders shall be made and duly entered in books to be provided from time to time for that purpose by the Warrant Agent at the expense of the Corporation, and any such minutes as aforesaid, if signed by the chairman or the secretary of the meeting at which such resolutions were passed or proceedings had shall be prima facie evidence of the matters therein stated and, until the contrary is proved, every such meeting in respect of the proceedings of which minutes shall have been made shall be deemed to have been duly convened and held, and all resolutions passed thereat or proceedings taken shall be deemed to have been duly passed and taken.

7.14 Instruments in Writing.

All actions which may be taken and all powers that may be exercised by the Warranholders at a meeting held as provided in this Article 7 may also be taken and

exercised by Warranholders holding at least 66 2/3% of the aggregate number of all then outstanding Warrants by an instrument in writing signed in one or more counterparts by such Warranholders in person or by attorney duly appointed in writing, and the expression "Extraordinary Resolution" when used in this Indenture shall include an instrument so signed.

7.15 Binding Effect of Resolutions.

Every resolution and every Extraordinary Resolution passed in accordance with the provisions of this Article 7 at a meeting of Warranholders shall be binding upon all the Warranholders, whether present at or absent from such meeting, and every instrument in writing signed by Warranholders in accordance with Section 7.14 shall be binding upon all the Warranholders, whether signatories thereto or not, and each and every Warranholder and the Warrant Agent (subject to the provisions for indemnity herein contained) shall be bound to give effect accordingly to every such resolution and instrument in writing.

7.16 Holdings by Corporation Disregarded.

In determining whether Warranholders holding Warrants evidencing the required number of Warrants are present at a meeting of Warranholders for the purpose of determining a quorum or have concurred in any consent, waiver, Extraordinary Resolution, Warranholders' Request or other action under this Indenture, Warrants owned legally or beneficially by the Corporation shall be disregarded in accordance with the provisions of Section 10.7.

**ARTICLE 8
SUPPLEMENTAL INDENTURES**

8.1 Provision for Supplemental Indentures for Certain Purposes.

From time to time, the Corporation (when authorized by action of the Directors) and the Warrant Agent may, subject to the provisions hereof and they shall, when so directed in accordance with the provisions hereof, execute and deliver by their proper officers, indentures or instruments supplemental hereto, which thereafter shall form part hereof, for any one or more or all of the following purposes:

- (a) providing for the issuance of additional Warrants hereunder and any consequential amendments hereto as may be required by the Warrant Agent relying on the advice of Counsel;
- (b) setting forth any adjustments resulting from the application of the provisions of Article 4;
- (c) adding to the provisions hereof such additional covenants and enforcement provisions as, in the opinion of Counsel, are necessary or advisable in the premises, provided that the same are not in the opinion of the Warrant Agent,

relying on the advice of Counsel, prejudicial to the interests of the Warrantholders;

- (d) giving effect to any Extraordinary Resolution passed as provided in Section 7.11;
- (e) making such provisions not inconsistent with this Indenture as may be necessary or desirable with respect to matters or questions arising hereunder or for the purpose of obtaining a listing or quotation of the Warrants on any stock exchange, provided that such provisions are not, in the opinion of the Warrant Agent, relying on the advice of Counsel, prejudicial to the interests of the Warrantholders;
- (f) adding to or altering the provisions hereof in respect of the transfer of Warrants, making provision for the exchange of Warrants, and making any modification in the form of the Warrant Certificates which does not affect the substance thereof;
- (g) modifying any of the provisions of this Indenture, including relieving the Corporation from any of the obligations, conditions or restrictions herein contained, provided that such modification or relief shall be or become operative or effective only if, in the opinion of the Warrant Agent, relying on the advice of Counsel, such modification or relief in no way prejudices any of the rights of the Warrantholders or of the Warrant Agent, and provided further that the Warrant Agent may in its sole discretion decline to enter into any such supplemental indenture which in its opinion may not afford adequate protection to the Warrant Agent when the same shall become operative; and
- (h) for any other purpose not inconsistent with the terms of this Indenture, including the correction or rectification of any ambiguities, defective or inconsistent provisions, errors, mistakes or omissions herein, provided that in the opinion of the Warrant Agent, relying on the advice of Counsel, the rights of the Warrant Agent and of the Warrantholders are in no way prejudiced thereby.

8.2 Successor Entities.

In the case of the consolidation, amalgamation, arrangement, merger or transfer of the undertaking or assets of the Corporation as an entirety or substantially as an entirety to or with another entity (“**successor entity**”), the successor entity resulting from such consolidation, amalgamation, arrangement, merger or transfer (if not the Corporation) shall expressly assume, by supplemental indenture satisfactory in form to the Warrant Agent and executed and delivered to the Warrant Agent, the due and punctual performance and observance of each and every covenant and condition of this Indenture to be performed and observed by the Corporation.

**ARTICLE 9
CONCERNING THE WARRANT AGENT**

9.1 Indenture Legislation.

- (1) If and to the extent that any provision of this Indenture limits, qualifies or conflicts with a mandatory requirement of Applicable Legislation, such mandatory requirement shall prevail.
- (2) The Corporation and the Warrant Agent agree that each will, at all times in relation to this Indenture and any action to be taken hereunder, observe and comply with and be entitled to the benefits of Applicable Legislation.

9.2 Rights and Duties of Warrant Agent.

- (1) In the exercise of the rights and duties prescribed or conferred by the terms of this Indenture, the Warrant Agent shall act honestly and in good faith and exercise that degree of care, diligence and skill that a reasonably prudent warrant agent would exercise in comparable circumstances. No provision of this Indenture shall be construed to relieve the Warrant Agent from liability for its own gross negligence, wilful misconduct, bad faith or fraud under this Indenture.
- (2) The obligation of the Warrant Agent to commence or continue any act, action or proceeding for the purpose of enforcing any rights of the Warrant Agent or the Warranholders hereunder shall be conditional upon the Warranholders furnishing, when required by notice by the Warrant Agent, sufficient funds to commence or to continue such act, action or proceeding and an indemnity reasonably satisfactory to the Warrant Agent to protect and to hold harmless the Warrant Agent and its officers, directors, employees, agents and successors against the costs, charges and expenses and liabilities to be incurred thereby and any loss and damage it may suffer by reason thereof. None of the provisions contained in this Indenture shall require the Warrant Agent to expend or to risk its own funds or otherwise to incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers unless indemnified and funded as aforesaid.
- (3) The Warrant Agent may, before commencing or at any time during the continuance of any such act, action or proceeding, require the Warranholders, at whose instance it is acting to deposit with the Warrant Agent the Warrants Certificates held by them, for which Warrant Certificates the Warrant Agent shall issue receipts.
- (4) Every provision of this Indenture that by its terms relieves the Warrant Agent of liability or entitles it to rely upon any evidence submitted to it is subject to the provisions of Applicable Legislation.

9.3 Evidence, Experts and Advisers.

- (1) In addition to the reports, certificates, opinions and other evidence required by this Indenture, the Corporation shall furnish to the Warrant Agent such additional evidence of

compliance with any provision hereof, and in such form, as may be prescribed by Applicable Legislation or as the Warrant Agent may reasonably require by written notice to the Corporation.

- (2) In the exercise of its rights and duties hereunder, the Warrant Agent may, if it is acting in good faith, rely as to the truth of the statements and the accuracy of the opinions expressed in statutory declarations, opinions, reports, written requests, consents, or orders of the Corporation, certificates of the Corporation or other evidence furnished to the Warrant Agent pursuant to a request of the Warrant Agent, provided that the Warrant Agent examines the same and determines that such evidence complies with the applicable requirements of this Indenture.
- (3) Whenever it is provided in this Indenture or under Applicable Legislation that the Corporation shall deposit with the Warrant Agent resolutions, certificates, reports, opinions, requests, orders or other documents, it is intended that the truth, accuracy and good faith on the effective date thereof and the facts and opinions stated in all such documents so deposited shall, in each and every such case, be conditions precedent to the right of the Corporation to have the Warrant Agent take the action to be based thereon.
- (4) Whenever Applicable Legislation requires that evidence referred to in subsection 9.3(1) be in the form of a statutory declaration, the Warrant Agent may accept such statutory declaration in lieu of a certificate of the Corporation required by any provision hereof. Any such statutory declaration may be made by one or more of the Chairman of the Board, Chief Executive Officer, President, Chief Operating Officer, Executive Vice-President, Vice-President, Secretary, Controller, Treasurer, or any Assistant-Secretary or Assistant-Treasurer of the Corporation, or officers of the Corporation having equivalent positions.
- (5) The Warrant Agent may employ or retain such Counsel, accountants, appraisers or other experts or advisers as it may reasonably require for the purpose of discharging its duties hereunder and may pay reasonable remuneration for all services so performed by any of them, without taxation of costs of any Counsel, and shall not be responsible for any misconduct or negligence on the part of any such experts or advisers who have been appointed with due care by the Warrant Agent. The Corporation shall pay or reimburse the Warrant Agent for any reasonable fees, expenses and disbursements made or incurred by the Warrant Agent in the discharge of its duties and in the management of the agency hereunder.
- (6) The Warrant Agent may act and rely and shall be protected in acting and relying in good faith on the opinion or advice of or information obtained from any Counsel, accountant, appraiser, engineer or other expert or adviser, whether retained or employed by the Corporation or by the Warrant Agent, in relation to any matter arising in the administration of the agency hereof.
- (7) Proof of the execution of an instrument in writing, including a Warrantholders' Request, by any Warrantholder may be made by the certificate of a notary, solicitor or commissioner for oaths, or other officer with similar powers, that the person signing such

instrument acknowledged to him the execution thereof, or by an affidavit of a witness to such execution or in any other manner which the Warrant Agent may consider adequate and in respect of a corporate Warrantholder, shall include a certificate of incumbency of such Warrantholder together with a certified resolution authorizing the person who signs such instrument to sign such instrument.

9.4 Documents, Monies, etc. Held by Warrant Agent.

Any monies, securities, documents of title or other instruments that may at any time be held by the Warrant Agent shall be placed in the deposit vaults of the Warrant Agent or of any Canadian chartered bank listed in Schedule I of the *Bank Act* (Canada), or deposited for safekeeping with any such bank. Any monies held pending the application or withdrawal thereof under any provisions of this Indenture, shall be held in a segregated non-interest bearing account.

9.5 Actions by Warrant Agent to Protect Interest.

The Warrant Agent shall have power to institute and to maintain such actions and proceedings as it may consider necessary or expedient to preserve, protect or enforce its interests and the interests of the Warrantholders.

9.6 Warrant Agent Not Required to Give Security.

The Warrant Agent shall not be required to give any bond or security in respect of the execution of the agency and powers of this Indenture or otherwise in respect of the premises.

9.7 Protection of Warrant Agent.

By way of supplement to the provisions of any law for the time being relating to warrant agents it is expressly declared and agreed as follows:

- (a) the Warrant Agent shall not be liable for or by reason of any statements of fact or recitals in this Indenture or in the Warrant Certificates (except the representation contained in Section 9.9) or be required to verify the same, but all such statements or recitals are and shall be deemed to be made by the Corporation;
- (b) nothing herein contained shall impose any obligation on the Warrant Agent to see to or to require evidence of the registration or filing (or renewal thereof) of this Indenture or any instrument ancillary or supplemental hereto;
- (c) the Warrant Agent shall not be bound to give notice to any person or persons of the execution hereof;
- (d) the Warrant Agent shall not incur any liability or responsibility whatever or be in any way responsible for the consequence of any breach on the part of the Corporation of any of its covenants herein contained or of any acts of any directors, officers, employees, agents or servants of the Corporation; and

- (e) the Corporation hereby indemnifies and agrees to hold harmless the Warrant Agent, its affiliates, their current and former officers, directors, employees, agents, successors and assigns from and against any and all liabilities, losses (other than loss of profits), damages, penalties, claims, actions, suits, costs, expenses and disbursements, including legal fees and disbursements of whatever kind and nature which may at any time be imposed on or incurred by or asserted against the Warrant Agent, whether groundless or otherwise, arising from or out of any act, omission or error of the Warrant Agent, provided that the Corporation shall not be required to indemnify the Warrant Agent in the event of the gross negligence or wilful misconduct of the Warrant Agent, and this provision shall survive the resignation or removal of the Warrant Agent or the termination or discharge of this Indenture.
- (f) notwithstanding the foregoing or any other provision of this Indenture, any liability of the Warrant Agent, other than gross negligence, wilful misconduct and fraud, shall be limited, in the aggregate, to the amount of annual retainer fees paid by the Corporation to the Warrant Agent under this Indenture in the twelve months immediately prior to the Warrant Agent receiving the first notice of the claim. Notwithstanding any other provision of this Indenture, and whether such losses or damages are foreseeable or unforeseeable, the Warrant Agent shall not be liable under any circumstances whatsoever for any (a) breach by any other party of securities law or other rule of any securities regulatory authority, (b) lost profits or (c) special, indirect, incidental, consequential, exemplary, aggravated or punitive losses or damages.
- (g) the forwarding of a cheque or the sending of funds by wire transfer by the Warrant Agent will satisfy and discharge the liability of any amounts due to the extent of the sum represented thereby unless such cheque is not honoured on presentation, provided that in the event of the non-receipt of such cheque by the payee, or the loss or destruction thereof, the Warrant Agent, upon being furnished with reasonable evidence of such non-receipt, loss or destruction and indemnity reasonably satisfactory to it, will issue to such payee a replacement cheque for the amount of such cheque.

9.8 Replacement of Warrant Agent; Successor by Merger.

- (1) The Warrant Agent may resign its agency and be discharged from all further duties and liabilities hereunder, subject to this Section 9.8, by giving to the Corporation not less than 60 days' prior notice in writing or such shorter prior notice as the Corporation may accept as sufficient. The Warrantholders by Extraordinary Resolution shall have power at any time to remove the existing Warrant Agent and to appoint a new Warrant Agent. In the event of the Warrant Agent resigning or being removed as aforesaid or being dissolved, becoming bankrupt, going into liquidation or otherwise becoming incapable of acting hereunder, the Corporation shall forthwith appoint a new Warrant Agent unless a new Warrant Agent has already been appointed by the Warrantholders; failing such appointment by the Corporation, the retiring Warrant Agent or any Warrantholder may apply to a judge of the Ontario Superior Court of Justice of the Province of Ontario on

such notice as such judge may direct, for the appointment of a new Warrant Agent; but any new Warrant Agent so appointed by the Corporation or by the Court shall be subject to removal as aforesaid by the Warrantholders. Any new Warrant Agent appointed under any provision of this Section 9.8 shall be an entity authorized to carry on the business of a trust company in one or more of the provinces of Canada and, if required by the Applicable Legislation for any provinces, in such provinces. On any such appointment the new warrant agent shall be vested with the same powers, rights, duties and responsibilities as if it had been originally named herein as Warrant Agent hereunder.

- (2) Upon the appointment of a successor Warrant Agent, the Corporation shall promptly notify the Warrantholders thereof in the manner provided for in Section 10.2.
- (3) Any Warrant Certificates Authenticated but not delivered by a predecessor Warrant Agent may be Authenticated by the successor Warrant Agent in the name of the predecessor or successor Warrant Agent.
- (4) Any corporation in to which the Warrant Agent may be merged or consolidated or amalgamated, or any corporation resulting therefrom to which the Warrant Agent shall be a party, or any corporation succeeding to substantially the corporate trust business of the Warrant Agent shall be the successor to the Warrant Agent hereunder without any further act on its part or any of the parties hereto, provided that such corporation would be eligible for appointment as successor Warrant Agent under Section 9.8(1).

9.9 Conflict of Interest.

- (1) The Warrant Agent represents to the Corporation that at the time of execution and delivery hereof no material conflict of interest exists between its role as a warrant agent hereunder and its role in any other capacity and agrees that in the event of a material conflict of interest arising hereafter it will, within 90 days after ascertaining that it has such material conflict of interest, either eliminate the same or assign its agency hereunder to a successor Warrant Agent approved by the Corporation and meeting the requirements set forth in Section 9.8(1)). Notwithstanding the foregoing provisions of this Section 9.9(1), if any such material conflict of interest exists or hereafter shall exist, the validity and enforceability of this Indenture and the Warrant Certificate shall not be affected in any manner whatsoever by reason thereof.
- (2) Subject to Section 9.9(1), the Warrant Agent, in its personal or any other capacity, may buy, lend upon and deal in securities of the Corporation and generally may contract and enter into financial transactions with the Corporation without being liable to account for any profit made thereby.

9.10 Acceptance of Agency

The Warrant Agent hereby accepts the agency in this Indenture declared and provided for and agrees to perform the same upon the terms and conditions herein set forth.

9.11 Warrant Agent Not to be Appointed Receiver.

The Warrant Agent and any person related to the Warrant Agent shall not be appointed a receiver, a receiver and manager or liquidator of all or any part of the assets or undertaking of the Corporation.

9.12 Authorization to Carry on Business

The Warrant Agent represents to the Corporation that as at the date of the execution and delivery of this Indenture, it is duly authorized and qualified to carry on the business of a trust company in the Province of Alberta.

9.13 Warrant Agent Not Required to Give Notice of Default.

The Warrant Agent shall not be bound to give any notice or do or take any act, action or proceeding by virtue of the powers conferred on it hereby unless and until it shall have been required so to do under the terms hereof; nor shall the Warrant Agent be required to take notice of any default hereunder, unless and until notified in writing of such default, which notice shall distinctly specify the default desired to be brought to the attention of the Warrant Agent and in the absence of any such notice the Warrant Agent may for all purposes of this Indenture conclusively assume that no default has been made in the observance or performance of any of the representations, warranties, covenants, agreements or conditions contained herein. Any such notice shall in no way limit any discretion herein given to the Warrant Agent to determine whether or not the Warrant Agent shall take action with respect to any default.

9.14 Anti-Money Laundering.

- (1) Each party to this Agreement other than the Warrant Agent hereby represents to the Warrant Agent that any account to be opened by, or interest to be held by the Warrant Agent in connection with this Agreement, for or to the credit of such party, either (i) is not intended to be used by or on behalf of any third party; or (ii) is intended to be used by or on behalf of a third party, in which case such party hereto agrees to complete and execute forthwith a declaration in the Warrant Agent's prescribed form as to the particulars of such third party.
- (2) The Warrant Agent shall retain the right not to act and shall not be liable for refusing to act if, due to a lack of information or for any other reason whatsoever, the Warrant Agent, in its sole judgment, determines that such act might cause it to be in non-compliance with any applicable anti-money laundering or anti-terrorist legislation, regulation or guideline. Further, should the Warrant Agent, in its sole judgment, determine at any time that its acting under this Indenture has resulted in its being in non-compliance with any applicable anti-money laundering or anti-terrorist legislation, regulation or guideline, then it shall have the right to resign on 10 days written notice to the other parties to this Indenture, provided (i) that the Warrant Agent's written notice shall describe the circumstances of such non-compliance; (ii) that if such circumstances are rectified to the Warrant Agent's satisfaction within such 10 day period, then such resignation shall not be effective.

9.15 Compliance with Privacy Code.

The Corporation acknowledges that the Warrant Agent may, in the course of providing services hereunder, collect or receive financial and other personal information about such parties and/or their representatives, as individuals, or about other individuals related to the subject matter hereof, and use such information for the following purposes:

- (a) to provide the services required under this Indenture and other services that may be requested from time to time;
- (b) to help the Warrant Agent manage its servicing relationships with such individuals;
- (c) to meet the Warrant Agent's legal and regulatory requirements; and
- (d) if Social Insurance Numbers are collected by the Warrant Agent, to perform tax reporting and to assist in verification of an individual's identity for security purposes.

The Corporation acknowledges and agrees that the Warrant Agent may receive, collect, use and disclose personal information provided to it or acquired by it in the course of its acting as agent hereunder for the purposes described above and, generally, in the manner and on the terms described in its privacy code, which the Warrant Agent shall make available on its website or upon request, including revisions thereto. Further, the Corporation agrees that it shall not provide or cause to be provided to the Warrant Agent any personal information relating to an individual who is not a party to this Indenture unless the Corporation has assured itself that such individual understands and has consented to the aforementioned uses and disclosures.

**ARTICLE 10
GENERAL**

10.1 Notice to the Corporation and the Warrant Agent.

- (1) Unless herein otherwise expressly provided, any notice to be given hereunder to the Corporation or the Warrant Agent shall be deemed to be validly given if delivered, sent by registered letter, postage prepaid, faxed or emailed:

- (a) If to the Corporation:

CLS Holdings USA, Inc.
1810 E. Sahara Avenue, Suite 613
Las Vegas, Nevada 89104

Attention: Jeffrey Binder – Chief Executive Officer
email: jeff@clslabs.com

with a copy to:

Cassels Brock & Blackwell LLP
40 King Street West, Suite 2100
Toronto, Ontario M5H 3C2

Attention: Cam Mingay
email: cmingay@casselsbrock.com

(b) If to the Warrant Agent:

Odyssey Trust Company
Stock Exchange Tower
350-300 5th Avenue SW
Calgary, Alberta T2P 3C4

Attention: Dan Sander
email: dsander@odysseytrust.com

and any such notice delivered in accordance with the foregoing shall be deemed to have been received and given on the date of delivery or, if mailed, on the fifth Business Day following the date of mailing such notice or, if faxed, emailed or transmitted by other electronic means, on the date of transmission, unless such day is not a Business Day and in that case it will be deemed to be received on the following Business Day.

- (2) The Corporation or the Warrant Agent, as the case may be, may from time to time notify the other in the manner provided in Section 10.1(1) of a change of address which, from the effective date of such notice and until changed by like notice, shall be the address of the Corporation or the Warrant Agent, as the case may be, for all purposes of this Indenture.
- (3) If, by reason of a strike, lockout or other work stoppage, actual or threatened, involving postal employees, any notice to be given to the Warrant Agent or to the Corporation hereunder could reasonably be considered unlikely to reach its destination, such notice shall be valid and effective only if it is delivered to the named officer of the party to which it is addressed, as provided in Section 10.1(1), or given by fax, email or other means of prepaid, transmitted and recorded communication.

10.2 Notice to Warrantholders.

- (1) Unless otherwise provided herein, notice to the Warrantholders under the provisions of this Indenture shall be valid and effective if delivered or sent by ordinary post addressed to such holders at their post office addresses appearing on the register hereinbefore mentioned and shall be deemed to have been effectively received and given on the date of delivery or, if mailed, on the third Business Day following the date of mailing such notice. In the event that Warrants are held in the name of the Depository, a copy of such notice shall also be sent by electronic communication to the Depository and shall be deemed received and given on the day it is so sent.

- (2) If, by reason of a strike, lockout or other work stoppage, actual or threatened, involving postal employees, any notice to be given to the Warrantholders hereunder could reasonably be considered unlikely to reach its destination, such notice shall be valid and effective only if it is delivered to such Warrantholders to the address for such Warrantholders contained in the register maintained by the Warrant Agent or such notice may be given, at the Corporation's expense, by means of publication in the Globe and Mail, National Edition, or any other English language daily newspaper or newspapers of general circulation in Canada, in each two successive weeks, and any so notice published shall be deemed to have been received and given on the latest date the publication takes place.
- (3) Accidental error or omission in giving notice or accidental failure to mail notice to any Warrantholder will not invalidate any action or proceeding founded thereon.

10.3 Ownership of Warrants.

The Corporation and the Warrant Agent may deem and treat the Warrantholders as the absolute owner thereof for all purposes, and the Corporation and the Warrant Agent shall not be affected by any notice or knowledge to the contrary except where the Corporation or the Warrant Agent is required to take notice by statute or by order of a court of competent jurisdiction. The receipt of any such Warrantholder of the Common Shares which may be acquired pursuant thereto shall be a good discharge to the Corporation and the Warrant Agent for the same and neither the Corporation nor the Warrant Agent shall be bound to inquire into the title of any such holder except where the Corporation or the Warrant Agent is required to take notice by statute or by order of a court of competent jurisdiction.

10.4 Counterparts and Electronic Copies.

This Indenture may be executed in several counterparts, each of which when so executed shall be deemed to be an original and such counterparts together shall constitute one and the same instrument and notwithstanding their date of execution they shall be deemed to be dated as of the date hereof.

Each of the parties hereto shall be entitled to rely on delivery of a facsimile or PDF copy of this Indenture and acceptance by each such party of any such facsimile or PDF copy shall be legally effective to create a valid and binding agreement between the parties hereto in accordance with the terms hereof.

10.5 Satisfaction and Discharge of Indenture.

Upon the earlier of:

- (a) the date by which there shall have been delivered to the Warrant Agent for exercise or cancellation all Warrants theretofore Authenticated hereunder in the case of Certificated Warrants or by way of standard processing through the book entry only system in the case of an Uncertificated Warrant, or by way of standard

processing through the book entry only system in the case of a CDS Global Warrant; and

- (b) the Expiry Time;

this Indenture shall cease to be of further effect and the Warrant Agent, on demand of and at the cost and expense of the Corporation and upon delivery to the Warrant Agent of a certificate of the Corporation stating that all conditions precedent to the satisfaction and discharge of this Indenture have been complied with, shall execute proper instruments acknowledging satisfaction of and discharging this Indenture. Notwithstanding the foregoing, the indemnities provided to the Warrant Agent by the Corporation hereunder shall remain in full force and effect and survive the termination of this Indenture.

10.6 Provisions of Indenture and Warrants for the Sole Benefit of Parties and Warrantheolders.

Nothing in this Indenture or in the Warrants, expressed or implied, shall give or be construed to give to any person other than the parties hereto and the Warrantheolders, as the case may be, any legal or equitable right, remedy or claim under this Indenture, or under any covenant or provision herein or therein contained, all such covenants and provisions being for the sole benefit of the parties hereto and the Warrantheolders.

10.7 Common Shares or Warrants Owned by the Corporation or its Subsidiaries - Certificate to be Provided.

For the purpose of disregarding any Warrants owned legally or beneficially by the Corporation in Section 7.16, the Corporation shall provide to the Warrant Agent, from time to time, a certificate of the Corporation setting forth as at the date of such certificate:

- (a) the names (other than the name of the Corporation) of the Warrantheolders which, to the knowledge of the Corporation, are owned by or held for the account of the Corporation; and
- (b) the number of Warrants owned legally or beneficially by the Corporation;

and the Warrant Agent, in making the computations in Section 7.16, shall be entitled to rely on such certificate without any additional evidence.

10.8 Severability

If, in any jurisdiction, any provision of this Indenture or its application to any party or circumstance is restricted, prohibited or unenforceable, such provision will, as to such jurisdiction, be ineffective only to the extent of such restriction, prohibition or unenforceability without invalidating the remaining provisions of this Indenture and without affecting the validity or enforceability of such provision in any other jurisdiction or without affecting its application to other parties or circumstances.

10.9 Force Majeure

No party shall be liable to the other, or held in breach of this Indenture, if prevented, hindered, or delayed in the performance or observance of any provision contained herein by reason of act of God, riots, terrorism, acts of war, epidemics, governmental action or judicial order, earthquakes, or any other similar causes (including, but not limited to, mechanical, electronic or communication interruptions, disruptions or failures). Performance times under this Indenture shall be extended for a period of time equivalent to the time lost because of any delay that is excusable under this Section.

10.10 Assignment, Successors and Assigns

Neither of the parties hereto may assign its rights or interest under this Indenture without the consent of the other party, except as provided in Section 9.8 in the case of the Warrant Agent, or as provided in Section 8.2 in the case of the Corporation. Subject thereto, this Indenture shall enure to the benefit of and be binding upon the parties hereto and their respective successors and permitted assigns.

10.11 Rights of Rescission and Withdrawal for Holders

Should a holder of Warrants exercise any legal, statutory, contractual or other right of withdrawal or rescission that may be available to it, and the holder's funds which were paid on exercise have already been released to the Corporation by the Warrant Agent, the Warrant Agent shall not be responsible for ensuring the exercise is cancelled and a refund is paid back to the holder. In such cases, the Corporation, upon surrender to the Corporation or the Warrant Agent of any underlying shares that may have been issued, or such other procedure as agreed to by the parties hereto, shall instruct the Warrant Agent in writing, to cancel the exercise transaction and to cause the cancellation of any such underlying shares on the register, which may have already been issued upon the Warrant exercise. In the event that any payment is received from the Corporation by virtue of the holder being a Shareholder for such Warrants that were subsequently rescinded, the Warrant Agent shall not be under any duty or obligation to take any steps to ensure or enforce that the funds are returned pursuant to this section, nor shall the Warrant Agent be in any other way responsible in the event that any payment is not delivered or received pursuant to this section.

[Signature page follows]

IN WITNESS WHEREOF the parties hereto have executed this Indenture under the hands of their proper officers in that behalf as of the date first written above.

CLS HOLDINGS USA, INC.

By: /s/ Jeffrey Binder
Name: Jeffrey Binder
Title: Chief Executive Officer

By: /s/ Frank Tarantino
Name: Frank Tarantino
Title: Chief Financial Officer

[CLS Holdings USA, Inc. – Warrant Indenture signature page]

ODYSSEY TRUST COMPANY

By: /s/ Dan Sander
Authorized Signatory

By: _____
Authorized Signatory

[CLS Holdings USA, Inc. – Warrant Indenture signature page]

SCHEDULE "A"
FORM OF WARRANT

THE SECURITIES REPRESENTED HEREBY AND THE SECURITIES ISSUABLE UPON THE EXERCISE HEREOF HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). THESE SECURITIES MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, DIRECTLY OR INDIRECTLY, ONLY (A) TO THE COMPANY, (B) IF THE SECURITIES HAVE BEEN REGISTERED IN COMPLIANCE WITH THE REGISTRATION REQUIREMENTS UNDER THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS (C) IN COMPLIANCE WITH THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS UNDER THE SECURITIES ACT IN ACCORDANCE WITH RULE 144 THEREUNDER, IF APPLICABLE, AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS, OR (D) IN A TRANSACTION THAT DOES NOT REQUIRE REGISTRATION UNDER THE SECURITIES ACT OR ANY APPLICABLE STATE LAWS AND REGULATIONS GOVERNING THE OFFER AND SALE OF SECURITIES, AND THE HOLDER HAS, PRIOR TO SUCH SALE, FURNISHED TO THE COMPANY AN OPINION OF COUNSEL OF RECOGNIZED STANDING, OR OTHER EVIDENCE OF EXEMPTION, REASONABLY SATISFACTORY TO THE COMPANY. THE HOLDER HEREOF WILL NOT, DIRECTLY OR INDIRECTLY, ENGAGE IN ANY HEDGING TRANSACTION WITH REGARD TO THIS SECURITY, EXCEPT AS PERMITTED BY THE SECURITIES ACT. DELIVERY OF THIS CERTIFICATE MAY NOT CONSTITUTE "GOOD DELIVERY" IN SETTLEMENT OF TRANSACTIONS ON STOCK EXCHANGES IN CANADA."

THIS WARRANT MAY NOT BE EXERCISED UNLESS THE COMMON SHARES ISSUABLE UPON EXERCISE OF THIS WARRANT HAVE BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS OR AN EXEMPTION FROM SUCH REGISTRATION REQUIREMENTS IS AVAILABLE.

WARRANT

To acquire Common Shares of

CLS HOLDINGS USA, INC.

(existing pursuant to the laws of the State of Nevada)

Warrant
Certificate No. ●

Certificate for _____
Warrants, each entitling the holder to
acquire one Common Share (subject to

adjustment as provided for in the Warrant
Indenture (as defined below))
CUSIP ●
ISIN ●

THIS IS TO CERTIFY THAT, for value received,

(the “**Warrantholder**”) is the registered holder of the number of common share purchase warrants (the “**Warrants**”) of CLS Holdings USA, Inc. (the “**Corporation**”) specified above, and is entitled, on exercise of these Warrants upon and subject to the terms and conditions set forth herein and in the Warrant Indenture (as defined herein) to purchase at any time before 5:00 p.m. (Toronto time) (the “**Expiry Time**”) on the date that is 36 months from the Closing Date (the “**Expiry Date**”) one fully paid and non-assessable common share without par value in the capital of the Corporation as constituted on the date hereof (a “**Common Share**”) for each Warrant subject to adjustment in accordance with the terms of the Warrant Indenture.

The Warrants evidenced hereby are exercisable at or before the Expiry Time on the Expiry Date after which time the Warrants evidenced hereby shall be deemed to be void and of no further force or effect.

The right to purchase Common Shares may only be exercised by the Warrant holder within the time set forth above by:

- (a) duly completing and executing the exercise form (the “**Exercise Form**”) attached hereto; and
- (b) surrendering this warrant certificate (the “**Warrant Certificate**”), with the Exercise Form to Odyssey Trust Company (the “**Warrant Agent**”) at the principal office of the Warrant Agent, in the city of Calgary, Alberta, together with a certified cheque, bank draft or money order in the lawful money of Canada payable to or to the order of the Corporation in an amount equal to the purchase price of the Common Shares so subscribed for.

The surrender of this Warrant Certificate, the duly completed Exercise Form and payment as provided above will be deemed to have been effected only on personal delivery thereof to, or if sent by mail or other means of transmission on actual receipt thereof by, the Warrant Agent at its principal offices as set out above.

Subject to adjustment thereof in the events and in the manner set forth in the Warrant Indenture hereinafter referred to, the exercise price payable for each Common Share upon the exercise of Warrants shall be \$1.10 per Common Share (the “**Exercise Price**”).

These Warrants and the Common Shares issuable upon exercise hereof have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**U.S. Securities Act**”), or the securities laws of any state of the United States. These Warrants may not

be exercised unless the Warrants and the Common Shares have been registered under the U.S. Securities Act and applicable state securities laws or an exemption from such registration requirements is available. Certificates representing Common Shares will bear a legend restricting the transfer and exercise of such securities under applicable United States federal and state securities laws. "United States" and "U.S. Person" are as defined in Regulation S under the U.S. Securities Act.

Pursuant to the terms set forth in Section 3.2(2) of the Warrant Indenture, if at any time prior to the Expiry Date, the Corporation determines that a registration statement under the U.S. Securities Act covering the resale of by the holder hereof of all or a portion of the Common Shares issuable upon exercise of this Warrant (the "**Registration Statement**") is not effective, or the prospectus contained therein is not available for the resale by the holder of the Common Shares issuable upon exercise of the Warrants, the Corporation shall promptly provide written notice of such determination to the Warrantholder, and confirm in writing that the then outstanding Warrants may, until the earlier of the Registration Statement becoming effective or the Expiry Date, be exercised, in whole or in part, as the case may be, by means of a "cashless exercise" pursuant to the terms set forth in Section 3.2(2) of the Warrant Indenture.

Certificates for the Common Shares subscribed for will be mailed to the persons specified in the Exercise Form at their respective addresses specified therein or, if so specified in the Exercise Form, delivered to such persons at the office where this Warrant Certificate is surrendered. If fewer Common Shares are purchased than the number that can be purchased pursuant to this Warrant Certificate, the holder hereof will be entitled to receive without charge a new Warrant Certificate in respect of the balance of the Warrants not then exercised. No fractional Common Shares will be issued upon exercise of any Warrant and no compensation will be paid in lieu thereof.

This Warrant Certificate evidences Warrants of the Corporation issued or issuable under the provisions of a warrant indenture (which indenture together with all other instruments supplemental or ancillary thereto is herein referred to as the "**Warrant Indenture**") dated as of June 20, 2018 between the Corporation and the Warrant Agent, as warrant agent, to which Warrant Indenture reference is hereby made for particulars of the rights of the holders of Warrants, the Corporation and the Warrant Agent in respect thereof and the terms and conditions on which the Warrants are issued and held, all to the same effect as if the provisions of the Warrant Indenture were herein set forth, to all of which the holder, by acceptance hereof, assents. The Corporation will furnish to the holder, on request and without charge, a copy of the Warrant Indenture.

On presentation at the principal offices of the Warrant Agent as set out above, subject to the provisions of the Warrant Indenture and on compliance with the reasonable requirements of the Warrant Agent, one or more Warrant Certificates may be exchanged for one or more Warrant Certificates reflecting in the aggregate the same number of Warrants as the Warrant Certificate(s) so exchanged.

The Warrant Indenture contains provisions for the adjustment of the Exercise Price payable for each Common Share upon the exercise of Warrants and the number of Common Shares issuable upon the exercise of Warrants in the events and in the manner set forth therein.

The Warrant Indenture also contains provisions making binding on all holders of Warrants outstanding thereunder resolutions passed at meetings of holders of Warrants held in accordance with the provisions of the Warrant Indenture and instruments in writing signed by Warrantholders of Warrants holding a specific majority of the all then outstanding Warrants.

Nothing contained in this Warrant Certificate, the Warrant Indenture or elsewhere shall be construed as conferring upon the holder hereof any right or interest whatsoever as a holder of Common Shares or any other right or interest except as herein and in the Warrant Indenture expressly provided. In the event of any discrepancy between anything contained in this Warrant Certificate and the terms and conditions of the Warrant Indenture, the terms and conditions of the Warrant Indenture shall govern.

Warrants may only be transferred in compliance with the conditions of the Warrant Indenture on the register to be kept by the Warrant Agent in Calgary, Alberta, or such other registrar as the Corporation, with the approval of the Warrant Agent, may appoint at such other place or places, if any, as may be designated, upon surrender of this Warrant Certificate to the Warrant Agent or other registrar accompanied by a written instrument of transfer in form and execution satisfactory to the Warrant Agent or other registrar and upon compliance with the conditions prescribed in the Warrant Indenture and with such reasonable requirements as the Warrant Agent or other registrar may prescribe and upon the transfer being duly noted thereon by the Warrant Agent or other registrar. Time is of the essence hereof.

This Warrant Certificate will not be valid for any purpose until it has been countersigned by or on behalf of the Warrant Agent from time to time under the Warrant Indenture.

[Signature page follows]

IN WITNESS WHEREOF the Corporation has caused this Warrant Certificate to be duly executed as of the ____ day of _____, 2018.

CLS HOLDINGS USA, INC.

By: _____
Authorized Signatory

Countersigned and Registered by:

ODYSSEY TRUST COMPANY

By: _____
Authorized Signatory

Date: _____

FORM OF TRANSFER

ANY TRANSFER OF WARRANTS WILL REQUIRE COMPLIANCE WITH APPLICABLE SECURITIES LEGISLATION. TRANSFERORS AND TRANSFEREES ARE URGED TO CONTACT LEGAL COUNSEL BEFORE EFFECTING ANY SUCH TRANSFER.

TO: CLS HOLDINGS USA, INC.
c/o ODYSSEY TRUST COMPANY
Stock Exchange Tower
350-300 5th Avenue SW
Calgary, Alberta T2P 3C4

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers to _____ (print name and address) the Warrants of CLS Holdings USA, Inc. (the "**Corporation**") represented by this Warrant Certificate and hereby irrevocable constitutes and appoints _____ as its attorney with full power of substitution to transfer the said securities on the appropriate register of the Warrant Agent.

DATED this ____ day of _____, 201_.

SPACE FOR GUARANTEES OF SIGNATURES)
(BELOW))
)
)
)
)
_____)
Guarantor's Signature/Stamp)
)
)

Signature of Transferor

Name of Transferor

Warrants shall only be transferable in accordance with the Warrant Indenture and all applicable laws. Without limiting the foregoing, this Form of Transfer must be accompanied by the documentation called for in Section 2.9(1) of the Warrant Indenture.

CERTAIN REQUIREMENTS RELATING TO TRANSFERS – READ CAREFULLY

The signature(s) of the transferor(s) must correspond with the name(s) as written upon the face of this certificate(s), in every particular, without alteration or enlargement, or any change whatsoever. The signature(s) on this form must be guaranteed in accordance with the transfer agent's then current guidelines and requirements at the time of transfer. Notarized or witnessed signatures are not acceptable as guaranteed signatures. As at the time of closing, you may choose one of the following methods (although subject to change in accordance with industry practice and standards):

- Canada and the USA: A Medallion Signature Guarantee obtained from a member of an acceptable Medallion Signature Guarantee Program (STAMP, SEMP, NYSE MSP). Many commercial banks, savings banks, credit unions, and all broker dealers participate in a Medallion Signature Guarantee Program. The Guarantor must affix a stamp bearing the actual words “Medallion Guaranteed”, with the correct prefix covering the face value of the certificate.
 - Canada: A Signature Guarantee obtained from the Guarantor must affix a stamp bearing the actual words “Signature Guaranteed”. Signature Guarantees are not accepted from Treasury Branches, Credit Unions or Caisse Populaires unless they are members of a Medallion Signature Guarantee Program. For corporate holders, corporate signing resolutions, including certificate of incumbency, are also required to accompany the transfer, unless there is a “Signature & Authority to Sign Guarantee” Stamp affixed to the transfer (as opposed to a “Signature Guarantee” Stamp) obtained from an authorized officer of a major Canadian Schedule 1 chartered bank.
 - Outside North America: For holders located outside North America, present the certificate(s) and/or document(s) that require a guarantee to a local financial institution that has a corresponding Canadian or American affiliate which is a member of an acceptable Medallion Signature Guarantee Program. The corresponding affiliate will arrange for the signature to be over-guaranteed.
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WARRANT EXERCISE FORM

ANY TRANSFER OF WARRANTS WILL REQUIRE COMPLIANCE WITH APPLICABLE SECURITIES LEGISLATION. TRANSFERORS AND TRANSFEREES ARE URGED TO CONTACT LEGAL COUNSEL BEFORE EFFECTING ANY SUCH TRANSFER.

TO: CLS Holdings USA, Inc. (the “**Corporation**”)

AND TO: Odyssey Trust Company (the “**Warrant Agent**”)

The undersigned holder of the Warrants evidenced by this Warrant Certificate hereby exercises the right to acquire _____ (A) common shares of the Corporation (“**Common Shares**”).

Check, as applicable:

Cashless Exercise of _____ common shares pursuant to Section 3.2(2) of the Warrant Indenture

Exercise Price Payable: _____
((A) multiplied by \$1.10, subject to adjustment)

The undersigned hereby exercises the right of such holder to be issued, and hereby subscribes for, Common Shares that are issuable pursuant to the exercise of such Warrants on the terms specified in such Warrant Certificate and in the Warrant Indenture.

The undersigned hereby represents, warrants and certifies as follows (only one) of the following must be checked):

A. The undersigned holder at the time of exercise of the Warrants (a) is not in the United States; (b) is not a U.S. Person and is not exercising the Warrants on behalf of a U.S. Person or a person in the United States; and (c) represents and warrants that the exercise of the Warrants and the acquisition of the Warrant Shares occurred in an “offshore transaction” (as defined under Regulation S under the United States Securities Act of 1933, as amended (the “**U.S. Securities Act**”)) (d) will not engage in hedging transactions involving the Common Shares except as permitted under the U.S. Securities Act; (e) acknowledges that the Common Shares have not been registered under the U.S. Securities Act, are “restricted securities” under Rule 144 under the U.S. Securities Act and are subject to a one-year distribution compliance period under the U.S. Securities Act during which time they may not be offered or sold into the United States or to, or for the account or benefit of a U.S. Person, except pursuant to registration under the U.S. Securities Act or pursuant to an available exemption from such registration; (f) agrees to resell such Common Shares only in accordance with the provisions of Regulation S under the U.S. Securities Act, pursuant to registration under the U.S. Securities Act, or pursuant to an available exemption from registration under the U.S. Securities Act. OR

- B. The undersigned holder is the original U.S. Purchaser and (a) purchased the Convertible Debentures directly from the Corporation pursuant to the a duly executed Subscription Agreement, dated June 20, 2018 for the purchase of Convertible Debentures; (b) is exercising the Warrants solely for its own account or for the account of the original beneficial purchaser, if any; (c) each of it and any beneficial purchaser was, on the date the Convertible Debentures were purchased from the Corporation, has continued to be and is on the date of exercise of the Warrants, an Accredited Investor within the meaning of Rule 501(a) under the U.S. Securities Act; and (d) all the representations, warranties and covenants set forth in the original written and duly executed Subscription Documents made by the undersigned for the purchase of Convertible Debentures from the Corporation continue to be true and correct as if duly executed as of the date hereof. OR
- C. The undersigned holder has delivered to the Warrant Agent an opinion of counsel of recognized standing, in form and substance reasonably satisfactory to the Corporation, to the effect that the exercise of the Warrants and the issuance of the Common Shares does not require registration under the U.S. Securities Act or any applicable state securities laws.

The undersigned holder understands that the certificate representing the Common Shares will be issued in definitive physical certificated form and bear a legend restricting transfer without registration under the U.S. Securities Act and applicable state securities laws unless an exemption from registration is available (as described in the Warrant Indenture and the subscription documents). “U.S. Person” and “United States” are as defined under Regulation S under the U.S. Securities Act. “U.S. Purchaser” is as defined in the Warrant Indenture.

The undersigned hereby acknowledges that the undersigned is aware that the Common Shares received on exercise may be subject to restrictions on resale under applicable securities legislation. The undersigned hereby further acknowledges that the Corporation will rely upon our confirmations, acknowledgements and agreements set forth herein, and agrees to notify the Corporation promptly in writing if any of the representations or warranties herein ceases to be accurate or complete.

The undersigned hereby irrevocably directs that the said Common Shares be issued, registered and delivered as follows:

Name(s) in Full	Address(es)	Number of Common Shares
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Please print full name in which certificates representing the Common Shares are to be issued. If any Common Shares are to be issued to a person or persons other than the registered holder, the registered holder must pay to the Warrant Agent all exigible transfer taxes or other government charges, if any, and the Form of Transfer must be duly executed.

Once completed and executed, this Exercise Form must be mailed or delivered to **CLS Holdings USA, Inc. c/o Odyssey Trust Company, Stock Exchange Tower, 350-300 5th Avenue SW, Calgary, Alberta T2P 3C4 (original copy).**

DATED this ____ day of _____, 201_.

_____)	_____)
Witness)	(Signature of Warrantholder, to be the same as it appears on)
)	the face of this Warrant Certificate. If an entity, the signatory)
)	represents that he or she has authority to bind such entity and)
)	duly execute this form.)
)	_____)
)	Name of Warrantholder

Please check if the certificates representing the Common Shares are to be delivered at the office where this Warrant Certificate is surrendered, failing which such certificates will be mailed to the address set out above. Certificates will be delivered or mailed as soon as practicable after the surrender of this Warrant Certificate to the Warrant Agent.

AGENCY AGREEMENT

December 12, 2018

CLS Holdings USA, Inc.
11767 South Dixie Highway, Suite 115
Miami, Florida 33156
USA

Attention: Jeff Binder, Chairman and CEO

Dear Sirs/Mesdames:

Canaccord Genuity Corp., as sole bookrunner and lead agent (the "**Lead Agent**"), and Gravitus Securities Inc. (collectively, with the Lead Agent, the "**Agents**" and each individually, an "**Agent**") understands that CLS Holdings USA, Inc. (the "**Corporation**") proposes to issue and sell up to \$40,000,000 aggregate principal amount of 8.0% unsecured convertible debentures of the Corporation (the "**Convertible Debentures**") at a price of \$1,000 per Convertible Debenture (the "**Issue Price**") on a private placement basis for aggregate gross proceeds of up to \$40,000,000.00, subject to the terms and conditions set out below (the "**Offering**").

The Convertible Debentures will be duly and validly created and issued pursuant to, and governed by, a convertible debenture indenture (the "**Debenture Indenture**") to be entered into effective on the Closing Date (as hereinafter defined) between the Corporation and Odyssey Trust Company (or such other Agents determined by the Corporation and the Agents), as Debenture Trustee in respect of the Convertible Debentures (the "**Debenture Trustee**"). Each Convertible Debenture shall have a maturity date of three (3) years from the Closing Date (the "**Maturity Date**") and bear interest at an annual rate of 8.0% per annum from the Closing Date. For a period of eighteen (18) months from the closing of the Offering, any interest payable will automatically accrue and be capitalized to the principal amount of the Convertible Debenture, and shall thereafter be deemed to be a part of the principal amount of the Convertible Debenture. At any time prior to the close of business on the earlier of: (i) the last Business Day immediately preceding the Maturity Date; and (ii) the date fixed for redemption upon the occurrence of a Change of Control (the "**Optional Conversion**"), the Convertible Debentures will be convertible into units of the Corporation (the "**Units**") at the option of the holder. Each Unit will consist of one common share of the Corporation (a "**Common Share**") and one half of one common share purchase warrant (each whole warrant, a "**Warrant**") exercisable into one Common Share at a price of \$0.80 per Unit (the "**Conversion Price**"). Notwithstanding the Optional Conversion, beginning on the date that is four (4) months plus one (1) day following the Closing Date, the Corporation may, upon thirty (30) days' notice, force the conversion of all of the principal amount of the outstanding Convertible Debentures at the Conversion Price if the daily volume weighted average trading price of the Common Shares is greater than \$1.20 per common share for the preceding ten (10) consecutive days (the "**Mandatory Conversion**").

The Corporation hereby grants the Agents an option (the "**Over-Allotment Option**") to increase the size of the Offering by an additional 6,000 Convertible Debentures of the Corporation (the "**Additional Debentures**"), each Additional Debenture having the same terms as the Convertible

Debentures, at the Issue Price for additional gross proceeds of up to \$6,000,000.00, upon the terms and conditions set forth herein. The Over-Allotment Option shall be exercisable, in whole or in part, at any time prior to the Closing Time (the "**Over-Allotment Expiry Time**"). All references in this Agreement to Convertible Debentures include any Additional Debentures, all references to the Offering include any exercise of the Over-Allotment Option, and all references to Closing Time include the Over-Allotment Expiry Time, in each case, as the context may permit or required.

The description of the Convertible Debentures herein is a summary only and is subject to the specific attributes and detailed provisions of the Convertible Debentures to be set forth in the Debenture Indenture. In the case of any inconsistency between the description of the Convertible Debentures in this Agreement and their terms and conditions as set forth in the Debenture Indenture, the provisions of the Debenture Indenture will govern.

The Warrants be will be duly and validly created and issued by the Corporation pursuant to, and governed by, the terms of a warrant indenture (the "**Warrant Indenture**") to be entered into on the Closing Date between the Corporation and Odyssey Trust Company, as indenture trustee in respect of the Warrants (the "**Warrant Trustee**"). Each Warrant entitles the holder thereof to acquire one Common Share of the Corporation at an exercise price that is \$1.10 per Warrant (each, a "**Warrant Share**"), for a period of thirty-six (36) months from the Closing Date (the "**Warrant Expiry Date**"). The description of the Warrants herein is a summary only and is subject to the specific attributes and detailed provisions of the Warrants to be set forth in the Warrant Indenture. In the case of any inconsistency between the description of the Warrants in this Agreement and their terms and conditions as set forth in the Warrant Indenture, the provisions of the Warrant Indenture will govern.

Upon and subject to the terms and conditions set forth herein, the Agents hereby agrees to act, and upon acceptance hereof, the Corporation hereby appoints the Agents, as the Corporation's exclusive Agents, to offer for sale by way of private placement on a "commercially reasonable efforts" agency basis, without underwriter liability, the Convertible Debentures to be issued and sold pursuant to the Offering and the Agents agree to arrange for purchasers of the Convertible Debentures in the Designated Jurisdictions (as hereinafter defined) and in those jurisdictions outside Canada where the Convertible Debentures may lawfully be sold pursuant to the terms and conditions hereof.

The parties acknowledge that the (i) Convertible Debentures, (ii) the Units issuable upon exercise of the Convertible Debentures and Broker Warrants (as defined herein), (iii) the Common Shares and Warrants issuable upon exercise of the Units and Finance Fee Units, (iv) the Broker Warrants and Finance Fee Units, as applicable, and (v) the Warrant Shares issuable upon exercise of the Warrants, have not been registered under the U.S. Securities Act (as hereinafter defined) or the securities laws of any state of the United States and may not be offered or sold, except pursuant to exclusions or exemptions from the registration requirements of the U.S. Securities Act and the applicable laws of any state of the United States in the manner specified in this Agreement and pursuant to the representations, warranties, acknowledgments, agreements and covenants of the Corporation and the Agents and the U.S. Affiliates (as hereinafter defined) contained herein and in Schedule "A" hereto. All actions to be undertaken by the Agent in the United States or to, or for the account or benefit of, U.S. Persons (as defined

herein) in connection with the matters contemplated herein shall be undertaken through a U.S. Affiliate.

In consideration of the services to be rendered by the Agents in connection with the Offering, the Corporation will pay to the Agents:

(A)(i) a cash fee of \$354,000 for advisory services provided to the Corporation in connection with the Offering (the "**Advisory Fee**"); (ii) a commission equivalent to 6.0% of the aggregate gross proceeds of the Offering in the form of cash or Convertible Debentures, or any combination of cash or Convertible Debentures at the option of the Agents (other than from the President's List Purchasers) (the "**Agents' Commission**", and together with the Advisory Fee, the "**Cash Commission**");

(B)(i) an aggregate of 184,375 Units (the "**Advisory Units**"); and (ii) a fee equal to the number of Units which is equal to 2.5% of the aggregate gross proceeds of the Offering divided by the Conversion Price (the "**Agents' Units**", and together with the Advisory Units, the "**Finance Fee Units**"); and

(C)(i) an aggregate of 442,500 advisory warrants (the "**Advisory Warrants**"); and (ii) broker warrants equal to 6.0% of the gross proceeds of the Offering divided by the Conversion Price (the "**Agents' Warrants**", and together with the Advisory Warrants, the "**Broker Warrants**").

Each Broker Warrant is exercisable at any time prior to the date that is thirty-six (36) months from the Closing Date (the "**Compensation Expiry Date**") to acquire that number of Units (the "**Compensation Units**") which is equal to 6.0% of the gross proceeds of the Offering divided by the Conversion Price, at an exercise price equal to the Conversion Price. The Broker Warrants shall be governed by the terms and conditions contained in the Broker Warrant Certificate attached hereto as Schedule "E". Each Compensation Unit shall be comprised of one Common Share and one half of one Warrant, with each whole Warrant exercisable into one Warrant Share.

Notwithstanding the foregoing, the Agents' Commission payable and Agents' Warrants issuable with respect to President's List Purchasers only shall be reduced to 3.0% of the aggregate gross proceeds received by the Corporation from the President's List Purchasers under the Offering. For greater certainty, the number of Finance Fee Units issuable by the Corporation to the Agents shall be unaffected by the President's List Purchasers.

The Agents shall be entitled (but not obligated) in connection with the Offering to retain as sub-Agents other registered securities dealers and may receive subscriptions for Convertible Debentures from subscribers from other registered dealers, at no additional cost to the Corporation. The fee payable to any such Selling Firm (as defined herein) shall be for the account of the Agents.

The Offering is conditional upon and subject to the additional terms and conditions set forth below. The following are the terms and conditions of the agreement between the Corporation and the Agents:

Section 1. Definitions and Interpretation

(a) In this Agreement:

"**Accredited Investor**" means an "accredited investor" within the meaning of Rule 501(a) of Regulation D under the U.S. Securities Act;

"**Additional Debentures**" has the meaning given to that term on the first page of this Agreement;

"**Advisory Fee**" has the meaning given to that term on the third page of this Agreement;

"**Advisory Units**" has the meaning given to that term on the third page of this Agreement;

"**Advisory Warrants**" has the meaning given to that term on the third page of this Agreement;

"**affiliate**", "**associate**", "**distribution**", "**material change**", "**material fact**", and "**misrepresentation**" have the respective meanings given to them in the Ontario Act;

"**Agents**" means collectively, Canaccord Genuity Corp. and Gravitas Securities Inc.;

"**Agents' Commission**" has the meaning given to that term on the third page of this Agreement;

"**Agents' Units**" has the meaning given to that term on the third page of this Agreement;

"**Agents' Warrants**" has the meaning given to that term on the third page of this Agreement;

"**Agreement**" means this Agency Agreement and not any particular article or section or other portion except as may be specified and words such as "hereof", "hereto", "herein" and "hereby" refer to this Agreement as the context requires;

"**Broker Warrant Certificate**" means the definitive certificates representing the Broker Warrants in a form acceptable to the Agents and the Corporation;

"**Broker Warrants**" has the meaning ascribed thereto in Section 3(c) of this Agreement;

"**Business Day**" means a day other than a Saturday, Sunday or any other day on which the principal chartered banks located in Toronto, Ontario are not open for business;

"**Canadian Securities Laws**" means, collectively, all applicable securities laws of each of the Qualifying Jurisdictions and the respective rules and regulations under such laws together with applicable published policy statements, blanket orders, instruments and notices of the Securities Commissions and all discretionary orders or rulings, if any, of the Securities Commissions made in connection with the transactions contemplated by this Agreement;

"**Cash Commission**" has the meaning given to that term on the third page of this Agreement;

"**Change of Control**" means (i) any event as a result of or following which any person, or group of persons "acting jointly or in concert" within the meaning of applicable Canadian Securities Laws, beneficially owns or exercises control or direction over an aggregate of more than 50% of the then outstanding Common Shares; or (ii) the sale or other transfer of all or substantially all of the consolidated assets of the Corporation. A Change of Control will not include a sale, merger, reorganization or other similar transaction if the previous holders of the Common Shares hold at least 50% of the voting shares of such merged, reorganized or other continuing entity;

"**Claims**" has the meaning given to that term in Section 14(a)(a) of this Agreement;

"**Closing**" means, with respect to the Convertible Debentures, the completion of the issue and sale by the Corporation of the Convertible Debentures pursuant to this Agreement;

"**Closing Date**" means the closing date of the Offering, which may occur in one or more tranches on one or more closing dates, each a "Closing Date". It is expected that the first Closing Date of the Offering will occur on or about December 12, 2018, or such other date as the Corporation and the Agents may agree;

"**Closing Time**" means the time of Closing on the Closing Date;

"**Common Shares**" has the meaning given to that term on the first page of this Agreement;

"**Compensation Expiry Date**" has the meaning given to that term on the second page of this Agreement

"**Compensation Units**" has the meaning given to that term on the second page of this Agreement;

"**Compensation Securities**" shall have the meaning ascribed thereto in Section 3(e) of this Agreement;

"**Convertible Debenture**" has the meaning given to that term on the first page of this Agreement;

"**Conversion Price**" has the meaning given to that term on the first page of this Agreement;

"**Corporation**" has the meaning given to that term on the first page of this Agreement;

"**CSE**" means the Canadian Securities Exchange;

"**Debenture Indenture**" has the meaning given to that term on the first page of this Agreement;

"**Debenture Trustee**" has the meaning given to that term on the first page of this Agreement;

"**Debt Instrument**" means any mortgage, note, indenture, loan, bond, debenture, promissory note or other instrument evidencing indebtedness (demand or otherwise) for borrowed money or other liability to which the Corporation or any Subsidiary is a party or otherwise bound;

"**Designated Jurisdictions**" means, collectively, each of the provinces of Canada (which shall not include Québec) and such other jurisdictions as the Corporation and the Agents may agree;

"**Disclosure Documents**" means, collectively, all of the documentation which has been filed by or on behalf of the Corporation with the relevant Securities Commissions pursuant to the requirements of applicable Securities Laws, including all press releases, material change reports (excluding any confidential material change report) and financial statements of the Corporation since January 1, 2017;

"**Documents Incorporated by Reference**" means all financial statements, management information circulars, annual information forms, material change reports, business acquisition reports, Marketing Materials or other documents filed by the Corporation on SEDAR or EDGAR, whether before or after the date of this Agreement, that are required by applicable Securities Laws to be incorporated by reference into the Registration Statement or any Supplementary Material, as applicable;

"**Effective Date**" has the meaning given to that term in Section 5(a);

"**Engagement Letter**" means the letter agreement dated October 1, 2018 between the Corporation and the Lead Agent relating to the Offering, as amended;

"**Environmental Laws**" means any federal, provincial, state, local or municipal statute, law, rule, regulation, ordinance, code, policy or any judicial or

administrative interpretation thereof, including any judicial or administrative order, consent decree or judgment, relating to pollution or protection of human health, the environment (including, without limitation, ambient air, surface water, groundwater, land surface or subsurface strata) or wildlife, including, without limitation, laws and regulations relating to the release or threatened release of Hazardous Materials or to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials;

"Environmental Permits" means permits, authorizations and approvals required under any applicable Environmental Laws to carry on business as currently conducted;

"Finance Fee Units" shall have the meaning ascribed thereto in Section 3(b) of this Agreement;

"Financial Statements" means, collectively, (a) the unaudited condensed consolidated interim financial statements of the Corporation for the period ended August 31, 2018; and (b) the audited consolidated financial statements of the Corporation as at and for the year ended May 31, 2018, and any other financial statements of the Corporation included in the Documents Incorporated by Reference, including the notes to such statements and the related auditors' report on such statements, where applicable, prepared in accordance with U.S. GAAP;

"Governmental Authority" means any governmental authority and includes, without limitation, any national or federal government, province, state, municipality or other political subdivision of any of the foregoing, any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government and any corporation or other entity owned or controlled (through stock or capital ownership or otherwise) by any of the foregoing;

"Hazardous Materials" means chemicals, pollutants, contaminants, wastes, toxic substances, hazardous substances, petroleum or petroleum products;

"including" means including without limitation;

"Indemnified Party" has the meaning given to that term in Section 14(a) of this Agreement;

"Intellectual Property" has the meaning given to that term in Section 7(ii) of this Agreement;

"Issue Price" has the meaning given to that term on the first page of this Agreement;

"knowledge of the Corporation" (or similar phrases) means, with respect to the Corporation, the knowledge of Jeff Binder, Andrew Glashow and Ben Sillitoe after due and diligent inquiry;

"Laws" means the Securities Laws, the Environmental Laws and all other statutes, regulations, statutory rules, orders, by-laws, codes, ordinances, decrees, the terms and conditions of any grant of approval, permission, authority or licence, or any judgment, order, decision, ruling, award, policy or guideline, of any Governmental Authority, and the term "applicable" with respect to such Laws and in the context that refers to one or more persons, means that such Laws apply to such person or persons or its or their business, undertaking, property or securities and emanate from a Governmental Authority, having jurisdiction over the person or persons or its or their business, undertaking, property or securities;

"Lead Agent" means Canaccord Genuity Corp.

"Leased Premises" means the premises which are material to the Corporation or any subsidiary, and which the Corporation or any subsidiary occupies as a tenant;

"Locked-Up Persons" has the meaning given to that term in Section 6(g) of this Agreement;

"Losses" has the meaning given to that term in Section 14(a) of this Agreement;

"Mandatory Conversion" has the meaning given to that term on the second page of this Agreement;

"Marketing Materials" has the meaning given to that term in NI 41-101;

"Material Adverse Effect" means the effect resulting from any change (including a decision to implement such a change made by the board of directors or by senior management who believe that confirmation of the decision of the board of directors is probable), event, violation, inaccuracy or circumstance that is materially adverse to the business, assets (including intangible assets), liabilities, capitalization, ownership, prospects, financial condition, or results of operations of the Corporation and its Subsidiary, taken as a whole;

"Material Agreement" means any material contract, commitment, agreement (written or oral), instrument, lease or other document, licence agreements and agreements relating to Intellectual Property, to which the Corporation or any Subsidiary are a party or to which its property or assets are otherwise bound;

"Maturity Date" has the meaning given to that term on the first page of this Agreement;

"NI 41-101" means National Instrument 41-101 – General Prospectus Requirements;

"**NI 44-101**" means National Instrument 44-101 – Short Form Prospectus Distributions;

"**NI 45-106**" means National Instrument 45-106 - Prospectus Exemptions;

"**NI 51-102**" means National Instrument 51-102 – Continuous Disclosure Obligations;

"**NI 52-110**" means National Instrument 52-110 - Audit Committees;

"**NP 11-202**" means National Policy 11-202 – Process for Prospectus Reviews in Multiple Jurisdictions;

"**Oasis Subsidiaries**" means (i) Serenity Wellness Center, LLC dba Oasis Cannabis Dispensary/Retail Store; (ii) Serenity Wellness Products, LLC dba City Trees Fresh Cannabis Production, Wholesale; and (iii) Serenity Wellness Growers, LLC dba City Trees Fresh Cannabis Cultivation, Wholesale.

"**Offering**" has the meaning given to that term on the first page of this Agreement;

"**Ontario Act**" means the *Securities Act* (Ontario);

"**Optional Conversion**" has the meaning ascribed to the term on the first page of this agreement;

"**Over-Allotment Option**" has the meaning ascribed thereto on the second page hereof;

"**Over-Allotment Expiry Time**" has the meaning ascribed to that term on the first page of this Agreement;

"**Passport System**" means the procedures described under Multilateral Instrument 11-102 – Passport System and NP 11-202;

"**person**" includes any individual (whether acting as an executor, trustee administrator, legal representative or otherwise), corporation, firm, partnership, sole proprietorship, syndicate, joint venture, trustee, trust, unincorporated organization or association, and pronouns have a similar extended meaning;

"**Potential Material Event**" means any of the following: (i) the possession by the Corporation of material information not ripe for disclosure in a registration statement, as determined in good faith by the Chief Executive Officer, President or the Board of Directors of the Corporation that disclosure of such information in a Registration Statement would be detrimental to the business and affairs of the Corporation; or (ii) any material engagement or activity by the Corporation which would, in the good faith determination of the Chief Executive Officer, President or the Board of Directors of the Corporation, be adversely affected by disclosure

in a registration statement at such time, which determination shall be accompanied by a good faith determination by the Chief Executive Officer, President or the Board of Directors of the Corporation that the applicable Registration Statement would be materially misleading absent the inclusion of such information; provided that, (i) the Corporation shall not use such right with respect to the Registration Statement for more than an aggregate of 90 days in any 12-month period; and (ii) the number of days the Corporation is required to keep the Registration Statement effective shall be extended by the number of days for which the Corporation shall have used such right;

"Presentation" means the investor presentation titled "CLS Holdings USA, Inc. Investor Presentation September 2018";

"President's List Purchasers" means the subscribers identified to the Agents by the Corporation settling directly with the Corporation;

"Purchasers" means the persons who (as purchasers or beneficial purchasers) acquire Convertible Debentures by duly completing, executing and delivering Subscription Agreements;

"OTCQB" means the OTCQB marketplace of the OTC Markets Group;

"Qualifying Jurisdictions" means each of the Designated Jurisdictions in Canada in which the Purchasers are resident;

"Registrable Securities" has the meaning given to that term in Section 5(a);

"Registration Statement" has the meaning given to that term in Section 5(a);

"Regulation D" means Regulation D adopted by the SEC under the U.S. Securities Act;

"Regulation S" means Regulation S adopted by the SEC under the U.S. Securities Act;

"Related Registration Statements" has the meaning given to that term in Section 5(b);

"SEC" means the United States Securities and Exchange Commission;

"Securities Commissions" means collectively, the applicable securities commission or securities regulatory authority in each of the Qualifying Jurisdictions (including the CSE) and, if applicable, the SEC and any applicable securities regulatory authority of any state of the United States;

"Securities Laws" means, unless the context otherwise requires, the Canadian Securities Laws, the U.S. Securities Laws and all applicable securities laws in each of the Designated Jurisdictions, the respective regulations made thereunder,

together with applicable published fee schedules, prescribed forms, policy statements, multilateral and national instruments, orders, blanket rulings, notices and other regulatory instruments of the securities regulatory authorities in such jurisdictions;

"**Selling Firms**" has the meaning given to that term in Section 4(a);

"**Subscription Agreements**" means, collectively, the subscription agreements for the Convertible Debentures, in the forms agreed upon by the Agents and the Corporation pursuant to which Purchasers agree to subscribe for and purchase the Convertible Debentures pursuant to the Offering as herein contemplated and shall include, for certainty, all schedules thereto; and "**Subscription Agreement**" means any one of them, as the context requires;

"**Subsidiary**" means any one of the Oasis Subsidiaries and CLS Labs, Inc. and "**Subsidiaries**" means, collectively, the Oasis Subsidiaries and CLS Labs, Inc.;

"**Supplementary Material**" means any amendment to the Registration Statement, or any amended or supplemental prospectus or ancillary materials that may be filed by or on behalf of the Corporation under the Securities Laws relating to the qualification for distribution of the Convertible Debentures or Units under applicable Securities Laws;

"**Tax Act**" means the *Income Tax Act* (Canada);

"**Taxes**" has the meaning given to that term in Section 7(bb) of this Agreement;

"**Trading Day**" has the meaning given to that term in Section 5(a);

"**Transaction Documents**" means, collectively, this Agreement, the Subscription Agreements, the Debenture Indenture, the Warrant Indenture, the Broker Warrant Certificate, and the certificates, if any, representing the Convertible Debentures, the Common Shares, the Warrants and the Warrant Shares;

"**Transfer Agent**" means Vstock Transfer, LLC;

"**U.S. Affiliate**" means the Agents' duly registered broker-dealer affiliate in the United States;

"**U.S. GAAP**" means United States generally accepted accounting principles set forth in the FASB Accounting Standards codification or in such other statements by such other entity as have been approved by a significant segment of the accounting profession, which are in effect from time to time;

"**U.S. Marijuana Laws**" means certain United States federal laws relating to the cultivation, distribution or possession of marijuana in the United States and other related judgments, orders or decrees;

"**U.S. Exchange Act**" means the United States Securities Exchange Act of 1934, as amended and the rules and regulations promulgated thereunder;

"**U.S. Person**" means a "**U.S. person**", as such term is defined in Rule 902(k) of Regulation S;

"**U.S. Securities Act**" means the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder;

"**U.S. Securities Laws**" means the United States federal securities laws, including, without limitation, the U.S. Securities Act and the U.S. Exchange Act and the rules and regulations promulgated thereunder and as may be amended from time to time, and applicable state securities laws;

"**Unit**" has the meaning given to that term on the first page of this Agreement, and unless the context otherwise requires, any reference herein to "Unit" shall include any Finance Fee Units;

"**United States**" and "**U.S.**" means the United States of America, its territories and possessions, any state of the United States and the District of Columbia;

"**Warrant**" has the meaning given to that term on the first page of this Agreement;

"**Warrant Agent**" means Odyssey Trust Company, as warrant agent under the Warrant Indenture;

"**Warrant Certificates**" means certificates representing the Warrants;

"**Warrant Expiry Date**" has the meaning given to that term on the second page of this Agreement;

"**Warrant Indenture**" means the warrant indenture pursuant to which the Warrants will be created and issued (other than the Warrants underlying the Broker Warrants which shall be governed by stand-alone certificates) dated as of the Closing Date and entered into between the Corporation and the Warrant Agents;

"**Warrant Shares**" has the meaning given to that term on the first page of this Agreement; and

"**Warrant Trustee**" has the meaning given to that term on the second page of this Agreement.

- (b) The division of this Agreement into sections, subsections, paragraphs and other subdivisions and the insertion of headings are for convenience of reference only and shall not affect the construction or the interpretation of this Agreement. Unless something in the subject matter or context is inconsistent therewith,

references herein to sections, subsections, paragraphs and other subdivisions are to sections, subsections, paragraphs and other subdivisions of this Agreement.

- (c) Unless otherwise expressly provided in this Agreement, (i) words importing only the singular number include the plural and vice versa and words importing gender include all genders; and (ii) all references to dollars or "\$" are to United States dollars, unless otherwise noted.

Section 2. Offering

- (a) **The Offering.** The Corporation hereby appoints the Agents to act as the exclusive Agents to offer and sell the Convertible Debentures on a private placement basis and the Agents hereby accept such appointment. Notwithstanding anything to the contrary contained herein or any oral representations or assurances previously or subsequently made by the parties hereto, this Agreement does not constitute a commitment by, or legally binding obligation of, the Agents or any of their affiliates to act as underwriters, initial purchasers, arrangers, and/or placement Agents in connection with any offering of securities of the Corporation, including the Convertible Debentures, or to provide or arrange any financing, other than the appointment as Agents in connection with the Offering in accordance with the prior sentence and otherwise on the terms set forth herein.
- (b) **Sale on Exempt Basis.** The Agents shall use their "commercially reasonable" efforts to arrange for the purchase of the Convertible Debentures:
 - (i) in the Qualifying Jurisdictions on a private placement basis in compliance with applicable Canadian Securities Laws and in accordance with the requirements of Category 3 of Rule 903 of Regulation S;
 - (ii) in the United States and to, or for the account or benefit of, U.S. Persons that are Accredited Investors in compliance with Schedule "A" hereto; and
 - (iii) in such other Designated Jurisdictions as may be agreed upon between the Corporation and the Agents, on a private placement basis in compliance with all applicable Securities Laws of such other Designated Jurisdictions and in accordance with the requirements of Category 3 of Rule 903 of Regulation S provided that no prospectus, registration statement or similar document is required to be filed in such Designated Jurisdiction, no registration or similar requirement would apply with respect to the Corporation in connection with the Offering in such other Designated Jurisdiction and the Corporation does not become subject to ongoing continuous disclosure obligations in such other Designated Jurisdictions.
- (c) **Filings.** The Corporation undertakes to file or cause to be filed all forms or undertakings required to be filed by the Corporation in connection with the issue

and sale of the Convertible Debentures such that the distribution of the Convertible Debentures may lawfully occur without the necessity of filing a prospectus, a registration statement or an offering memorandum in Canada, the United States or elsewhere, and the Agents undertakes to use its best efforts to cause Purchasers to complete any forms required by Canadian Securities Laws or other applicable Securities Laws. All fees payable in connection with such filings shall be at the expense of the Corporation.

- (d) **No Offering Memorandum.** Neither the Corporation nor the Agents shall: (i) provide to prospective Purchasers any document or other material or information that would constitute an offering memorandum within the meaning of Canadian Securities Laws other than the Presentation; or (ii) engage in any form of general solicitation or general advertising in connection with the offer and sale of the Convertible Debentures, including but not limited to, causing the sale of the Convertible Debentures to be advertised in any newspaper, magazine, printed public media, printed media or similar medium of general and regular paid circulation, broadcast over radio, television or telecommunications, including electronic display, or conduct any seminar or meeting relating to the offer and sale of the Convertible Debentures whose attendees have been invited by general solicitation or advertising.
- (e) **Press Releases.** In order to comply with applicable U.S. Securities Laws, any press release announcing or otherwise concerning the Offering shall be in compliance with Rule 135c under the U.S. Securities Act and include an appropriate notation as follows: "The securities being offered have not been, nor will they be, registered under the United States Securities Act of 1933, as amended, and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons absent registration or an applicable exemption from the registration requirements. This press release shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the securities in any State in which such offer, solicitation or sale would be unlawful."

Section 3. Commission

In consideration for its services hereunder, the Corporation agrees to pay and issue to the Agents, or as directed by the Agents, on the Closing Date:

- (a) the Cash Commission, payable in cash or Convertible Debentures, or any combination of cash or Convertible Debentures at the option of the Agents;
- (b) the Finance Fee Units, issuable by the Corporation on the Closing Date and the Finance Fee Units shall be fully earned by the Agents at that time; and
- (c) the Broker Warrants, exercisable at an exercise price equal to the Conversion Price until the date which is thirty-six (36) months from the Closing Date.

- (d) The Agents' Commission payable and Agents' Warrants issuable with respect to President's List Purchasers only shall be reduced to 3.0% of the aggregate gross proceeds received by the Corporation from the President's List Purchasers under the Offering. For greater certainty, the number of Agents' Units issuable by the Corporation to the Agents shall be unaffected by the President's List Purchasers.
- (e) In relation to the issuance of the Broker Warrants to the Agents, the Agents hereby represents, warrants and acknowledges to the Corporation that:
- (i) The Broker Warrants and the underlying Units, Common Shares, Warrants and Warrant Shares ("**Compensation Securities**") have not been registered under the U.S. Securities Act and may not be offered or sold unless registered or pursuant to an exemption from such registration requirements;
 - (ii) The Agents are not U.S. Persons, are not acting for the account or benefit of a U.S. Person, were not offered the Broker Warrants while in the United States and were outside the United States at the time this Agreement was executed and delivered;
 - (iii) The Agents will not sell or otherwise transfer the Compensation Securities except outside the United States in accordance with Regulation S or into the United States or to, or for the account or benefit of a U.S. Person pursuant to registration of the Compensation Securities under the U.S. Securities Act or pursuant to an exemption from such registration requirements and in each case in compliance will any applicable securities laws of any state of the United States;
 - (iv) The Agents agrees not to engage in hedging transactions in the Compensation Securities except pursuant to the requirements of the U.S. Securities Act;
 - (v) The Agents understand that the Compensation Securities are "restricted securities" under Rule 144 of the U.S. Securities Act, are subject to transfer restrictions under the U.S. Securities Act and will bear a restrictive legend to such effect;
 - (vi) The Agents acknowledge and agree that the Corporation is hereby bound by this Agreement to refuse to register any transfer of the Compensation Securities not made in accordance with Regulation S, pursuant to registration under the U.S. Securities Act or pursuant to an available exemption from registration under the U.S. Securities Act and in compliance with any applicable local laws and regulations; and
 - (vii) The Agents acknowledge and agree that the Broker Warrants and Warrants may not be exercised unless the Broker Warrants and Warrants are registered under the U.S. Securities Act or there is an available

exemption or exclusion from such registration requirements and the Corporation or its transfer agent may require an opinion of counsel of recognized standing, or such other documentation, reasonably acceptable to the Corporation and its transfer agent to such effect.

Section 4. Distribution and Certain Obligations of Agents

- (a) The Agents shall, and shall require any investment dealer or broker with which the Agents have a contractual relationship in respect of the distribution of the Convertible Debentures (each, a "**Selling Firm**") to agree to, comply with applicable Canadian Securities Laws of the Qualifying Jurisdictions, U.S. Securities Laws and the applicable Securities Laws of the Designated Jurisdictions outside of Canada, in connection with the distribution of the Special Warrants and shall offer the Convertible Debentures for sale to directly and through Selling Firms upon the terms and conditions set out in this Agreement.
- (b) The Agents shall, and shall require any Selling Firm to agree to, distribute the Convertible Debentures in a manner which complies with and observes all applicable Laws in each jurisdiction into and from which they may offer to sell the Convertible Debentures or distribute the Final Qualification Prospectus, any Marketing Materials or any Supplementary Material in connection with the distribution of the Convertible Debentures and will not, directly or indirectly, offer, sell or deliver any Convertible Debentures, any Marketing Materials or any Supplementary Material to any person in any jurisdiction other than in the Qualifying Jurisdictions except in a manner which will not require the Corporation to comply with the registration, prospectus, filing, continuous disclosure or other similar requirements under the applicable Laws of such other jurisdictions or pay any unreasonable filing fees which relate to such other jurisdictions. Subject to the foregoing, the Agents and any Selling Firm shall be entitled to offer and sell the Convertible Debentures solely pursuant to an applicable exemption or exemptions from the registration requirements of any other jurisdictions (other than offers and sales in the United States or to, or for the account or benefit of, U.S. Persons, which shall be governed by Schedule "A" hereto) in accordance with any applicable Laws in the jurisdictions in which the Agents and/or Selling Firms offer the Convertible Debentures and in all cases for sales outside of the United States, to non-U.S. Persons and to persons not acting for the account or benefit of U.S. Persons in accordance with the requirements of Category 3 of Rule 903 of Regulation S.
- (c) The Agents will use commercially reasonable efforts to obtain from each Purchaser a duly completed and executed Subscription Agreement and other forms required under Canadian Securities Laws, U.S. Securities Laws or the applicable Securities Laws of any other Designated Jurisdiction outside of Canada and the United States into and which the Convertible Debentures are sold that are provided to the Agents by the Corporation for execution by the Purchasers relating to the issuance and sale of the Convertible Debentures, and the Agents shall at least one Business Day prior to the Closing Date, provide the Corporation

with copies of such Subscription Agreements and complete registration instructions in respect of the Convertible Debentures.

Section 5. Filing of the Registration Statement

- (a) **Registration Statement.** The Corporation covenants with the Agent that the Corporation shall use its best efforts to prepare and file with the SEC within forty-five (45) calendar days after the Closing Date a registration statement (on Form S-3, S-1, or other appropriate registration statement form reasonably acceptable to the Purchasers) under the U.S. Securities Act (the "**Registration Statement**"), at the sole expense of the Corporation (except as specifically provided in Section 5(e) hereof), in respect of the Purchaser, so as to permit a public offering and resale of the Common Shares and Warrant Shares (collectively, the "**Registrable Securities**") in the United States under the U.S. Securities Act; and (ii) use commercially reasonable efforts to cause a Registration Statement to be declared effective by the SEC as soon as possible and not later than the earlier of (a) one hundred and twenty (120) calendar days from the date of filing the Registration Statement in the event of an SEC review of the Registration Statement, and (b) the fifth trading day (day on which the OTCQB is open for quotation) (each, a "**Trading Day**") following the date on which the Corporation is notified by the SEC that the Registration Statement will not be reviewed or is no longer subject to further review and comments. The Corporation will notify the Agent of the effectiveness of the Registration Statement (the "**Effective Date**") within three Trading Days. The initial Registration Statement shall cover the resale of 100% of the Registrable Securities, for an offering to be made on a continuous basis pursuant to Rule 415 (as promulgated by the SEC pursuant to the U.S. Securities Act, as such rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the SEC having substantially the same purpose and effect as such rule).
- (b) If the staff of the SEC (the "**Staff**") or the SEC seeks to characterize any offering pursuant to a Registration Statement filed pursuant to this Agreement as constituting an offering of securities that does not permit such Registration Statement to become effective and be used for resales by the Purchaser as selling stockholder and not as an underwriter under Rule 415 at then-prevailing market prices (and not fixed prices), or if after the filing of the initial Registration Statement with the SEC pursuant to Section 5(a), the Corporation is otherwise required by the Staff or the SEC to reduce the number of Registrable Securities included in such initial Registration Statement and, to the extent applicable, any other registration statements for the resale of securities of the Corporation by selling stockholders which may be integrated at the request of the Staff or SEC ("**Related Registration Statements**"), and after commercially reasonable efforts the Corporation is unable to dissuade the Staff or the SEC of its position, then the Corporation shall reduce the number of Registrable Securities to be included in such initial Registration Statement as follows, until such time as the Staff and the SEC shall so permit such Registration Statement to become effective and be used

as aforesaid: (i) all Warrant Shares will be removed from the Registration Statement pro rata between the selling stockholders included in the Registration Statement and, if applicable, pro rata with common shares issuable upon exercise of warrants being registered for resale by the selling stockholders included in Related Registration Statements and pro rata with common shares issuable upon conversion of notes or other derivative instruments of the Corporation being registered for resale by the selling stockholders included in Related Registration Statements to the extent permitted by the registration rights of such selling stockholders and (ii) following removal of all Warrant Shares and, if applicable, all common shares issuable upon exercise of warrants contained in Related Registration Statements, all Common Shares will be cut back pro rata between the selling stockholders included in the Registration Statement and, if applicable, pro rata with any common shares being registered for resale by selling stockholders in Related Registration Statements to the extent permitted by the registration rights of such selling stockholders.

- (c) In the event of any reduction in Registrable Securities pursuant to Section 5(b) above, then, in relation to any Common Shares not covered by the initial Registration Statement, the Corporation shall use commercially reasonable efforts to cause its legal counsel to deliver an opinion or such other documentation as may reasonably be required to effect sales of the Common Shares under Rule 144 and cover the costs related to such legal opinions. In relation to any Warrant Shares not covered by the initial Registration Statement, the Corporation shall file no later than 6 months following the effectiveness of the initial Registration Statement, one or more new Registration Statements, in accordance with Section 5(a) and 5(b) until (i) such time as all Warrant Shares required by Section 5(a) have been included in Registration Statements that have been declared effective and the prospectus contained therein is available for use by the Purchasers or (ii) all such Warrant Shares can be sold pursuant to the provisions of Rule 144. Notwithstanding any provision herein to the contrary, the Corporation's obligations to register Registrable Securities (and any related conditions) shall be qualified as necessary to comport with any requirement of the SEC or the Staff as addressed in Section 5(b).
- (d) The Corporation will use reasonable commercial efforts to maintain the Registration Statement or post-effective amendment filed under this Section 5 effective under the U.S. Securities Act until the earlier of the date (i) all of the Registrable Securities have been sold pursuant to such Registration Statement or Rule 144, if available, or (ii) three years from the Effective Date (the "**Effectiveness Period**").
- (e) All fees, disbursements and out-of-pocket expenses and costs incurred by the Corporation in connection with the preparation and filing of the Registration Statement and in complying with applicable securities and "blue sky" laws (including, without limitation, all attorneys' fees of the Corporation, registration, qualification, notification and filing fees, printing expenses, escrow fees, blue sky

fees and expenses and the expense of any special audits incident to or required by any such registration) shall be borne by the Corporation. The Corporation shall qualify any of the Registrable Securities for sale in such states as the Purchasers reasonably designate. However, the Corporation shall not be required to qualify in any state which will require an escrow or other restriction relating to the Corporation and/or the sellers, or which will require the Corporation to qualify to do business in such state or require the Corporation to file therein any general consent to service of process. The Corporation at its expense will supply the Agent with copies of the applicable Registration Statement and the prospectus included therein and other related documents in such quantities as may be reasonably requested by the Agent.

- (f) If at any time or from time to time after the Effective Date, the Corporation notifies the Agent in writing of the existence of a Potential Material Event, the Agent shall not offer or sell any Registrable Securities or engage in any other transaction involving or relating to Registrable Securities, from the time of the giving of notice with respect to a Potential Material Event until the Agent receives written notice from the Corporation that such Potential Material Event either has been disclosed to the public or no longer constitutes a Potential Material Event. If a Potential Material Event shall occur prior to the date a Registration Statement is required to be filed, then the Corporation's obligation to file such Registration Statement shall be delayed without penalty for not more than thirty (30) calendar days. The Corporation must, if lawful, give the Agent notice in writing at least two Trading Days prior to the first day of the blackout period.

Section 6. Conditions of the Offering

The obligation of the Purchasers to purchase the Convertible Debentures at the Closing Time shall be subject to the performance by the Corporation of its obligations under this Agreement and each of the following conditions:

- (a) receipt of evidence by the Agents, in a form acceptable to the Agents, acting reasonably, that all actions required to be taken by or on behalf of the Corporation, including the passing of all requisite resolutions of the directors of the Corporation, having been taken so as to approve the execution and delivery of each of the Transaction Documents, the distribution of the Convertible Debentures, the issuance of the Common Shares and Warrants comprising the Finance Fee Units and Units issuable upon exercise of the Convertible Debentures and Broker Warrants and the issuance of the Warrant Shares issuable upon exercise of the Warrants;
- (b) the Corporation delivering to the Agents, at the Closing Time, a certificate dated the Closing Date addressed to the Agents and signed by the Chief Executive Officer of the Corporation, in a form satisfactory to the Agents, acting reasonably, certifying for and on behalf of the Corporation and without personal liability, after having made due enquiries, that:

- (i) the Corporation has complied in all material respects (except where already qualified by materiality, in which case the Corporation has complied in all respects) with all the covenants and satisfied in all material respects (except where already qualified by materiality, in which case the Corporation has satisfied in all respects) all the terms and conditions of this Agreement on its part to be complied with and satisfied at or prior to the Closing Time;
 - (ii) the representations and warranties of the Corporation contained in this Agreement and any certificate of the Corporation delivered hereunder are true and correct in all material respects (or, in the case of any representation or warranty containing a materiality or Material Adverse Effect qualification, in all respects) as at the Closing Time with the same force and effect as if made on and as at the Closing Time after giving effect to the transactions contemplated by this Agreement;
 - (iii) since June 20, 2018, other than as disclosed in the Disclosure Documents, (A) there has been no material change affecting the Corporation on a consolidated basis, and (B) no transaction has been entered into by the Corporation other than in the ordinary course of business;
 - (iv) there has been no change in any material fact (which includes the disclosure of any previously undisclosed material fact or a new material fact) which material fact or change is of such a nature as to render any statement in the Disclosure Documents misleading or untrue in any material respect or which would result in a misrepresentation in the Disclosure Documents or which would result in the Disclosure Documents not complying with applicable Canadian Securities Laws; and
 - (v) no order, ruling or determination having the effect of ceasing or suspending trading in any securities of the Corporation or prohibiting or suspending the offering, issue or sale of the Convertible Debentures or any of the Corporation's issued securities, having been issued, and no proceeding for such purpose being threatened or, to the knowledge of such officers, pending;
- (c) the Agents receiving, at the Closing Time a legal opinion dated the Closing Date, to be addressed to the Agents and the Purchasers, in form and substance acceptable to the Agents acting reasonably, of Cassels Brock & Blackwell LLP, Nelson Mullins Riley & Scarborough LLP and/or Dorsey & Whitney LLP (as applicable), counsel to the Corporation (who may rely, to the extent appropriate in the circumstances, on the opinions of local counsel acceptable to the Agents and may rely, to the extent appropriate in the circumstances, as to matters of fact, on certificates of officers, public and exchange officials or of the auditors or Transfer Agents of the Corporation), with respect to those matters that are usual and customary for transactions of this nature and subject to the usual and customary assumptions, limitations and qualifications, including the following matters:

- (i) as to the incorporation and valid existence of the Corporation;
- (ii) as to the authorized and issued capital of the Corporation;
- (iii) that the Corporation has the corporate power and capacity to own or lease its properties and assets, carry on its business as it is currently conducted, and to execute, deliver and perform its obligations under the Transaction Documents; and to issue and sell the Convertible Debentures, the Common Shares and Warrants comprising the Units (including any Units issuable upon exercise of the Convertible Debentures and Broker Warrants) and the Warrant Shares, as applicable;
- (iv) all necessary corporate action has been taken by the Corporation to authorize the execution and delivery of the Transaction Documents and the performance of the Corporation's obligations hereunder and thereunder and the issuance of the Convertible Debentures, the Broker Warrants, the Common Shares and Warrants comprising the Units (including any Units issuable upon exercise of the Broker Warrants and Finance Fee Units) and the Warrant Shares, as applicable
- (v) each of the Transaction Documents has been duly authorized and (other than the Warrant Certificates) executed and delivered by the Corporation and each such Transaction Document constitutes a valid and legally binding agreement of the Corporation enforceable against it in accordance with its terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium and other laws relating to or affecting the rights of creditors generally and except as limited by the application of equitable principles when equitable remedies are sought, and by the fact that rights to indemnity, contribution and waiver, and the ability to sever unenforceable terms, may be limited by applicable law;
- (vi) the execution and delivery of the Transaction Documents, the performance by the Corporation of its obligations hereunder and thereunder and the issuance and sale of the Convertible Debentures, the Common Shares and Warrants comprising the Units (including any Units issuable upon exercise of the Broker Warrants and Finance Fee Units) and the Warrant Shares do not and will not conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, whether after notice or lapse of time or both, (A) corporate laws of the State of Nevada or Canadian Securities Laws; and (B) the constating documents of the Corporation;
- (vii) that the Convertible Debentures, the Broker Warrants and the Warrants (including any Warrants issuable upon exercise of the Broker Warrants) will, upon issuance, be validly created, executed and issued by the

Corporation and constitute valid and binding obligations of the Corporation enforceable against it in accordance with their terms;

- (viii) that the Common Shares partially comprising the Finance Fee Units and Units issuable upon exercise of the Convertible Debentures and Broker Warrants have been duly authorized and validly allotted for issuance by the Corporation and, when issued in accordance with the terms of the Convertible Debentures and the Broker Warrants, as applicable, will be outstanding as fully paid and non-assessable shares in the capital of the Corporation;
- (ix) that the Warrant Shares have been duly authorized and validly allotted for issuance by the Corporation and, when issued in accordance with the terms of the Warrants, will be outstanding as fully paid and non-assessable shares in the capital of the Corporation;
- (x) that the issuance and sale by the Corporation of the Convertible Debentures to the Purchasers resident in the Qualifying Jurisdictions in accordance with the Subscription Agreements and the granting and the issuance of the Broker Warrants to the Agents in accordance with the terms of this Agreement are exempt from the prospectus requirements of Canadian Securities Laws and except as has been completed, no filings, proceedings, approvals, consents or authorizations are required to be made, taken or obtained by the Corporation, or any securities regulatory authority in the Qualifying Jurisdictions to permit the issuance, distribution and delivery of the Convertible Debentures to Purchasers resident in the Qualifying Jurisdictions and the granting and the issuance of the Broker Warrants to the Agents, except for the filing, within ten days from the date of each such issue and distribution, of a report of the offering and sale prepared on Form 45-106F1 prepared and executed in accordance with Canadian Securities Laws, together with the requisite filing fees;
- (xi) that the issuance of (A) the Common Shares and Warrants comprising the Finance Fee Units and Units issuable upon exercise of the Convertible Debentures and the Broker Warrants, and (B) the Warrant Shares issuable upon the exercise of the Warrants (including any Warrants issuable upon exercise of the Broker Warrants) will be exempt from the prospectus and registration requirements of Canadian Securities Laws and no filings, proceedings, approvals, consents or authorizations will be required to be made pursuant to Canadian Securities Laws to permit such issuance, provided that (i) in the case of the Common Shares and Warrants issuable upon the exercise of the Units (including any Units issuable upon exercise of the Convertible Debentures and Broker Warrants), the Convertible Debentures are exercised in accordance with the terms and conditions of the Debenture Indenture or the terms and conditions of the Broker Warrants, as applicable; and (ii) in the case of the Warrant Shares, the

Warrants are exercised in accordance with the terms and conditions of the Warrant Indenture and such Warrants, as applicable;

- (xii) that the first trade of the Common Shares and Warrants comprising (i) the Finance Fee Units and (ii) the Units issuable upon exercise of the Convertible Debentures and Broker Warrants, and the Warrant Shares issuable upon exercise of the Warrants will be, as applicable, exempt from the prospectus requirements of applicable Canadian Securities Laws and no prospectus, offering memorandum or other document is required to be filed, no proceeding is required to be taken and no approval, permit, consent or authorization of regulatory authorities is required to be obtained by the Corporation under applicable Canadian Securities Laws to permit such trade through registrants registered under applicable Canadian Securities Laws who have complied with such laws and the terms and conditions of their registration, provided that at the time of such trade:
- (A) the Corporation is and has been a "reporting issuer" (within the meaning of Securities Laws) in a "jurisdiction of Canada" (as defined in National Instrument 14-101 – Definitions ("NI 14-101")) for the four months immediately preceding the trade;
 - (B) at the time of such trade, at least four months have elapsed from the "distribution date" (as defined in section 1.1 of National Instrument 45-102 – Resale of Securities ("NI 45-102")) of the Convertible Debentures or Broker Warrants;
 - (C) any certificates representing the Convertible Debentures, Broker Warrants, Common Shares, Warrants or the Warrant Shares, if any, carry a legend or ownership statement issued under a direct registration system acceptable to the regulator, as required pursuant to section 2.5(2)(3)(i) of NI 45-102;
 - (D) the trade is not a "control distribution" (as defined in section 1.1 of NI 45- 102);
 - (E) no unusual effort is made to prepare the market or to create a demand for the securities that are the subject of the trade (within the meaning of Securities Laws);
 - (F) no extraordinary commission or consideration is paid to a person or company in respect of such trade (within the meaning of Securities Laws); and
 - (G) if the selling security holder is an "insider" or "officer" of the Corporation (within the meaning of Securities Laws), such selling security holder has no reasonable grounds to believe that the

Corporation is in default of "securities legislation" (as defined in NI 14-101);

- (xiii) that the form and terms of the certificates representing the Convertible Debentures, the Broker Warrants, the Common Shares, the Warrants and the Warrant Shares have been approved by the board of directors of the Corporation;
 - (xiv) that Vstock Transfer, LLC, at its principal offices in Woodmere, New York, has been duly appointed as registrar and transfer Agent for the Common Shares;
 - (xv) that Odyssey Trust Company, at its principal offices in Calgary, Alberta, has been, as of the Closing Date, duly appointed as Debenture Trustee and as Warrant Agents under the Debenture Indenture and the Warrant Indenture, respectively; and
 - (xvi) as to such other matters as may reasonably be requested by the Agents, in a form acceptable to the Agents, acting reasonably.
- (d) the Agents receiving, at the Closing Time, a legal opinion dated the Closing Date, addressed to the Agents and the Purchasers, in form and substance acceptable to the Agents, from counsel to the Subsidiary with respect to the following matters: (i) the incorporation and subsistence of the Subsidiary; (ii) the corporate power, capacity and authority of the Subsidiary to carry on its business as presently carried on and to own, lease and operate its properties and assets; (iii) the authorized and issued capital of the Subsidiary; and (iv) the ownership of the issued and outstanding securities of the Subsidiary;
- (e) if any Convertible Debentures are sold in the United States, the Agents receiving, at the Closing Time on the Closing Date, a legal opinion dated the Closing Date, to be addressed to the Agents, in form and substance acceptable to the Agents, of Dorsey & Whitney LLP, United States legal counsel to the Corporation (who may rely, to the extent appropriate in the circumstances, as to matters of fact, on certificates of officers, public and exchange officials or of the auditors or Transfer Agents of the Corporation), to the effect that the offer and sale of the Convertible Debentures in the United States, the issuance of the Common Shares and Warrants upon conversion of the Convertible Debentures is not required to be registered under the U.S. Securities Act, provided such offers and sales are made in accordance with the Subscription Agreements and Schedule "A" hereto; it being understood that such counsel need not express its opinion with respect to any resale of the Convertible Debentures or the Common Shares, Warrants or Warrant Shares issuable thereunder or the exercise of the Warrants;
- (f) the Agents receiving at the Closing Time, a certificate, signed by the Chief Executive Officer of the Corporation (or such other officers as the Agents may

agree to), in a form satisfactory to the Agents, acting reasonably, certifying for and on behalf of the Corporation and without personal liability, with respect to:

- (i) the constating documents and articles of the Corporation;
 - (ii) the resolutions of the board of directors of the Corporation relevant to the issue and sale of the Convertible Debentures and the Broker Warrants, the allotment and reservation of the Units and the Warrant Shares issuable thereunder and the authorization of the Transaction Documents and transactions contemplated herein and therein; and
 - (iii) the incumbency and signatures of signing officers of the Corporation;
- (g) the Agent shall have received from each of the officers and directors of the Corporation and all 10.0% shareholders of the Corporation, excluding the previous owners of the Oasis Subsidiaries (collectively, the "**Locked-Up Persons**") lock-up agreements pursuant to Section 8(q) hereof in favour of the Agent, in a form as agreed upon between the Agents and the Corporation, acting reasonably, whereby the Locked-Up Persons agree that they will not, for a period commencing on the closing of the Offering and ending six (6) months from the date of the listing on the CSE, directly or indirectly, offer, sell, contract to sell, grant or sell any option to purchase, purchase any option or contract to sell, hypothecate, pledge, transfer, assign, lend, swap or enter into any agreement to transfer the economic consequences of, or otherwise dispose of or deal with (or agree to or publicly announce any intention to do any of the foregoing) whether through the facilities of a stock exchange, by private placement or otherwise, any common shares or other securities of the Corporation convertible into, exchangeable for or exercisable to acquire, common shares, directly or indirectly, unless (i) they first obtain the prior consent of the Lead Agent, such consent not to be unreasonably withheld, or (ii) there occurs a take-over bid or similar transaction involving a Change of Control of the Corporation;
- (h) the Agents shall have received a certificate of status (or the equivalent) with respect to the jurisdiction in which the Corporation is incorporated, amalgamated or continued, as the case may be;
- (i) the Agents shall have received certificates of the Convertible Debentures in form and substance satisfactory to the Agents, acting reasonably;
- (j) the Agents shall have received certificates of the Broker Warrants in form and substance satisfactory to the Agents, acting reasonably;
- (k) the Agents shall have received a certificate from the Transfer Agents as to the number of Common Shares issued and outstanding as at the end of Business Day prior to the Closing Date;

- (l) all consents, approval, permits, authorizations or filings as may be required under Securities Laws necessary for the Offering and the transactions contemplated by this Agreement, shall have been obtained or made, as applicable;
- (m) each of the Transaction Documents shall have been executed and delivered by the parties thereto in form and substance satisfactory to the Agents, acting reasonably;
- (n) the Agents not having previously terminated its obligations pursuant to Section 8 of this Agreement; and
- (o) the Agents shall have completed, to its satisfaction, acting reasonably its due diligence review of the Corporation and its Subsidiary and each of their respective businesses, operations and financial condition.

Section 7. Additional Representations and Warranties of the Corporation

The Corporation represents and warrants to the Agents and to the Purchasers, and acknowledges that each of them is relying upon such representations and warranties in connection with the completion of the Offering, that as of the date hereof:

- (a) each of the Corporation and the Subsidiary: (A) is a corporation duly incorporated, continued or amalgamated and validly existing under the laws of the jurisdiction in which it was incorporated, continued or amalgamated, as the case may be; (B) has all requisite corporate power and authority and is duly qualified and holds all necessary permits, licences and authorizations necessary or required to carry on its business as now conducted to own, lease or operate its properties and assets; (C) where required, has been duly qualified as an extra-provincial corporation or foreign corporation for the transaction of business and is in good standing under the Laws of each jurisdiction in which it owns or leases property, or conducts business unless, in each case, the failure to do so would not individually or in the aggregate, have a Material Adverse Effect; and (D) no steps or proceedings have been taken by any person, voluntary or otherwise, requiring or authorizing its dissolution or winding up;
- (b) the Corporation has all requisite corporate power, authority and capacity to enter into each of the Transaction Documents and to perform the transactions contemplated herein and therein, including, without limitation, to issue the Convertible Debentures and the Broker Warrants and the Common Shares, Warrants and Warrant Shares issuable upon exercise thereof, as applicable;
- (c) the Corporation has no direct or indirect subsidiary or any material investment or proposed investment in any person that is or will be material to the Corporation, other than the Subsidiary;
- (d) other than U.S. Marijuana Laws, each of the Corporation and the Subsidiary has conducted and is conducting its business in compliance with all applicable laws and regulations of each jurisdiction in which it carries on business, except where

the failure to so comply would not have a Material Adverse Effect, and each of the Corporation and the Subsidiary holds all material requisite licences, registrations, qualifications, permits and consents necessary or appropriate for carrying on its business as currently carried on and all such licences, registrations, qualifications, permits and consents are valid and subsisting and in good standing in all material respects. Without limiting the generality of the foregoing, neither Corporation nor any Subsidiary has received a written notice of non-compliance, nor does the Corporation know of, nor have reasonable grounds to know of, any facts that could give rise to a notice of non-compliance with any such laws, regulations or permits which would have a Material Adverse Effect other than non-compliance with U.S. Marijuana Laws;

- (e) the Corporation is in compliance in all material respects with all of the rules, policies and requirements of the OTCQB and the Common Shares are currently quoted on the OTCQB and on no other stock exchange or public market;
- (f) no order, ruling or determination having the effect of suspending the sale or ceasing the trading in any securities of the Corporation has been issued by any regulatory authority and is continuing in effect and no proceedings for that purpose have been instituted or, to the knowledge of the Corporation, are pending, contemplated or threatened by any regulatory authority;
- (g) the Corporation has filed all reports, schedules, forms, statements and other documents required to be filed by the Corporation under the U.S. Securities Act and the U.S. Exchange Act, including pursuant to Section 13(a) or 15(d) thereof, for the two years preceding the date hereof (or such shorter period as the Corporation was required by law or regulation to file such material) (the foregoing materials, including the exhibits thereto and Documents Incorporated by Reference therein, together with the Prospectus and the Prospectus Supplement, being collectively referred to herein as the "**SEC Reports**") on a timely basis (with the exception of one Form 8-K filing) or has received a valid extension of such time of filing and has filed any such SEC Reports prior to the expiration of any such extension. As of their respective dates, the SEC Reports complied in all material respects with the requirements of the U.S. Securities Act and the U.S. Exchange Act, as applicable, and none of the SEC Reports, as amended, if applicable, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading as of the date of such amendment;
- (h) the Corporation has not filed any confidential material change report with the Securities Commissions since June 20, 2018;
- (i) other than the Leased Premises and any Intellectual Property that they license from third parties, each of the Corporation and the Subsidiary is the absolute legal and beneficial owner of, and has good and marketable title to, all of the material properties and assets thereof, and no other property or assets are necessary for the

conduct of the business of the Corporation and the Subsidiary as currently conducted. Any and all of the agreements and other documents and instruments pursuant to which each of the Corporation or the Subsidiary holds the property and assets thereof (including any interest in, or right to earn an interest in, any Intellectual Property) are valid and subsisting agreements, documents and instruments in full force and effect, enforceable in accordance with the terms thereof, and such properties and assets are in good standing under the applicable statutes and regulations of the jurisdictions in which they are situated, and all material leases, licenses and other agreements pursuant to which the Corporation or any Subsidiary derives the interests thereof in such property are in good standing. The Corporation does not know of any claim or the basis for any claim that might or could materially and adversely affect the right of the Corporation or any Subsidiary to use, transfer or otherwise exploit their respective assets, none of the properties (or any interest in, or right to earn an interest in, any property) of the Corporation or any Subsidiary is subject to any right of first refusal or purchase or acquisition right, and neither the Corporation nor any Subsidiary has a responsibility or obligation to pay any commission, royalty, licence fee or similar payment to any person with respect to the property and assets thereof;

- (j) no legal or governmental proceedings or inquiries are pending to which the Corporation or any Subsidiary is a party or to which the property thereof is subject that would result in the revocation or modification of any certificate, authority, permit or license necessary to conduct the business now owned or operated by the Corporation or any Subsidiary which, if the subject of an unfavourable decision, ruling or finding could reasonably be expected to have a Material Adverse Effect and, to the knowledge of the Corporation, no such legal or governmental proceedings or inquiries have been threatened against or are contemplated with respect to the Corporation or the Subsidiary or with respect to the properties or assets thereof;
- (k) other than as disclosed in the Disclosure Documents, there are no material actions, suits, judgments, investigations or proceedings of any kind whatsoever outstanding or, to the best of the Corporation's knowledge, pending or threatened against or affecting the Corporation, the Subsidiary or to the best of the Corporation's knowledge, the directors, officers or employees of the Corporation or the Subsidiary, at law or in equity or before or by any commission, board, bureau or agency of any kind whatsoever and, to the best of the Corporation's knowledge, there is no basis therefore and neither the Corporation nor any Subsidiary is subject to any judgment, order, writ, injunction, decree, award, rule, policy or regulation of any Governmental Authority, which, either separately or in the aggregate, may have a Material Adverse Effect or that would materially adversely affect the ability of the Corporation to perform its obligations under the Transaction Documents;
- (l) neither the Corporation nor any Subsidiary is in violation of its constating documents or in default in any material respect in the performance or observance

of any material obligation, agreement, covenant or condition contained in any contract, indenture, trust deed, mortgage, loan agreement, note, lease, licence or other agreement or instrument to which it is a party or by which it or its property or assets may be bound which, either separately or in the aggregate, may have a Material Adverse Effect;

- (m) to the knowledge of the Corporation, no counterparty to any material obligation, agreement, covenant or condition contained in any contract, indenture, trust deed, mortgage, loan agreement, note, lease or other agreement or instrument to which the Corporation or any Subsidiary is a party is in default in the performance or observance thereof, except where such violation or default in performance would not have a Material Adverse Effect;
- (n) there are no judgments against the Corporation or any Subsidiary which are unsatisfied, nor are there any consent decrees or injunctions to which the Corporation or any Subsidiary is subject;
- (o) neither of the Corporation nor any Subsidiary has committed an act of bankruptcy or sought protection from the creditors thereof before any court or pursuant to any legislation, proposed a compromise or arrangement to the creditors thereof generally, taken any proceeding with respect to a compromise or arrangement, taken any proceeding to be declared bankrupt or wound up, taken any proceeding to have a receiver appointed of any of the assets thereof, had any person holding any encumbrance, lien, charge, hypothec, pledge, mortgage, title retention agreement or other security interest or receiver take possession of any of the property thereof, had an execution or distress become enforceable or levied upon any portion of the property thereof or had any petition for a receiving order in bankruptcy filed against it;
- (p) at the Closing Time, all consents, approvals, permits, authorizations or filings as may be required to be made or obtained by the Corporation under applicable Securities Laws necessary for the execution and delivery of the Transaction Documents and the creation, issuance and sale, as applicable, of the Convertible Debentures and the Broker Warrants and the Common Shares, Warrants and Warrant Shares issuable upon exercise thereof, as applicable, and the consummation of the transactions contemplated thereby, will have been made or obtained, as applicable (other than the filing of reports required under applicable Securities Laws within the prescribed time periods, which documents shall be filed as soon as practicable after the Closing Date and, in any event, within 10 calendar days of the Closing Date or within such other deadline imposed by applicable Securities Laws);
- (q) the Common Shares, Warrants and Warrant Shares issuable upon exercise of the Convertible Debentures, the Broker Warrants and the Warrants, as applicable, have been authorized and reserved and allotted for issuance, as applicable;

- (r) at the Closing Time, the Convertible Debentures and the Broker Warrants will be duly and validly issued and created;
- (s) upon the due exercise of the Convertible Debentures and the Broker Warrants in accordance with the respective provisions thereof, the Common Shares and Warrants issuable upon the exercise thereof will be duly and validly issued and, in the case of the Common Shares, as fully paid and non-assessable Common Shares of the Corporation, on payment of the purchase price therefor;
- (t) upon the due exercise of the Warrants in accordance with the provisions thereof, the Warrant Shares issuable upon the exercise thereof will be duly and validly issued as fully paid and non-assessable Common Shares of the Corporation, on payment of the purchase price therefor;
- (u) the Convertible Debentures, the Broker Warrants and the Common Shares, Warrants and Warrant Shares issuable upon exercise thereof, as applicable, will not be subject to a restricted period or to a statutory hold period under the Securities Laws which extends beyond four months and one day after the Closing Date in accordance with and subject to the conditions set out in NI 45-102, except for restrictions on transfer under applicable U.S. Securities Laws;
- (v) the execution and delivery of each of the Transaction Documents, the performance by the Corporation of its obligations hereunder or thereunder, the issue and sale of the Convertible Debentures hereunder and the consummation of the transactions contemplated in this Agreement, including the issuance and delivery of the Common Shares and Warrants issuable upon exercise of the Convertible Debentures, the granting of the Broker Warrants, the issuance and delivery of the Common Shares and Warrants issuable upon exercise of the Broker Warrants and the Warrant Shares issuable upon exercise of the Warrants, as the case may be, do not and will not conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, (whether after notice or lapse of time or both): (A) any Laws applicable to the Corporation including, without limitation, the Securities Laws; (B) the constating documents, by-laws or resolutions of the Corporation which are in effect at the date hereof; (C) any Material Agreement, contract, agreement, instrument, Debt Instrument, lease or other document to which the Corporation is a party or by which it is bound which, either separately or in the aggregate, may have a Material Adverse Effect; or (D) any judgment, decree or order binding the Corporation or the property or assets of the Corporation;
- (w) at the Closing Time, the Corporation shall have duly authorized and (other than the Warrant Certificates) executed and delivered the Transaction Documents and upon such execution and delivery (and subsequent execution and delivery of the Warrant Certificates) each shall constitute a valid and binding obligation of such Corporation and each shall be enforceable against such Corporation in accordance with its terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium and other laws relating to or affecting the

rights of creditors generally and except as limited by the application of equitable principles when equitable remedies are sought, and by the fact that rights to indemnity, contribution and waiver, and the ability to sever unenforceable terms, may be limited by applicable law;

- (x) the Common Shares are registered pursuant to Section 12(g) of the U.S. Exchange Act, and the Corporation has taken no action designed to, or which to its knowledge is likely to have the effect of, terminating the registration of the Common Shares under the U.S. Exchange Act nor has the Corporation received any notification that the SEC is contemplating terminating such registration;
- (y) the Financial Statements have been prepared in accordance with U.S. GAAP, contain no misrepresentations, and with respect to the audited comparative consolidated financial statements of the Corporation as at and for the year ended May 31, 2018 and 2017, present fairly, in all material respects, the financial condition of the Corporation on a consolidated basis as at the date thereof and the results of the operations and cash flows of the Corporation on a consolidated basis for the period then ended and contain and reflect adequate provisions or allowance for all reasonably anticipated liabilities, expenses and losses of the Corporation on a consolidated basis that are required to be disclosed in such financial statements and there has been no material change in accounting policies or practices of the Corporation since December 31, 2016;
- (z) there are no material liabilities of the Corporation or the Subsidiaries whether direct, indirect, absolute, contingent or otherwise required to be disclosed in the Financial Statements which are not disclosed or reflected in the Financial Statements, except those incurred in the ordinary course of business or disclosed in the Disclosure Documents since June 20, 2018;
- (aa) there are no off-balance sheet transactions, arrangements or obligations (including contingent obligations) of the Corporation or the Subsidiary with unconsolidated entities or other persons that may have a material current or future effect on the financial condition, changes in financial condition, results of operations, earnings, cash flow, liquidity, capital expenditures, capital resources, or significant components of revenues or expenses of the Corporation or any Subsidiary or that would reasonably be expected to be material to an investor in making a decision to purchase the Convertible Debentures;
- (bb) all taxes (including income tax, capital tax, payroll taxes, employer health tax, workers' compensation payments, property taxes, sales taxes, custom and land transfer taxes), duties, royalties, levies, imposts, assessments, reassessments, deductions, charges or withholdings and all liabilities with respect thereto including any penalty and interest payable with respect thereto (collectively, "**Taxes**") due and payable by the Corporation and the Subsidiary have been paid or accrued, except where the failure to pay such Taxes would not constitute an adverse material fact in respect of the Corporation or the Subsidiary or have a Material Adverse Effect. All tax returns, declarations, remittances and filings

required to be filed by the Corporation and the Subsidiary have been filed with all appropriate Governmental Authorities and all such returns, declarations, remittances and filings are complete and accurate and no material fact or facts have been omitted therefrom which would make any of them misleading, except where the failure to file such documents would not constitute an adverse material fact in respect of the Corporation or the Subsidiary or have a Material Adverse Effect. Other than as disclosed in writing to the Agents, to the knowledge of the Corporation, no examination of any tax return of the Corporation is currently in progress and there are no issues or disputes outstanding with any Governmental Authority respecting any Taxes that have been paid, or may be payable, by the Corporation or the Subsidiary, in any case except where such examinations, issues or disputes would not constitute an adverse material fact in respect of the Corporation or have a Material Adverse Effect;

- (cc) the Corporation maintains a system of internal accounting controls sufficient to provide reasonable assurances that: (A) transactions are executed in accordance with management's general or specific authorization; and (B) transactions are recorded as necessary to permit preparation of financial statements in conformity with U.S. GAAP and to maintain accountability for assets;
- (dd) except as disclosed in the Financial Statements the Corporation is not party to any Debt Instrument or any agreement, contract or commitment to create, assume or issue any Debt Instrument and does not have any loans or other indebtedness outstanding which has been made to any of its shareholders, officers, directors or employees, past or present, or any person not dealing at arm's length with the Corporation (as such term is defined in the Tax Act). The Corporation has not guaranteed the obligations of any person;
- (ee) the Corporation's auditors, who audited the Financial Statements and who provided their respective audit report thereon, are independent public accountants as required under applicable Securities Laws and there has never been a reportable event (within the meaning of NI 51-102) between the Corporation and the Corporation's auditors;
- (ff) during the previous 12 months, the Corporation has not, directly or indirectly, declared or paid any dividend or declared or made any other distribution on any of its shares or securities of any class, or, directly or indirectly, redeemed, purchased or otherwise acquired any of its Common Shares or securities or agreed to do any of the foregoing;
- (gg) no legal or governmental proceedings or inquiries are pending to which the Corporation or the Subsidiary is a party or to which their property or assets are subject that would result in the revocation or modification of any certificate, authority, permit or license necessary to conduct the business now owned or operated by the Corporation or the Subsidiary which, if the subject of an unfavourable decision, ruling or finding could reasonably be expected to have a Material Adverse Effect and, to the knowledge of the Corporation, no such legal

or governmental proceedings or inquiries have been threatened against or are contemplated with respect to the Corporation, the Subsidiary or their property or assets;

- (hh) the assets of each of the Corporation and the Subsidiary and their businesses and operations are not insured;
- (ii) other than federal U.S. restrictions on patents and trademarks in connection with U.S. Marijuana Laws, each of the Corporation, its Subsidiary either owns or has a license to use all proprietary rights provided in law and at equity to all patents, trademarks, copyrights, industrial designs, software, trade secrets, know-how, concepts, information and other intellectual and industrial property (collectively, "**Intellectual Property**") necessary to permit the Corporation, the Subsidiary to conduct their respective businesses as currently conducted. None of the Corporation or the Subsidiary has received any notice nor does the Corporation or any Subsidiary have knowledge of any infringement of or conflict with asserted rights of others with respect to any Intellectual Property or of any facts or circumstances that would render any Intellectual Property invalid or inadequate to protect the interests of the Corporation or the Subsidiary therein and which infringement or conflict (if subject to an unfavourable decision, ruling or finding) or invalidity or inadequacy would have a Material Adverse Effect;
- (jj) except where such steps are limited due to federal U.S. restrictions on patents and trademarks in connection with U.S. Marijuana Laws, the Corporation and the Subsidiary has taken all reasonable steps to protect its owned Intellectual Property in those jurisdictions where, in the reasonable opinion of the Corporation, the Corporation and/or each Subsidiary carries on a sufficient business to justify such filings;
- (kk) there are no material restrictions on the ability of the Corporation or the Subsidiary to use all rights in the Intellectual Property required in the ordinary course of the business of the Corporation or the Subsidiary, as applicable. None of the rights of the Corporation or the Subsidiary in the Intellectual Property will be impaired or affected in any way by the transactions contemplated by this Agreement;
- (ll) neither the Corporation nor any Subsidiary has received any notice or claim (whether written or oral) challenging its ownership or right to use of any Intellectual Property or suggesting that any other person has any claim of legal or beneficial ownership or other claim or interest with respect thereto;
- (mm) none of the rights of the Corporation or any Subsidiary in the Intellectual Property will be impaired or affected in any way by the transactions contemplated by this Agreement;
- (nn) other than as set out in the Disclosure Documents, there are no material restriction on the ability of the Corporation or the Subsidiary to use and exploit all rights in

the Intellectual Property required in the ordinary course of business of the Corporation or the Subsidiary;

- (oo) all registrations of Intellectual Property are in good standing and are recorded in the name of the Corporation or one of the Subsidiary, or in the name of the parties that have licensed that Intellectual Property to the Corporation or the Subsidiary, as applicable, in the appropriate offices to preserve the rights thereto. Other than as would not have a Material Adverse Effect, all such registrations have been filed, prosecuted and obtained in accordance with all applicable legal requirements and are currently in effect and in compliance with all applicable legal requirements. No registration of Intellectual Property has expired, become abandoned, been cancelled or expunged, or has lapsed for failure to be renewed or maintained, except where such expiration, abandonment cancellation, expungement or lapse would not have a Material Adverse Effect;
- (pp) the Material Agreements are the only material contracts (as defined under Securities Laws) of the Corporation and the Subsidiary on a consolidated basis. All of the Material Agreements and Debt Instruments of the Corporation and of the Subsidiary have been disclosed in the Disclosure Documents and each is valid, subsisting, in good standing in all material respects and in full force and effect, enforceable in accordance with the terms thereof. The Corporation and the Subsidiary have performed all obligations (including payment obligations) in a timely manner under, and are in material compliance with, all terms, conditions and covenants (including all financial maintenance covenants) contained in each Material Agreement and Debt Instrument. None of the Corporation or the Subsidiary is in material violation, breach or default and none has received any notification from any party claiming that the Corporation or the Subsidiary is in breach, violation or default under any Material Agreement or Debt Instrument and no other party, to the knowledge of the Corporation, is in material breach, violation or default of any term under any Material Agreement or Debt Instrument. None of the properties (or any interest in, or right to earn an interest in, any property) of the Corporation or a Subsidiary is subject to any right of first refusal or purchase or acquisition right;
- (qq) other than disclosed in the Disclosure Documents, none of the directors, officers or employees of the Corporation or the Subsidiary, any person who owns, directly or indirectly, more than 5% of any class of securities of the Corporation or any associate or affiliate of any of the foregoing, had or has any material interest, direct or indirect, in any transaction or any proposed transaction (including, without limitation, any loan made to or by any such person) with the Corporation which, as the case may be, materially affects, is material to or will materially affect the Corporation or the Subsidiary, except as disclosed in the Financial Statements or related management's discussion and analysis;
- (rr) the Corporation is not party to any agreement, nor is the Corporation aware of any agreement, which in any manner affects the voting control of any of the securities of the Corporation or the Subsidiary;

- (ss) none of the Corporation or any of the Subsidiary is a party to, bound by or, to the knowledge of the Corporation, affected by any commitment, agreement or document containing any covenant which expressly and materially limits the freedom of the Corporation or the Subsidiary to compete in any line of business, transfer or move any of its respective assets or operations or which adversely materially affects the business practices, operations or condition of the Corporation or the Subsidiary;
- (tt) neither the Corporation nor the Subsidiary has ever been in violation of, in connection with the ownership, use, maintenance or operation of the property and assets thereof, any applicable Environmental Laws which could reasonably be expected to have a Material Adverse Effect;
- (uu) the authorized capital of the Corporation consists of 250,000,000 Common Shares and 20,000,000 preferred shares of which, as at the date hereof (prior to the completion of the Offering), 124,562,193 Common Shares are issued and outstanding as fully paid and non-assessable shares in the capital of the Corporation and nil preferred shares are outstanding. The Corporation also has 61,912,860 outstanding warrants to purchase Common Shares. Other than as disclosed in the Financial Statements (and subsequent Disclosure Documents and publicly available filings of the Corporation) and other than stock options issued under the Corporation's stock option plan, there are no outstanding rights, warrants, options, convertible debt or any other securities or rights capable of being converted into, or exchanged or exercised for, any Common Shares of the Corporation;
- (vv) Vstock Transfer, LLC, at its principal offices in Woodmere, New York, has been duly appointed as registrar and transfer agent for the Common Shares;
- (ww) Odyssey Trust Company, at its principal offices in Calgary, Alberta, has been, as of the Closing Date, duly appointed as Debenture Trustee and as Warrant Agents under the Debenture Indenture and the Warrant Indenture, respectively;
- (xx) the issue of the Convertible Debentures and the Broker Warrants and issuance and delivery of the Common Shares, Warrants and Warrant Shares issuable thereunder, as applicable, will not be subject to any pre-emptive right or other contractual right to purchase securities granted by the Corporation or to which the Corporation is subject that has not been waived, subject to the rights of first refusal and other rights contained in the copies engagement letters to which the Corporation is a party provided to the Agents' counsel, certain of which rights have been waived by the parties thereto. No holder of outstanding shares in the capital of the Corporation is at the Closing Time or will be following the Closing Time entitled to any pre-emptive or any similar rights to subscribe for any Common Shares or other securities of the Corporation;
- (yy) neither the Corporation nor the Subsidiary is and has ever been in violation of, in connection with the ownership, use, maintenance or operation of the property and

assets thereof, any Environmental Laws which could reasonably be expected to have a Material Adverse Effect;

- (zz) with respect to each of the Leased Premises, the Corporation and the Subsidiary, as applicable, occupies the Leased Premises and has the exclusive right to occupy and use the Leased Premises and each of the leases pursuant to which the Corporation or any Subsidiary, as applicable, occupies the Leased Premises is in good standing and in full force and effect. The performance of obligations pursuant to and in compliance with the terms of this Agreement and the completion of the transactions described herein by the Corporation, will not afford any of the parties to such leases or any other person the right to terminate such leases or result in any additional or more onerous obligations under such leases;
- (aaa) each of the Corporation and the Subsidiary has all Environmental Permits and is in compliance with any material requirements thereof;
- (bbb) there are no pending or, to the knowledge of the Corporation, threatened administrative, regulatory or judicial actions, suits, demands, demand letters, claims, liens, notices of non-compliance or violation, investigation or proceedings relating to any Environmental Laws against the Corporation or any Subsidiary, which if determined adversely, would reasonably be expected to have a Material Adverse Effect;
- (ccc) none of the Corporation or the Subsidiary has used the Leased Premises or any facility which it previously owned or leased, to generate, manufacture, process, distribute, use, treat, store, dispose of, transport or handle any Hazardous Materials;
- (ddd) as of the date hereof, there are no past unresolved, pending or (to the knowledge of the Corporation) threatened claims, complaints, notices or requests for information with respect to any alleged violation of any Law and no conditions exist at, on or under any Leased Premises which, with the passage of time, or the giving of notice or both, would give rise to liability under any Law that, individually or in the aggregate, has or may reasonably be expected to have a Material Adverse Effect with respect to the Corporation or the Subsidiary;
- (eee) other than the U.S. Marijuana Laws and as publicly disclosed or publicly available, the Corporation is not aware of any licensing or legislation, regulation, by-law or other lawful requirement of any Governmental Authority having lawful jurisdiction over the Corporation presently in force or, to its knowledge, proposed to be brought into force, or any pending or contemplated change to any licensing or legislation, regulation, by-law or other lawful requirement of any Governmental Authority having lawful jurisdiction over the Corporation or any Subsidiary presently in force, that the Corporation anticipates the Corporation or any Subsidiary will be unable to comply with or which could reasonably be expected to materially adversely affect the business of the Corporation or any

Subsidiary or the business environment or legal environment under which such entity operates;

- (fff) each of the Corporation and the Subsidiary is in compliance with all laws respecting employment and employment practices, terms and conditions of employment, pay equity and wages, except where non-compliance with such laws could not reasonably be expected to have a Material Adverse Effect;
- (ggg) the Corporation has not withheld from the Agents any material fact relating to the Corporation, any Subsidiary or to the Offering;
- (hhh) the minute books and corporate records of the Corporation and the Subsidiary for the period from incorporation to the date hereof made available to the Agents contain copies of all proceedings (or certified copies thereof or drafts thereof pending approval) of the shareholders and the directors (or any committee thereof) thereof and there have been no other meetings, resolutions or proceedings of the shareholders or directors of the Corporation or the Subsidiary to the date hereof not reflected in such corporate records, other than those related to this transaction, copies of which have been provided to the Agents, or those which are not material to the Corporation or the Subsidiary;
- (iii) subject to the rights of first refusal and other rights contained in the Engagement Letter to which the Corporation is a party, other than the Agents, there is no person acting or purporting to act at the request or on behalf of the Corporation that is entitled to any brokerage or finder's fee or other compensation in connection with the transactions contemplated by this Agreement;
- (jjj) the net proceeds of the Offering will be used to complete the construction of the North Las Vegas cultivation facility, to fund strategic investment opportunities, and general corporate purposes;
- (kkk) all product research and development activities, including quality assurance, quality control, testing, and research and analysis activities, conducted by the Corporation and the Subsidiary in connection with their business is being conducted in compliance, in all material respects, with all industry, laboratory safety, management and training standards applicable to its current and proposed business, and all such processes, procedures and practices, required in connection with such activities are in place as necessary and are being complied with, in all material respects;
- (lll) the Corporation and each Subsidiary have complied, in all material respects, with all applicable privacy and consumer protection legislation and none has collected, received, stored, disclosed, transferred, used, misused or permitted unauthorized access to any information protected by privacy laws, whether collected directly or from third parties, in an unlawful manner. The Corporation and each Subsidiary have taken all reasonable steps to protect personal information against loss or

theft and against unauthorized access, copying, use, modification, disclosure or other misuse;

- (mmm) neither the Corporation nor any Subsidiary nor, to the Corporation's knowledge, any of their affiliates, directors or officers or any Agents, employee or affiliate of the Corporation or any Subsidiary, is aware of or has taken any action, directly or indirectly, that could result in a violation by such persons of applicable laws relating to terrorism and money laundering, including the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada), the *Corruption of Foreign Public Officials Act* (Canada), the *Foreign Corrupt Practices Act of 1977* (United States), as amended, and the rules and regulations thereunder or any other similar anticorruption law to which the Corporation or any Subsidiary may be subject (collectively, the "Acts"), including, without limitation, making any bribe, rebate, payoff, influence payment, kickback or other unlawful payment or making use of the mails or any means or instrumentality of interstate commerce in furtherance of an offer, payment, promise to pay or authorization of the payment of any money, or other property, gift, promise to give, or authorization of the giving of anything of value or benefit to any "foreign official" or "public official" (as such terms are defined in the applicable Acts) or any foreign political party or official thereof or any candidate for foreign political office, or any third party or any other person to the benefit of the foregoing, in contravention of the Acts, and the Corporation, each Subsidiary, and their affiliates have conducted their businesses in compliance with the Acts and will implement and maintain policies and procedures designed to ensure, and which are reasonably expected to continue to ensure, continued compliance therewith; and
- (nnn) the Corporation is not and immediately after receipt of payment for the Convertible Debentures, will not be required to be registered as an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

Section 8. Covenants of the Corporation

The Corporation covenants with the Agents that the Corporation shall during the period from the date of this Agreement until the Closing Date:

- (a) promptly provide to the Agents copies of any filings made by the Corporation or the Subsidiary of information relating to the Offering with any Securities Commissions or any regulatory body in Canada, United States or any other jurisdiction;
- (b) promptly provide to the Agents drafts of any press releases and other public documents of the Corporation relating to the Offering for review by the Agents prior to issuance, and give the Agents a reasonable opportunity to provide comments on any such press release or other public document, subject to the Corporation's timely disclosure obligations under applicable Securities Laws;

- (c) use the net proceeds of the Offering to complete construction of the North Las Vegas cultivation facility, to fund strategic investment opportunities, as well as for general working capital purposes;
- (d) until the date that is three years following the Closing Date, use its commercially reasonable efforts to remain, and to ensure each Subsidiary remains, a corporation validly subsisting under the laws under which it is currently subsisting, licensed, registered or qualified as an extra-provincial or foreign corporation in all jurisdictions where the character of its properties owned or leased or the nature of the activities conducted by it make such licensing, registration or qualification necessary and shall carry on its business in the ordinary course and in compliance in all material respects with all applicable Laws of each such jurisdiction, provided that the Corporation shall not be required to comply with the terms of this Section 8 following the completion of a merger, amalgamation, arrangement, business combination or take-over bid pursuant to which the Corporation ceases to be a "distributing corporation" (within the meaning of the *Business Corporations Act* (Ontario));
- (e) other than in the event of an acquisition of all of the issued and outstanding Common Shares by way of take-over bid merger, amalgamation, plan of arrangement or similar transaction, until the date that is three years following the Closing Date, use commercially reasonable efforts to maintain its status as a "reporting issuer" under the Securities Laws of a jurisdiction of Canada, not in default of any requirement of such Securities Laws;
- (f) other than in the event of an acquisition of all of the issued and outstanding Common Shares by way of take-over bid merger, amalgamation, plan of arrangement or similar transaction, until the date that is three years following the date of listing of Common Shares on the CSE, use commercially reasonable efforts to maintain the listing of the Common Shares on the CSE or another recognized stock exchange or quotation system in Canada;
- (g) duly execute and deliver the Transaction Documents at the Closing Time and comply with and satisfy all terms, conditions and covenants therein contained to be complied with or satisfied by the Corporation;
- (h) fulfil or cause to be fulfilled, at or prior to the Closing Time each of the conditions required to be fulfilled by it set out in Section 7 hereof;
- (i) ensure that at the Closing Time the Convertible Debentures and the Broker Warrants are duly and validly created, authorized and issued and, with respect to the Convertible Debentures, shall have attributes corresponding in all material respects to the description set forth in the Debenture Indenture and this Agreement, respectively;
- (j) ensure that, at the Closing Time, the Common Shares and Warrants issuable upon exercise of the Convertible Debentures and the Broker Warrants, respectively,

have been duly authorized and validly allotted for issuance by the Corporation and shall, upon issuance in accordance with the terms of the Convertible Debentures and the Broker Warrant Certificate, as applicable, be outstanding, and in respect of the Common Shares, as fully paid securities of the Corporation;

- (k) ensure that, at the Closing Time, the Warrant Shares have been duly authorized and validly allotted and reserved for issuance by the Corporation and shall, upon issuance in accordance with terms of the Warrant Indenture, be outstanding as fully paid and non- assessable shares in the capital of the Corporation;
- (l) ensure that, on or before the Closing Date, all necessary regulatory approvals have been obtained;
- (m) for the period of 90 days following the Closing Date, the Corporation will not, directly or indirectly, offer, issue, sell, grant, secure, pledge, or otherwise transfer, dispose of or monetize, or engage in any hedging transaction, or enter into any form of agreement or arrangement the consequence of which is to alter economic exposure to, or announce any intention to do so, in any manner whatsoever, any Common Shares or securities convertible into, exchangeable for, or otherwise exercisable to acquire Common Shares or other equity securities of the Corporation, without the prior written consent of the Agents (such consent not to be unreasonably withheld or delayed), other than in conjunction with: (i) the grant or exercise of stock options and other similar issuances pursuant to the share incentive plan of the Corporation and other share compensation arrangements; (ii) outstanding warrants; (iii) obligations in respect of existing agreements; and (iv) the issuance of securities in connection with property or share acquisitions in the normal course of business, provided that any Common Shares or securities convertible, exercisable or exchangeable for Common Shares issued in such financings shall not be freely tradable in Canada prior to the Convertible Debentures having been exercised and the Common Shares and Warrants issued upon such exercise being freely tradable in Canada (subject to restrictions on control block distributions);
- (n) use its best efforts to cause each of the Locked-Up Persons to enter into lock-up agreements in a form satisfactory to the Corporation and the Agent, in both cases acting reasonably, which shall be negotiated in good faith and contain customary provisions, pursuant to which each such person agrees to not, directly or indirectly, offer, sell, contract to sell, grant or sell any option to purchase, purchase any option or contract to sell, hypothecate, pledge, transfer, assign, lend, swap, or enter into any other agreement to transfer the economic consequences of, or otherwise dispose of or deal with (or agree to or publicly announce any intention to do any of the foregoing) whether through the facilities of a stock exchange, by private placement or otherwise, any Common Shares or other securities of the Corporation convertible into, exchangeable for or exercisable to acquire, Common Shares, directly or indirectly, unless (i) such person first obtain the prior consent of the Agents, such consent not to be unreasonably withheld, or (ii) there occurs a take-over bid or similar transaction involving a Change of

Control of the Corporation, until the date that is six (6) months from the date of listing of Common Shares on the CSE;

- (o) as promptly as practicable after becoming aware of such event, notify the Agent of the issuance by the SEC of any stop order or other suspension of effectiveness of the Registration Statement at the earliest possible time and take all lawful action to effect the withdrawal, rescission or removal of such stop order or other suspension;
- (p) not issue any additional equity or quasi-equity securities for a period of ninety (90) days from the Closing Date without prior written consent of the Agent except in conjunction with: (i) the grant or exercise of stock options and other similar and issuance pursuant to the share incentive plan of the Corporation and other share compensation arrangements; (ii) outstanding warrants; (iii) obligations in respect of existing agreements, such consent not to be unreasonably withheld and (iv) the issuance of securities in connection with property or share acquisitions in the normal course of business, such consent not to be unreasonably withheld, delayed or conditioned; and
- (q) promptly do, make, execute or deliver, or cause to be done, made, executed or delivered, such further acts, documents and things for the purpose of giving effect to this Agreement and the transactions contemplated herein.

Section 9. Closing

The purchase and sale of the Convertible Debentures shall be completed at the Closing Time at the offices of Cassels Brock & Blackwell LLP in Toronto, Ontario or at such other place as the Agents and the Corporation may agree. At the Closing Time, the Corporation shall (i) deliver certificates representing, as requested, the Convertible Debentures to the Agents registered in accordance with the instructions in each properly completed and accepted Subscription Agreement or in such other name or names as the Agents may notify the Corporation in writing not less than 24 hours prior to the Closing Time; and (ii) deliver certificates representing the Broker Warrants, against payment by the Agents, at the direction of the Corporation, by wire transfer, or if permitted by applicable Law, certified cheque or bank draft, in Canadian currency payable at par in Toronto, Ontario, together with a receipt signed by the Agents for such electronic deposit and for receipt of the Agents' Commission and such estimated expenses. As soon as practicable following the Closing Time, the Agents shall submit an invoice with respect to the actual reasonable out-of-pocket fees and expenses of the Agents and their counsel payable by the Corporation pursuant to Section 17. In the event that the actual reasonable out-of-pocket fees and expenses of the Agents and their counsel payable by the Corporation is less than the estimated amount thereof paid to the Agents on Closing, the Agents shall reimburse the Corporation for the amount of such difference. In the event that the actual reasonable out-of-pocket fees and expenses of the Agents and their counsel payable by the Corporation is greater than the estimated amount thereof paid to the Agents on Closing, the Corporation shall promptly pay the amount of such difference to the Agents.

Section 10. Termination Rights

- (a) The Lead Agent shall be entitled to terminate their obligations hereunder by written notice to that effect given to the Corporation at or prior to the Closing Time if:
- (i) **Restrictions on Distribution.** Any inquiry, action, suit, investigation or other proceeding (whether formal or informal), including matters of regulatory transgression or unlawful conduct, is commenced, announced or threatened or any order is made or issued under or pursuant to any federal, provincial, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality (including without limitation the CSE or any securities regulatory authority) or there is any enactment or change in any law, rule or regulation, or the interpretation or administration thereof, which, in the reasonable opinion of the Lead Agent, could operate to prevent, restrict or otherwise seriously adversely affect in any manner the distribution or trading of the Convertible Debentures or the market price or value of the Common Shares;
 - (ii) **Material Change.** There shall occur or come into effect any material change in the business, affairs, financial condition, prospects, capital or control of the Corporation and its subsidiaries, taken as a whole, or any change in any material fact or new material fact, or there should be discovered any previously undisclosed fact which, in each case, in the reasonable opinion of the Lead Agent, has or could reasonably be expected to have a significant effect on the market price or value or marketability of the Convertible Debentures;
 - (iii) **Disaster Out.** There should develop, occur or come into effect or existence any event, action, state, or condition or any action, law or regulation, inquiry, including, without limitation, terrorism, accident or major financial, political or economic occurrence of national or international consequence, or any action, government, law, regulation, inquiry or other occurrence of any nature, which in the reasonable opinion of the Lead Agent, seriously adversely affects or involves, or may seriously adversely affect or involve, the financial markets in Canada or the United States or the business, operations or affairs of the Corporation or the marketability of the Convertible Debentures;
 - (iv) **Market Out.** The state of the financial markets in Canada or the United States is such that in the reasonable opinion of the Agents, the Convertible Debentures cannot be marketed profitably;
 - (v) **Proceedings.** (i) Any inquiry, action, suit, proceeding or investigation (whether formal or informal) is commenced, announced or threatened in relation to the Corporation or any one of the officers or directors of the Corporation, or any of their principal shareholders where wrong-doing is alleged or any order is made by any federal, provincial, state, municipal or other governmental department, commission, board, bureau, agency or

instrumentality, or securities commission which involves a finding of wrong-doing, or (ii) any order, action or proceeding which ceases trades or otherwise operates to prevent or restrict the trading of the Common Shares or any other securities of the Corporation is made or threatened by a securities regulatory authority;

- (vi) **Breach.** The Corporation is in breach of any material term, condition or covenant of this Agreement or any representation or warranty given by Corporation becomes or is false in any material respect; or
 - (vii) **Due Diligence.** The due diligence investigations performed by the Lead Agent or its representatives reveal any material information or fact, which, in the sole opinion of the Agents, acting reasonably, is materially adverse to the Corporation or its business, or materially adversely affects the price or value of the Convertible Debentures.
- (b) The rights of termination contained in this Section 10 as may be exercised by the Agents and are in addition to any other rights or remedies the Agents may have in respect of any default, act or failure to act or non-compliance by the Corporation in respect of any of the matters contemplated by this Agreement or otherwise. Any such termination shall not discharge or otherwise affect any obligations or liability of the Corporation provided herein or prejudice any other rights or remedies any party may have as a result of any breach, default or non-compliance by any other party. Notwithstanding the foregoing sentence, in the event of any such termination, there shall be no further liability on the part of the Agents to the Corporation or on the part of the Corporation to the Agents except in respect of any liability which may have arisen prior to or which may arise after such termination under Section 11, Section 15 and Section 17. A notice of termination given by one Agents under Section 10 shall not be binding upon the other Agents.

Section 11. All Terms to be Conditions

The Corporation agrees that the conditions contained in Section 5 will be complied with insofar as the same relate to acts to be performed or caused to be performed by the Corporation and that it will use its commercially reasonable efforts to cause all such conditions to be complied with. Any breach or failure to comply with any of the conditions set out in Section 5 shall entitle the Agents (or any of them) to terminate this Agreement by written notice to that effect given to the Corporation at or prior to the Closing Time. It is understood that the Agents may waive, in whole or in part, or extend the time for compliance with, any of such terms and conditions without prejudice to the rights of the Agents in respect of any such terms and conditions or any other or subsequent breach or non-compliance, provided that to be binding on the Agents any such waiver or extension must be in writing.

Section 12. Right of First Refusal.

- (a) The Corporation will notify the Lead Agent of the terms of any further equity financing, corporate finance, or professional, sponsorship or advisory services

performed (or normally performed) by a broker or investment dealer that the Corporation requires or proposed to obtain during the twelve (12) months following the date that the Common Shares of the Corporation are listed on a recognized Canadian stock exchange (the "**Subsequent Financing**") and the Lead Agent will have the right of first refusal to act as lead selling Agents in connection with any such financing.

- (b) The right of first refusal described in Section 12(a) must be exercised by the Lead Agent within 5 Business Days following the receipt of the notice referred to Section 12(a) by notifying the Corporation that it: (i) will act as selling Lead Agent on the terms set out in the notice or subject to agreeing to the terms and conditions, as the case may be; and/or (ii) will act as the Corporation's sponsor in connection with the Subsequent Financing, as applicable.
- (c) If the Lead Agent declines, in writing, the corporation may proceed with such offering through another agent or underwriter, provided the arrangements with such agent or underwriter are entered into within thirty (30) calendar days thereafter.
- (d) If the Lead Agent fails to give notice within the 5 Business Days that it will act as selling Agents for the Subsequent Financing upon the terms set out in the notice and/or sponsor for the Subsequent Financing, the Corporation will be free to make other arrangements to obtain financing from another source on the same terms or on terms no less favorable to the Corporation, and/or engage another sponsor for its Subsequent Financing, provided the arrangement with such Agents or underwriter are entered into within thirty (30) calendar days thereafter.
- (e) The right of first refusal will not terminate with respect to any future offerings and/or sponsorship of the Subsequent Financing if, on receipt of any notice from the Corporation under this Section 12, the Lead Agent fails to exercise any of the rights.
- (f) The rights of first refusal granted under this Section 12 will terminate if the Offering is not completed.
- (g) The rights of first refusal granted under this Section 12 shall not apply to the issuance of securities of the Corporation in which the Corporation does not retain or propose to retain a registered dealer as an Agents.

Section 13. Alternative Transaction

In the event that the Corporation withdraws from the Offering after the date of this Agreement (except in the event that such withdrawal was the result of a breach or termination by the Agents of this Agreement) to complete an Alternative Transaction (which transaction is completed within 180 calendar days of the date of the Engagement Letter), the Corporation shall pay to the Agents promptly upon closing the Alternative Transaction a fee equal to the lesser of (i) the maximum amount of fees and commissions (including the Agents' Commission, Corporate

Finance Fee and Broker Warrants) otherwise payable to the Agents under this Agreement calculated on the basis of the maximum Offering proposed hereunder; and (ii) the Agents' fees and commissions (including the Agents' Commission, Corporate Finance Fee and Broker Warrants) calculated based on the amount raised pursuant to the Alternative Transaction. An "**Alternative Transaction**" shall include any debt or equity offering or combination thereof in relation to the Corporation.

Section 14. Indemnification

- (a) The Corporation agrees to indemnify and hold harmless the Agents and Selling Firms (if any) and each of their respective affiliates and subsidiaries and the respective directors, officers, partners, Agents and employees and the Agents' subsidiaries or affiliates (each an "**Indemnified Party**" and collectively, the "**Indemnified Parties**") to the full extent lawful, from and against any and all losses, fees, expenses, claims (including shareholder actions, derivative or otherwise), actions, damages and liabilities, joint or several, including without limitation the aggregate amount paid in reasonable settlement of any actions, suits, proceedings, investigations or claims (but not including any amount for lost profits) and the reasonable fees and expenses of their counsel that may be incurred (collectively, the "**Losses**") that may be suffered by, imposed upon or asserted against an Indemnified Party as a result of, in respect of, connected with or arising out of any third party action, suit, proceeding, investigation or claim that may be made or threatened against any Indemnified Party or in enforcing this indemnity (collectively the "**Claims**") insofar as the Claims relate to, are caused by, result from, arise out of or are based upon, directly or indirectly, from or in consequence of the performance of professional services rendered to the Corporation by the Indemnified Parties hereunder or otherwise in connection with the Offering, excluding any Losses or Claims resulting from fraud, gross negligence or wilful misconduct, whether performed before or after the date hereof, or otherwise in connection with the matters referred to in this Agreement, including, without limitation:
- (i) any material breach of or default under any representation, warranty, covenant or agreement of the Corporation in this Agreement or the failure of the Corporation to comply with any of its obligations hereunder;
 - (ii) the Corporation not complying with any requirement of the Canadian Securities Laws or U.S. Securities Laws, including the Corporation's non-compliance with any statutory requirement to make any document available for inspection; or
 - (iii) any failure or alleged failure to make timely disclosure of a material change by the Corporation, where such failure or alleged failure occurs during the Offering or during the period of distribution or where such failure relates to the Offering or the Convertible Debentures and may give or gives rise to any liability under any Law in any jurisdiction which is in force on the date of this Agreement.

- (b) The Corporation agrees to waive any right it may have of first requiring an Indemnified Party to proceed against or enforce any other right, power, remedy or security or claim payment from any other person before claiming under this indemnity.
- (c) The Corporation will not, without the Indemnified Party's prior written consent, settle, compromise, consent to the entry of any judgment in or otherwise seek to terminate any Claim in respect of which indemnification may be sought hereunder (whether or not any Indemnified Party is a party thereto) unless the Corporation has acknowledged in writing that the Indemnified Parties are entitled to be indemnified in respect of such Claim and such settlement, compromise, consent or termination includes an unconditional release of each Indemnified Party from any liabilities arising out of such Claim without any admission of negligence, misconduct, liability or responsibility by or on behalf of any Indemnified Party.
- (d) Promptly after receiving notice of a Claim against an Indemnified Party or receipt of notice of the commencement of any investigation which is based, directly or indirectly, upon any matter in respect of which indemnification may be sought from the Corporation, the Indemnified Party will notify the Corporation in writing of the particulars thereof, provided that the omission so to notify the Corporation shall not relieve the Corporation of any liability which the Corporation may have to any Indemnified Party except and only to the extent that any such delay in or failure to give notice as herein required prejudices the defense of such Claim or results in any material increase in the liability which the Corporation has under this indemnity. The Corporation shall have 14 days after receipt of the notice to undertake, conduct and control, through counsel of its own choosing and at its own expense, the settlement or defense of the Claim. If the Corporation undertakes, conducts and controls the settlement or defense of the Claim, the relevant Indemnified Parties shall have the right to participate in the settlement or defense of the Claim.
- (e) Each Indemnified Party may retain separate legal counsel to act on such Indemnified Party's behalf to separately represent it in the defense of a Claim, which shall be at the Corporation's expense if (i) the Corporation does not promptly assume the defense of the Claim no later than 14 days after receiving actual notice of the Claim (as set forth above), (ii) the Corporation agrees to separate representation, or (iii) the Indemnified Party is advised by counsel that there is an actual or potential conflict in the Corporation's and the Indemnified Party's respective interests or additional defenses are available to the Indemnified Party, which makes representation by the same counsel inappropriate.
- (f) The Corporation agrees that in case any legal proceeding shall be brought against the Corporation and/or the Agents by any governmental commission or regulatory authority or any stock exchange or other entity having regulatory authority, either domestic or foreign, shall investigate the Corporation and/or the Indemnified Parties shall be required to testify in connection therewith or shall be required to respond to procedures designed to discover information regarding, in connection

with, or by reason of the performance of professional services rendered to the Corporation by the Agents, the Indemnified Parties shall have the right to employ their own counsel in connection therewith, and the reasonable fees and expenses of such counsel as well as the reasonable costs (including an amount to reimburse the Agents for time spent by the Indemnified Parties in connection therewith) and out-of-pocket expenses incurred by Indemnified Parties in connection therewith shall be paid by the Corporation as they occur.

- (g) To the extent that any Indemnified Party is not a party to this Agreement, the Agents shall obtain and hold the right and benefit of the above-noted indemnity in trust for and on behalf of such Indemnified Party.
- (h) The Corporation agrees to reimburse the Agents for the time spent by their personnel in connection with any Claim at their normal per diem rates.
- (i) The indemnity and the contribution obligations of the Corporation pursuant to Section 15 shall be in addition to any liability which the Corporation may otherwise have, shall extend upon the same terms and conditions to the personnel of the Agents and shall be binding upon and enure to the benefit of any successors, assigns, heirs and personal representatives of the Corporation and any of the Indemnified Parties. The foregoing provisions shall survive the completion of professional services rendered under this Agreement or any termination of the authorization given by this Agreement.

Section 15. Contribution

In order to provide for a just and equitable contribution in circumstances in which the indemnity provided in Section 12 (other than in accordance with the terms hereof) would otherwise be available in accordance with its terms but is unavailable to the Agents or the Indemnified Parties or insufficient to hold them harmless in respect of a Claim for any reason, the Corporation shall contribute to the amount paid or payable by the Agents or the other Indemnified Party as a result of such Claim in such proportion as is appropriate to reflect not only the relative benefits received by the Corporation on the one hand and the Agents or any other Indemnified Party on the other hand but also the relative fault of the Corporation, the Agents or any other Indemnified Party as well as any relevant equitable considerations; provided that the Corporation shall in any event contribute to the amount paid or payable by the Agents or any other Indemnified Party as a result of such Claim any excess of such amount over the amount of the fees received by the Agents under this Agreement.

Section 16. Advertisements

The Corporation shall, at the Agents' request, issue a press release announcing the Offering, include a reference to the Agents and its role in any such release or communication, and ensure that any press release concerning the Offering complies with applicable law, including U.S. Securities Law restrictions in respect of general solicitation, general advertising and directed selling efforts. If the Offering is successfully completed, the Corporation acknowledges and agrees that the Agents will be permitted to publish, at their own expense, public announcements

or other communications relating to its services in connection with the Offering as it considers appropriate.

Section Expenses
17.

The Corporation will be responsible for all expenses related to the Offering, whether or not the Offering is completed, including, but not limited to, the fees and disbursements of the Corporation's legal counsel, all expenses of or incidental to the issue, sale or distribution of the Convertible Debenture, the fees and disbursements of the Agents' legal counsel (such fees not to exceed CAD\$100,000 without the prior consent of the Corporation, such consent not to be unreasonably withheld), all disbursements of such legal counsel and all applicable taxes on such fees and disbursements, the fees and disbursements of accountants and auditors, the fees and disbursements of translators, the fees and disbursements of technical consultants and other applicable experts, all other costs and expenses (excluding legal expenses) of the Agent, printing costs, filing fees, distribution fees, stock exchange fees, fees for other regulatory compliance, and all taxes payable in respect of any of the foregoing. All such fees, disbursements and expenses shall be payable by the Corporation immediately upon receiving an invoice therefor from the Agents, or, at the option of the Agents, may be deducted from the gross proceeds of the Offering otherwise payable by the Agents to the Corporation at the Closing of the Offering.

Section Agents' Obligations
18.

Subject to the terms and conditions hereof, the obligation of the Agents under this Agreement shall be several and not joint and several. The percentage of the aggregate number of the Convertible Debentures in respect of which each Agent shall act as agent under the terms of this Agreement shall be as follows:

Canaccord Genuity Corp.	80.0%
Gravitas Securities Inc.	<u>20.0%</u>
Total	<u>100.0%</u>

The Agents agree among themselves that the allocation of the Compensation Securities shall be in accordance with the above percentage allocation.

Section Governing Law
19.

This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein. The parties irrevocably attorn to the jurisdiction of the courts of the Province of Ontario, which will have non-exclusive jurisdiction over any matter arising out of this Agreement.

Section 20. Survival of Warranties, Representations, Covenants and Agreements

Except as expressly set out herein, all warranties, representations, covenants and agreements of the Corporation and the Agents herein contained or contained in documents submitted or required to be submitted pursuant to this Agreement shall survive the closing of the Offering and shall continue in full force and effect for the benefit of the Agents, the Purchasers or the Corporation, as the case may be, regardless of the Closing of the sale of the Convertible Debentures, any subsequent disposition of the Convertible Debentures, the Common Shares, Warrants or Warrant Shares by the Purchasers or the termination of the Agents' obligations under this Agreement for a period ending on the date that is two years following the Closing Date and shall not be limited or prejudiced by any investigation made by or on behalf of the Agents or the distribution of the Convertible Debentures or otherwise, and the Corporation agrees that the Agents shall not be presumed to know of the existence of a claim against the Corporation under this Agreement or any certificate delivered pursuant to this Agreement or in connection with the purchase and sale of the Convertible Debentures as a result of any investigation made by or on behalf of the Agents in accordance with the distribution of the Convertible Debentures or otherwise. In this regard, the Agents shall act as trustees for the Purchasers and accept these trusts and shall hold and enforce such rights on behalf of the Purchasers.

Section 21. Notices

All notices or other communications by the terms hereof required or permitted to be given by one party to another shall be given in writing by personal delivery or by facsimile delivered or electronic delivery to such other party as follows:

(i) to the Corporation at:

CLS Holdings USA, Inc
11767 South Dixie Highway, Suite 115 Miami, Florida 33156
USA

Attention: Jeff Binder, Chairman and CEO
E-Mail: jb@power3net.com

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

Cassels Brock & Blackwell LLP Scotia Plaza, Ste. 2100
40 King Street West Toronto, Ontario M5H 3C2

Attention: Cameron Mingay
E-Mail: cmingay@casselsbrock.com

(ii) to the Agents, to:

Canaccord Genuity Corp.
161 Bay Street, Suite 3000
Toronto, Ontario M5J 2S1

Attention: Graham Saunders
Email: GSaunders@cgf.com

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

Bennett Jones LLP
1 First Canadian Place PO Box 130
Toronto, Ontario M5X 1A4

Attention: Aaron Sonshine
E-Mail: Sonshinea@bennettjones.com

or at such other address or e-mail address as may be given by either of them to the other in writing from time to time. Each notice shall be personally delivered to the addressee or sent by electronic transmission to the addressee and: (i) a notice which is personally delivered shall, if delivered on a Business Day, be deemed to be given and received on that day and, in any other case, be deemed to be given and received on the first Business Day following the day on which it is delivered; and (ii) a notice which is sent by electronic transmission shall be deemed to be given and received on the first Business Day following the day on which it is confirmed to have been sent.

Section 22. Enforceability

To the extent permitted by applicable law, the invalidity or unenforceability of any particular provision of this Agreement will not affect or limit the validity or enforceability of the remaining provisions of this Agreement.

Section 23. Successors and Assigns

The terms and provisions of this Agreement will be binding upon and enure to the benefit of the Corporation and the Agents and their respective successors and assigns; provided that, except as otherwise provided in this Agreement, this Agreement will not be assignable by any party without the written consent of the others and any purported assignment without that consent will be invalid and of no force and effect.

Section 24. Entire Agreement; Time of the Essence

This Agreement constitutes the entire agreement between the Agents and the Corporation relating to the subject matter hereof and supersedes all prior agreements between the Agents and the Corporation (including, for greater certainty, the Engagement Letter, except that the confidentiality provision with respect to the confidentiality obligations owed to the Corporation in the Engagement Letter shall survive and be deemed incorporated by reference herein) and time shall be of the essence hereof.

Section 25. Further Assurances

Each of the parties hereto shall do or cause to be done all such acts and things and shall execute or cause to be executed all such documents, agreements and other instruments as may reasonably be necessary or desirable for the purpose of carrying out the provisions and intent of this Agreement.

Section 26. No Fiduciary Duty

The Corporation acknowledges and agrees that: (a) the Agents have not assumed or will assume a fiduciary responsibility in favour of the Corporation with respect to the Offering contemplated hereby or the process leading thereto and none of the Agents has any obligation to the Corporation with respect to the Offering contemplated hereby except the obligations expressly set forth in this Agreement; (b) any Agents and its respective affiliates may be engaged in a broad range of transactions that involve interests that differ from those of the Corporation; and (c) none of the Agents has provided any legal, accounting, regulatory or tax advice with respect to the Offering contemplated hereby and the Corporation has consulted its own legal, accounting, regulatory and tax advisors to the extent it deemed appropriate.

Section 27. Effective Date

This Agreement is intended to and shall take effect as of the date first set forth above, notwithstanding its actual date of execution or delivery.

Section 28. Language

The parties hereby acknowledge that they have expressly required this Agreement and all notices, statements of account and other documents required or permitted to be given or entered into pursuant hereto to be drawn up in the English language only. Les parties reconnaissent avoir expressément demandées que la présente convention ainsi que tout avis, tout état de compte et tout autre document a être ou pouvant être donné ou conclu en vertu des dispositions des présentes, soient rédigés en langue anglaise seulement.

Section 29. Counterparts and Electronic or Facsimile Copies

This Agreement may be executed in any number of counterparts and by facsimile or other electronic transmission (in PDF), each of which so executed will constitute an original and all of which taken together shall form one and the same agreement.

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If this offer accurately reflects the terms of the transaction which we are to enter into and if such terms are agreed to by the Corporation please communicate your acceptance by executing where indicated below and returning one originally executed copy to the Agents.

CANACCORD GENUITY CORP.

Per: /s/ Graham Saunders
Authorized Signing Officer

GRAVITAS SECURITIES INC.

Per: /s/ Robert Carbonaro
Authorized Signing Officer

The foregoing is hereby accepted and agreed to by the undersigned as of the date first written above.

CLS HOLDINGS USA, INC.

Per: /s/ Jeffrey Binder
Authorized Signing Officer

SCHEDULE "A"

TERMS AND CONDITIONS FOR UNITED STATES OFFERS AND SALES

As used in this Schedule "A" and related exhibits, the following terms shall have the meanings indicated:

"Directed Selling Efforts" means "directed selling efforts" as that term is defined in Rule 902(c) of Regulation S, which, without limiting the foregoing, but for greater clarity in this Schedule, includes, subject to the exclusions from the definition of "directed selling efforts" contained in Regulation S, any activity undertaken for the purpose of, or that could reasonably be expected to have the effect of, conditioning the market in the United States for any of the Convertible Debentures and includes the placement of any advertisement in a publication with a general circulation in the United States that refers to the offering of the Convertible Debentures;

"Distribution Compliance Period" means the one year period (six months if the Corporation remains a reporting issuer with the SEC) that begins on the later of (i) the date the Convertible Debentures are first offered to persons other than distributors in reliance on Regulation S; or (ii) the Closing Date; provided that, all offers and sales by a distributor of an unsold allotment or subscription shall be deemed to have been made during the Distribution Compliance Period;

"General Solicitation" and "General Advertising" means "general solicitation" and "general advertising", respectively, as used under Rule 502(c) of Regulation D, including, without limitation, advertisements, articles, notices or other communications published in any newspaper, magazine or similar media or the internet or broadcast over radio or television or the internet, or any seminar or meeting whose attendees had been invited by general solicitation or general advertising;

"Offshore Transaction" means an "offshore transaction" as that term is defined in Rule 902(h) of Regulation S;

"SEC" means the United States Securities and Exchange Commission;

"Securities" means the Convertible Debentures, the Common Shares and Warrants issuable upon conversion of the Convertible Debentures and the Warrant Shares issuable upon exercise of the Warrants; and

"U.S. Exchange Act" means the United States Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

All other capitalized terms used but not otherwise defined in this Schedule "A" shall have the meanings assigned to them in the Agency Agreement to which this Schedule "A" is attached and of which this Schedule "A" forms a part.

Representations, Warranties and Covenants of the Corporation

The Corporation represents, warrants, acknowledges, covenants and agrees with the Agents that:

1. The Corporation acknowledges that the Securities have not been registered under the U.S. Securities Act or any state securities laws and may be offered and sold only in transactions exempt from or not subject to the registration requirements of the U.S. Securities Act and applicable state securities laws. Except with respect to sales of the Convertible Debentures by the Corporation to Subscribers solicited by the Agents through a U.S. Affiliate and/or Accredited Investors in reliance upon available exemptions from registration under the U.S. Securities Act and applicable state securities laws, neither the Corporation nor any of its affiliates, nor any person acting on any of their behalf (other than the Agents, the U.S. Affiliates, or any Selling Firm, as to whom the Corporation makes no representation, warranty, acknowledgement, covenant or agreement), has made or will make: (A) any offer to sell, or any solicitation of an offer to buy, any Convertible Debentures in the United States or to, or for the account or benefit of, U.S. Persons; or (B) any sale of Convertible Debentures unless, at the time the buy order was or will have been originated, the purchaser is (i) outside the United States, not a U.S. Person and not acting for the account or benefit of a U.S. Person, or (ii) the Corporation, its affiliates, and any person acting on any of their behalf (other than the Agents, the U.S. Affiliates, or any Selling Firm, as to whom the Corporation makes no representation, warranty, acknowledgement, covenant or agreement) reasonably believe that the purchaser is outside the United States, not a U.S. Person and not acting for the account or benefit of a U.S. Person.
2. Neither the Corporation nor any of its affiliates, nor any person acting on any of their behalf (other than the Agents, the U.S. Affiliate, or any Selling Firm, as to whom the Corporation makes no representation, warranty, acknowledgement, covenant or agreement), has engaged or will engage in any Directed Selling Efforts, or has taken or will take any action that would cause the exemption afforded by Rule 506(b) of Regulation D or Section 4(a)(2) of the U.S. Securities Act or the exclusion afforded by Rule 903 of Regulation S, to be unavailable for offers and sales of the Convertible Debentures.
3. None of the Corporation, any of its affiliates or any person acting on any of their behalf (other than the Agents, the U.S. Affiliate, or any Selling Firm, as to whom the Corporation makes no representation, warranty, acknowledgement, covenant or agreement) has offered or will offer to sell, or has solicited or will solicit offers to buy, any of the Convertible Debentures in the United States or to, or for the account or benefit of, U.S. Persons, by means of any form of General Solicitation or General Advertising or in any manner involving a public offering within the meaning of Section 4(a)(2) of the U.S. Securities Act in connection with the offer and sale of the Convertible Debentures in the United States or to, or for the account or benefit of, U.S. Persons.
4. Neither the Corporation nor any person acting on behalf of the Corporation has, within six months prior to the commencement of the Offering, sold, offered for sale or solicited any offer to buy any of the Corporation's securities, and will not do so for a period of six

months following the completion of this Offering, in a manner that would be integrated with the offer and sale of the Convertible Debentures and would cause the exemption from registration under the U.S. Securities Act under Rule 506(b) of Regulation D or Section 4(a)(2) of the U.S. Securities Act to become unavailable with respect to the offer and sale of the Convertible Debentures.

5. Neither the Corporation nor any of its predecessors or affiliates has been subject to any order, judgment or decree of any court of competent jurisdiction temporarily, preliminarily or permanently enjoining such person for failure to comply with Rule 503 of Regulation D.
6. The Corporation will, within prescribed time periods, prepare and file any forms or notices required under the U.S. Securities Act or applicable state securities laws in connection with the offering of the Convertible Debentures in the United States.
7. To the best of the Corporation's knowledge after reasonable investigation, none of the Corporation (including its predecessors or affiliated issuers), any director or executive officer, any non-executive officer participating in the Offering, any shareholder holding or controlling 20% or more of the Common Shares, any current promoter of the Corporation or any person (other than the Agents and any person set out in Section 8 of the Agents' representations, warranties and covenants below, for which no representation or warranty is made) that has been or will be paid (directly or indirectly) for the solicitation of purchasers in the Offering (a "**Compensated Solicitor**") and any general partner or managing member of any Compensated Solicitor or any executive officer, non-executive officer participating in the Offering, or director of any Compensated Solicitor or general partner or managing member of such Compensated Solicitor is subject to a Disqualifying Event. For the purposes hereof, "Disqualifying Event" means any conviction, order, judgment, decree, suspension, expulsion, event or other matter set out in Rule 506(d)(1)(i) through (viii) of Regulation D that is currently in effect or which occurred within the periods set out in Rule 506(d)(1)(i) through (viii) and, without limiting the foregoing, includes criminal convictions, court injunctions or restraining orders, final orders of any state or federal regulator, SEC disciplinary orders, SEC cease-and-desist orders, SEC stop orders or orders suspending the Regulation A exemption, suspension or expulsion from membership in, or association with a member of, a self-regulatory organization (such as FINRA) or United States Postal Service false representation orders.

Representations, Warranties and Covenants of the Agents

The Agents represents, warrants and covenants to and with the Corporation that:

1. The Securities have not been registered under the U.S. Securities Act or any state securities laws and may be offered and sold only in transactions exempt from or not subject to the registration requirements of the U.S. Securities Act and applicable state securities laws. It has not offered for sale by the Corporation, and will not offer for sale by the Corporation, any Convertible Debentures except: (a) Convertible Debentures in an Offshore Transaction in accordance with Category 3 of Rule 903 of Regulation S; or (b)

Convertible Debentures in the United States or to, or for the account or benefit of, U.S. Persons, that are Accredited Investors, in transactions that are exempt from the registration requirements of the U.S. Securities Act in compliance with available exemptions thereunder and in compliance with state securities laws, as provided in this Schedule "A" and the Agreement to which it is annexed. Accordingly, neither the Agents, its U.S. Affiliate nor any of their affiliates nor any persons acting on behalf of any of them, has made or will make (except as permitted hereby) any: (x) offer to sell or any solicitation of an offer to buy, any Convertible Debentures in the United States or to, or for the account or benefit of, U.S. Persons; (y) arrangement for any sale of Convertible Debentures to any purchaser unless, at the time the buy order was or will have been originated, the purchaser (i) has certified to the Agents that it was outside the United States, not a U.S. Person and not acting for the account or benefit of a U.S. Person, and (ii) has agreed to only resale such securities in accordance with Regulation S under the U.S. Securities Act, in accordance with registration under the U.S. Securities Act or an exemption from such registration requirements, or (z) Directed Selling Efforts.

2. The Agents agree that at or prior to confirmation of the sale of the Convertible Debentures, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Convertible Debentures from it during the Distribution Compliance Period a confirmation or notice to substantially the following effect:

“The securities covered hereby have not been registered under the U.S. Securities Act of 1933, as amended (the “U.S. Securities Act”), and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until one year (six months if the issuer is a reporting issuer with the SEC) after the later of the commencement of the offering and the closing date, except in either case in accordance with Regulation S under the U.S. Securities Act. Terms used herein have the meanings given to them in Regulation S.”

In addition, prior to the expiration of the Distribution Compliance Period, all subsequent offers and sales of the Convertible Debentures by such Agents or its affiliates shall be made only in accordance with the provisions of Rule 903 or 904 of Regulation S; pursuant to a registration of the Convertible Debentures under the U.S. Securities Act; or pursuant to an available exemption from the registration requirements of the U.S. Securities Act as provided below.

3. Neither the Agents, its U.S. Affiliate nor any of their affiliates either directly or through a person acting on its or their behalf has taken or will take any action that would constitute a violation of Regulation M under the U.S. Exchange Act in connection with the offer and sale of the Convertible Debentures.
4. The Agents have not entered and will not enter into any contractual arrangement with respect to the distribution of the Convertible Debentures, except with its U.S. Affiliate, any Selling Firm or with the prior written consent of the Corporation. It shall require its U.S. Affiliate and each Selling Firm to agree, for the benefit of the Corporation, to comply with, and shall use its reasonable best efforts to ensure that its U.S. Affiliate and

each Selling Firm complies with, the provisions of this Schedule applicable to the Agents as if such provisions applied directly to its U.S. Affiliate and such Selling Firm.

5. All offers to sell and solicitations of offers to purchase Convertible Debentures in the United States or to, or for the account or benefit of, U.S. Persons, shall be solicited and arranged by the Agents through its U.S. Affiliate, which on the dates of such offers and subsequent sales by the Corporation was and will be duly registered as a broker-dealer under the U.S. Exchange Act and under all applicable state securities laws (unless exempted therefrom) and a member of, and in good standing with, the Financial Industry Regulatory Authority, Inc. in accordance with all applicable United States state and federal securities (including broker-dealer) laws. The U.S. Affiliate will arrange for all offers of Convertible Debentures for sale by the Corporation in compliance with all applicable United States federal and state broker-dealer requirements and this Schedule "A" and the Agreement to which it is annexed.
6. The Agents and their U.S. Affiliate and their respective affiliates, either directly or through a person acting on behalf of any of them, have not solicited and will not solicit offers for, and have not offered to sell and will not offer to sell, any of the Convertible Debentures in the United States by any form of General Solicitation or General Advertising or in any manner involving a public offering within the meaning of Section 4(a)(2) of the U.S. Securities Act in connection with the offer and sale of the Securities in the United States or to, or for the account or benefit of, U.S. Persons.
7. Any offer, or solicitation of an offer to buy, Convertible Debentures that has been made or will be made in the United States or to, or for the account or benefit of, U.S. Persons, was or will be made only to Accredited Investors.
8. Immediately prior to soliciting any person in the United States or person purchasing for the account or benefit of, a U.S. Person, the Agents, the U.S. Affiliate, their respective affiliates, and any person acting on behalf of any of them, had reasonable grounds to believe and did believe that each such offeree was an Accredited Investor, and at the time of completion of each sale by the Corporation to a person in the United States, to a U.S. Person or a person purchasing for the account or benefit of, a U.S. Person, the Agents, the U.S. Affiliate, their respective affiliates, and any person acting on behalf of any of them will have reasonable grounds to believe and will believe, that each such purchaser is an Accredited Investor.
9. Each offeree in the United States, that is a U.S. Person or is purchasing for the account or benefit of a U.S. Person has been or will be provided by the Agents through its U.S. Affiliate, with a copy of the Subscription Agreement and each purchaser in the United States, that is a U.S. Person or is purchasing for the account or benefit of a U.S. Person will have received at or prior to the time of purchase of any Convertible Debentures the Subscription Agreement and the Agents agrees that they have not and will not use any written material other than such documents in connection therewith.
10. Prior to soliciting such offerees and to the completion of any sale of Convertible Debentures to persons in the United States, U.S. Persons or persons purchasing for the

account or benefit of U.S. Persons, each such purchaser will be informed that the Securities have not been registered under the U.S. Securities Act or any applicable state securities laws and are being offered to such purchaser in reliance on an exemption from the registration requirements of the U.S. Securities Act and in accordance with exemptions from any applicable state securities laws.

11. Prior to completion of any sale of Convertible Debentures in the United States or to, or for the account or benefit of, any person in the United States, each such purchaser will have completed a Subscription Agreement including Schedule C thereto.
12. The Agents and their U.S. Affiliates acknowledge that until 40 days after the commencement of the Offering, an offer or sale of Convertible Debentures within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with an exemption from the registration requirements of the U.S. Securities Act.
13. At least one Business Day prior to the applicable Closing Date, the transfer agents for the Corporation will be provided with a list of the names and addresses of all purchasers of the Convertible Debentures in the United States, that are a U.S. Person or that are purchasing for the account or benefit of a U.S. Person.
14. At the Closing, each of the Agents and their U.S. Affiliate that has offered or solicited offers of Convertible Debentures in the United States or to, or for the account or benefit of, U.S. Persons, will provide a certificate, substantially in the form of Exhibit I, relating to the manner of the offer and sale of the Convertible Debentures in the United States or to, or for the account or benefit of, U.S. Persons, or will be deemed to represent and warrant that it did not make any offers or solicitations to purchase Convertible Debentures in the United States or to, or for the account or benefit of, U.S. Persons.

EXHIBIT I TO SCHEDULE A (TERMS AND CONDITIONS OF U.S. SALES)

AGENTS' CERTIFICATE

In connection with the offer and sale in the United States or to, or for the account or benefit of, U.S. Persons, of Convertible Debentures (the "**Convertible Debentures**") of CLS Holdings USA, Inc. (the "**Corporation**") pursuant to an agency agreement (the "**Agency Agreement**") dated December 12, 2018 between the Corporation and the Agents named in the Agency Agreement, the undersigned each hereby certify as follows:

- (i) on the date hereof and on the date of each offer, solicitation of an offer and sale of Convertible Debentures in the United States or to, or for the account or benefit of, U.S. Persons, the U.S. Affiliate is and was: (A) a duly registered broker-dealer with the United States Securities and Exchange Commission and under the laws of each state where offers and sales of Convertible Debentures were made (unless exempted therefrom); and (B) a member of and in good standing with the Financial Industry Regulatory Authority, Inc.;
- (ii) all offers of Convertible Debentures for sale by the Corporation in the United States or to, or for the account or benefit of, U.S. Persons, have been and will be effected and arranged by the U.S. Affiliate in accordance with all applicable U.S. federal and state laws and regulation (including, without limitation, laws and regulation with respect to the registration and conduct of broker-dealers);
- (iii) immediately prior to offering or soliciting offers for the Convertible Debentures in the United States or to, or for the account or benefit of U.S. Persons, we had reasonable grounds to believe and did believe that each offeree was an Accredited Investor, and, on the date hereof, we continue to believe that each person purchasing Convertible Debentures from the Corporation in the United States or to, or for the account or benefit of, U.S. Persons, is an Accredited Investor;
- (iv) no form of "general solicitation" or "general advertising" (as those terms are used in Regulation D under the U.S. Securities Act) was used by us, including, without limitation, advertisements, articles, notices or other communications published in any newspaper, magazine or similar media or the internet or broadcast over radio or television or the internet, or any seminar or meeting whose attendees had been invited by general solicitation or general advertising or in any manner involving a public offering within the meaning of Section 4(a)(2) of the U.S. Securities Act, in connection with the offer or sale of the Convertible Debentures in the United States or to, or for the account or benefit of, U.S. Persons; and
- (v) the offers and solicitations of offers of the Convertible Debentures have been conducted by us in accordance with the terms of the Agency Agreement.

[signature page follows]

Terms used in this certificate have the meanings given to them in the Agency Agreement unless otherwise defined herein.

Dated this ____ day of ____, 2018.

[INSERT NAME OF AGENTS]

[INSERT NAME OF U.S. AFFILIATE]

By: _____
Name:
Title:

By: _____
Name:
Title: