



HERITAGE CANNABIS  
Holdings Corp.

**HERITAGE CANNABIS HOLDINGS CORP.**  
929 Mainland Street  
Vancouver, British Columbia Canada V6B 1S3  
Telephone: 604-628-1767 or Toll Free number: 1-855-210-4851

## **INFORMATION CIRCULAR**

as at June 18, 2019

(except as otherwise indicated)

**This Information Circular is furnished in connection with the solicitation of proxies by the management of Heritage Cannabis Holdings Corp. (the “Company”) for use at the annual general and special meeting (the “Meeting”) of its shareholders to be held on Friday, August 9, 2019 at the time and place and for the purposes set forth in the accompanying notice of the Meeting.**

In this Information Circular, references to the “Company”, “Heritage”, “we” and “our” refer to **Heritage Cannabis Holdings Corp.** “Common Shares” means common shares without par value in the capital of the Company. “Beneficial Shareholders” means shareholders who do not hold Common Shares in their own name and “intermediaries” refers to brokers, investment firms, clearing houses and similar entities that own securities on behalf of Beneficial Shareholders.

## **GENERAL PROXY INFORMATION**

### **Solicitation of Proxies**

The solicitation of proxies will be primarily by mail, but proxies may be solicited personally or by telephone by directors, officers and regular employees of the Company. The Company will bear all costs of this solicitation. We have arranged for intermediaries to forward the meeting materials to beneficial owners of the Common Shares held of record by those intermediaries and we may reimburse the intermediaries for their reasonable fees and disbursements in that regard.

### **Notice-and-Access**

In November 2012, the Canadian Securities Administrators announced the adoption of regulatory amendments to securities laws governing the delivery of proxy-related materials by public companies. Public companies are now permitted to advise their shareholders of the availability of all proxy-related materials on an easily-accessible website, rather than mailing copies of the materials.

The Company has elected to use the notice and access procedure (“**Notice and Access**”) under National Instrument 51-102 – *Continuous Disclosure Obligations* and National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer* (“**NI 54-101**”), for the delivery of meeting materials to shareholders for the Annual General and Special Meeting to be held on Friday, August 9, 2019 (the “**Meeting**”). Under the provisions of Notice and Access, shareholders will receive a notice (“**Notice and Access Notice**”) containing information on how they can access the Company’s Notice of Meeting and Information Circular (the “**Meeting Materials**”) electronically instead of receiving a printed copy or how to receive a printed copy of the Meeting Materials. Together with the Notice and Access Notice, shareholders will receive a proxy (“**Proxy**”), in the case of registered shareholders, enabling them to vote at the Meeting. The Meeting Materials for the Meeting will be posted on the Company’s website at <https://heritagecann.com/investors> as of July 3, 2019, and will remain on the Company’s website for one year. The Meeting Materials will also be available on the Company’s SEDAR corporate profile at [www.sedar.com](http://www.sedar.com) as of July 3, 2019. **All registered and beneficial shareholders will receive a Notice and Access Notice.**

### **Appointment of Proxyholders**

The individuals named in the accompanying form of proxy (the “Proxy”) is a Director and/or an Officer of the Company. **If you are a shareholder entitled to vote at the Meeting, you have the right to appoint a person or company other than either of the persons designated in the Proxy, who need not be a shareholder, to attend and act for you and on your behalf at the Meeting. You may do so either by inserting the name of that other person in the blank space provided in the Proxy or by completing and delivering another suitable form of proxy.**

## Voting by Proxyholder

The persons named in the Proxy will vote or withhold from voting the Common Shares represented thereby in accordance with your instructions on any ballot that may be called for. If you specify a choice with respect to any matter to be acted upon, your Common Shares will be voted accordingly. The Proxy confers discretionary authority on the persons named therein with respect to:

- (a) each matter or group of matters identified therein for which a choice is not specified, other than the appointment of an auditor and the election of directors;
- (b) any amendment to or variation of any matter identified therein; and
- (c) any other matter that properly comes before the Meeting.

**In respect of a matter for which a choice is not specified in the Proxy, the persons named in the Proxy will vote the Common Shares represented by the Proxy for the approval of such matter.**

## Registered Shareholders

Registered Shareholders may wish to vote by proxy whether or not they are able to attend the Meeting in person. Registered shareholders may choose one of the following options to submit their proxy:

- (a) completing, dating and signing the enclosed form of proxy and returning it to the Company's transfer agent, Computershare Investor Services Inc. ("**Computershare**"), by fax within North America at 1-866-249-7775, outside North America at (416) 263-9524, or by mail to the 8<sup>th</sup> Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1 or by hand delivery at 3<sup>rd</sup> Floor, 510 Burrard Street, Vancouver, British Columbia, Canada V6C 3B9;
- (b) use a touch-tone phone to transmit voting choices to a toll-free number. Registered shareholders must follow the instructions of the voice response system and refer to the enclosed proxy form for the toll-free number, the holder's account number and the control number; or
- (c) use the internet through the website of the Company's transfer agent at [www.investorvote.com](http://www.investorvote.com). Registered Shareholders must follow the instructions that appear on the screen and refer to the enclosed proxy form for the holder's account number and the control number.

In all cases the Registered Shareholder must ensure the proxy is received at least 48 hours (excluding Saturdays, Sundays and statutory holidays) before the Meeting, or the adjournment thereof, at which the proxy is to be used.

## Beneficial Shareholders

**The following information is of significant importance to shareholders who do not hold Common Shares in their own name.** Beneficial Shareholders should note that the only proxies that can be recognized and acted upon at the Meeting are those deposited by registered shareholders (those whose names appear on the records of the Company as the registered holders of Common Shares) or as set out in the following disclosure.

If Common Shares are listed in an account statement provided to a shareholder by a broker, then in almost all cases those Common Shares will not be registered in the shareholder's name on the records of the Company. Such Common Shares will more likely be registered under the names of the shareholder's broker or an agent of that broker (an "intermediary"). In the United States, the vast majority of such Common Shares are registered under the name of Cede & Co. as nominee for The Depository Trust Company (which acts as depository for many U.S. brokerage firms and custodian banks), and in Canada, under the name of CDS & Co. (the registration name for The Canadian Depository for Securities Limited, which acts as nominee for many Canadian brokerage firms).

Intermediaries are required to seek voting instructions from Beneficial Shareholders in advance of meetings of shareholders. Every intermediary has its own mailing procedures and provides its own return instructions to clients.

There are two kinds of Beneficial owners – those who object to their name being made known to the issuers of securities which they own (called "OBOS" for Objecting Beneficial Owners) and those who do not object to the issuers of the securities they own knowing who they are (called "NOBOs" for Non-Objecting Beneficial Owners).

The Company is taking advantage of the provisions of National Instrument 54-101 "*Communication with Beneficial Owners of Securities of a Reporting Issuer*" that permit it to directly deliver proxy-related materials to its NOBOs. As a result NOBOs can expect to receive a scannable Voting Instruction Form ("VIF") from our transfer agent. These VIFs are to be completed and returned to Computershare in the envelope provided or by facsimile. In addition, Computershare

provides both telephone voting and internet voting as described on the VIF itself which contain complete instructions at the Meeting with respect to the shares represented by the VIFs they receive.

These securityholder materials are being sent to both registered and non-registered owners of the securities of the Company. If you are a non-registered owner, and the Company or its agent sent these materials directly to you, your name and address and information about your holdings of securities have been obtained in accordance with applicable securities regulatory requirements from the intermediary holding securities on your behalf.

By choosing to send these materials to you directly, the Company (and not the intermediary holding securities on your behalf) has assumed responsibility for (i) delivering these materials to you, and (ii) executing your proper voting instructions. Please return your voting instructions as specified in your request for voting instructions.

Beneficial Shareholders who are OBOs should follow the instructions of their intermediary carefully to ensure that their Common Shares are voted at the Meeting.

The form of proxy supplied to you by your broker will be similar to the proxy provided to registered shareholders by the Company. However, its purpose is limited to instructing the intermediary on how to vote your Common Shares on your behalf. Most brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. (“**Broadridge**”) in the United States and in Canada. Broadridge mails a VIF in lieu of a proxy provided by the Company. The VIF will name the same persons as the Company’s Proxy to represent your Common Shares at the Meeting. You have the right to appoint a person (who need not be a Beneficial Shareholder of the Company), other than any of the persons designated in the VIF, to represent your Common Shares at the Meeting, and that person may be you. To exercise this right, you should insert the name of the desired representative (which may be yourself) in the blank space provided in the VIF. The completed VIF must then be returned to Broadridge by mail or facsimile or given to Broadridge by phone or over the internet, in accordance with Broadridge’s instructions. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Common Shares to be represented at the Meeting, and the appointment of any shareholder’s representative. **If you receive a VIF from Broadridge, the VIF must be completed and returned to Broadridge, in accordance with its instructions, well in advance of the Meeting in order to have your Common Shares voted at the Meeting and to vote your Common Shares at the Meeting.**

#### **Notice to Shareholders in the United States**

The solicitation of proxies is not subject to the requirements of Section 14(a) of the U.S. Exchange Act by virtue of an exemption applicable to proxy solicitations by foreign private issuers as defined in Rule 3b-4 of the U.S. Exchange Act. Accordingly, this Information Circular has been prepared in accordance with applicable Canadian disclosure requirements. Residents of the United States should be aware that such requirements differ from those of the United States applicable to proxy statements under the U.S. Exchange Act.

This document does not address any income tax consequences of the disposition of the Company’s shares by shareholders. Shareholders in a jurisdiction outside of Canada should be aware that the disposition of shares by them may have tax consequences both in those jurisdictions and in Canada, and are urged to consult their tax advisors with respect to their particular circumstances and the tax considerations applicable to them.

Any information concerning any properties and operations of the Company has been prepared in accordance with Canadian standards under applicable Canadian securities laws, and may not be comparable to similar information for United States companies.

Financial statements included or incorporated by reference herein have been prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board, and are subject to auditing and auditor independence standards in Canada. Such consequences for the Company Shareholders who are resident in, or citizens of, the United States may not be described fully in this Information Circular.

The enforcement by the Company Shareholders of civil liabilities under the United States federal securities laws may be affected adversely by the fact that the Company is incorporated or organized under the laws of a foreign country, that some or all of their officers and directors and the experts named herein are residents of a foreign country and that the major assets of the Company are located outside the United States.

## **Revocation of Proxies**

In addition to revocation in any other manner permitted by law, a registered shareholder who has given a proxy may revoke it by:

- (a) executing a proxy bearing a later date or by executing a valid notice of revocation, either of the foregoing to be executed by the registered shareholder or the registered shareholder's authorized attorney in writing, or, if the shareholder is a corporation, under its corporate seal by an officer or attorney duly authorized, and by delivering the proxy bearing a later date to Computershare or to the address of the registered office of the Company at 1500 Royal Centre, 1055 West Georgia Street, P. O. Box 11117, Vancouver, British Columbia Canada V6E 4N7, at any time up to and including the last business day that precedes the day of the Meeting or, if the Meeting is adjourned, the last business day that precedes any reconvening thereof, or to the chairman of the Meeting on the day of the Meeting or any reconvening thereof, or in any other manner provided by law; or
- (b) personally attending the Meeting and voting the registered shareholder's Common Shares.

A revocation of a proxy will not affect a matter on which a vote is taken before the revocation.

## **INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON**

No director or executive officer of the Company, or any person who has held such a position since the beginning of financial year end October 31, 2017 of the Company, nor any nominee for election as a director of the Company, nor any associate or affiliate of the foregoing persons, has any substantial or material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted on at the Meeting other than the election of directors and as may be set out herein.

## **VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES**

The board of directors (the "**Board**") of the Company has fixed June 18, 2019 as the record date (the "Record Date") for determination of persons entitled to receive notice of the Meeting. Only shareholders of record at the close of business on the Record Date who either attend the Meeting personally or complete, sign and deliver a form of proxy in the manner and subject to the provisions described above will be entitled to vote or to have their Common Shares voted at the Meeting.

The authorized share structure capital of the Company is an unlimited number of Common Shares.

As of June 18, 2019, there were 470,817,509 Common Shares issued and outstanding, each carrying the right to one vote. No group of shareholders has the right to elect a specified number of directors, nor are there cumulative or similar voting rights attached to the Common Shares.

In connection with a "change of business" transaction (the "**Transaction**") within the meaning of such term in the policies of the Canadian Securities Exchange (the "**CSE**") to a medical marijuana issuer, on January 10, 2018, the Company changed its name from "Umbral Energy Corp." to "Heritage Cannabis Holdings Corp.". The Company's common shares listed for trading on the CSE under stock symbol "CANN".

To the knowledge of the directors and executive officers of the Company, as at June 18, 2019, there were no persons or corporations that beneficially owned, directly or indirectly, or exercised control or direction over, Shares carrying more than 10% of the voting rights attached to all outstanding Shares of the Company.

## **CORPORATE ACTIONS FROM OCTOBER 31, 2018 YEAR END TO THE DATE OF THIS INFORMATION CIRCULAR**

- 1) Effective September 4, 2018, Debra Senger was appointed a director of the Company;
- 2) Effective December 14, 2018:
  - Bradley T. Culver resigned as a director of the Company;
  - Graeme L. Staley was appointed a director of the Company;
- 3) Effective February 4, 2019 Clinton Sharples resigned as Interim President and Chief Executive Officer of the Company;
- 4) Effective February 7, 2019, Kristina Khersonski resigned as Chief Financial Officer and Corporate Secretary of the Company;

5) Effective February 8, 2019:

Celine Arsenault was appointed a director of the Company;

Donald Ziraldo was appointed a Non-Executive Chairman and director of the Company;

Elizabeth Thomas was appointed Corporate Secretary of the Company;

Clinton Sharples resigned as Chairman/Non Executive Director of the Company;

Clinton Sharples was appointed Chief Executive Officer and President of the Company;

Erin Prohaska was appointed Chief Financial Officer of the Company; and

Daniel Phaure was appointed Chief Operating Officer of the Company.

### FINANCIAL STATEMENTS

The audited financial statements of the Company for the fiscal years ended October 31, 2018 and October 31, 2017, the report of the auditor and the related management discussion and analysis were filed on SEDAR at [www.sedar.com](http://www.sedar.com) on April 17, 2019 and February 27, 2019 respectively. These audited financial statements will be tabled at the Meeting.

### ELECTION OF DIRECTORS

The Board presently consists of five directors and it is proposed that the number of directors of the Company for the ensuing year be fixed at five. Therefore, at the Meeting shareholders will be asked to fix the number of directors at five. The term of office of each of the current directors will end immediately before the election or appointment of directors at the Meeting. Unless the director's office is earlier vacated in accordance with the provisions of the *Business Corporations Act* (British Columbia), each director elected will hold office until immediately before the election or appointment of directors at the Meeting, or if no directors are then elected, until a successor is elected.

The following disclosure sets out the names of management's five nominees for election as directors, all major offices and positions with the Company and any of its significant affiliates each now holds, each nominee's principal occupation, business or employment of each director nominee, the period of time during which each nominee has been a director of the Company and the number of Common Shares of the Company beneficially owned by each, directly or indirectly, or over which each exercised control or direction, as at June 18, 2019.

<b>Name of Nominee; Current Position with the Company and Province or State and Country of Residence</b>	<b>Principal Occupation</b>	<b>Period as a Director of the Company</b>	<b>Common Shares Beneficially Owned or Controlled<sup>(1)</sup></b>
Donald Ziraldo <sup>(7)(8)</sup> Non-Executive Chairman of the Board and Director Ontario, Canada	Refer to <b>New Biographies</b> below.	Since February 8, 2019	1,174,822 <sup>(2)</sup>
Clinton Sharples <sup>(8)</sup> Chief Executive Officer, President and Director British Columbia, Canada	Partner, First Growth Management Inc. (private venture capital company).	Since May 29, 2013	4,381,000 <sup>(3)</sup>
Debra Senger Director British Columbia, Canada	Refer to <b>New Biographies</b> below.	Since September 4, 2018	7,600,000 <sup>(4)</sup>
Graeme L. Staley <sup>(7)</sup> Director British Columbia, Canada	Refer to <b>New Biographies</b> below.	Since December 14, 2018	6,666,667 <sup>(5)</sup>
Celine Arsenault <sup>(7)(8)</sup> Director Ontario, Canada	Refer to <b>New Biographies</b> below.	Since February 8, 2019	Nil <sup>(6)</sup>

Notes:

- (1) The information as to principal occupation, business or employment and Common Shares beneficially owned or controlled is not within the knowledge of the management of the Company and has been furnished by the respective nominees.
- (2) 1,074,822 common shares are owned directly by Donald Ziraldo, and 100,000 common shares are owned indirectly by Aspen Ziraldo, son of Donald Ziraldo, over which account Donald Ziraldo has control and direction over. Mr. Ziraldo holds a total of 500,000 incentive stock options at an exercise price of \$0.34 expiring on February 8<sup>th</sup>, 2024.
- (3) 3,240,000 common shares are owned directly by Clinton Sharples, 800,000 common shares are owned indirectly by Equival Inc., a private company owned and controlled by Mr. Sharples and 341,000 common shares are owned indirectly by First Growth Management, a private company owned and controlled by Mr. Sharples. Mr. Sharples holds a total of 280,500 incentive stock options at an exercise price of \$0.54 expiring on March 19, 2023; a total of 500,000 incentive stock options at an exercise price of \$0.34 expiring on February 8<sup>th</sup>, 2024.
- (4) 2,400,000 common shares are owned directly by Debra Senger, and 5,200,000 common shares are owned indirectly by Estek Ventures Corp., a private company owned and controlled by Ms. Senger. Debra Senger holds a total of 2,000,000 incentive stock options at an exercise price of \$0.10 expiring on August 16<sup>th</sup>, 2022; a total of 250,000 incentive stock options at an exercise price of \$0.34 expiring on February 8<sup>th</sup>, 2024.
- (5) 6,666,667 common shares are owned directly by Graham Staley. Mr. Staley holds a total of 250,000 incentive stock options at an exercise price of \$0.34 expiring on February 8<sup>th</sup>, 2024.
- (6) Celine Arsenault holds 250,000 incentive stock options at an exercise price of \$0.34 expiring on February 8<sup>th</sup>, 2024.
- (7) Member of Audit Committee.
- (8) Member of Compensation Committee.

*Corporate Cease Trade Orders or Bankruptcies*

Other than set out below, there are, no current or proposed director is, or has been within the past 10 years, a director or executive officer of any other company that, while such person was acting in that capacity: (a) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation for a period of more than 30 consecutive days; (b) was subject to an event that resulted, after the current or proposed director ceased to be a director or executive officer of such company, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or (c) within a year of the current or proposed director ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Clinton Sharples was a director of Thermal Energy International Inc. (“**Thermal Energy**”), a TSXV listed company, at the time the shares of Thermal Energy were halted on July 22, 2009, pending clarification of Thermal Energy’s affairs, including certain deficiencies in compliance with the policies of the TSXV. Thermal Energy cooperated with the TSXV during their review and its shares resumed trading on October 15, 2009.

*Personal Bankruptcies*

No current or proposed director has, within the past 10 years, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold his assets.

*Penalties or Sanctions*

No current or proposed directors has been subject to: (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable Shareholder in deciding whether to vote for a proposed director.

**New Director Biographies**

Donald Ziraldo – Non-Executive Chairman of the Board and Director

Mr. Ziraldo is a historic Canadian winemaker and a Member of the Order of Canada. He and his co-founder were the founders of Inniskillin Winery in Niagara. Ziraldo was granted the first winery license in Ontario after prohibition. His talent and perseverance have helped to make Canadian icewine a globally recognized luxury brand. Ziraldo built his own brand of icewine and Riesling table wines under his name, "Ziraldo" and continues to be hailed as one of the most important figures in Canadian wine history.

Debra Senger - Director

Founder and CEO of Voyage Cannabis Corp., formally known as PheynMed Inc., a Health Canada Licensed Producer, a subsidiary 75% owned by the Company. Debra has over 30 years public company experience in various capacities Co-Chair of the Board, Director, CEO and CFO functions. She served in several key executive senior managerial roles with a Toronto Venture Exchange company and several of its subsidiaries for over 22 years. She is an Owner, Shareholder, Director of several private companies in Cannabis, Transportation, E-Commerce, Property and Business management.

Graeme L. Staley - Director

Mr. Staley is the CEO of Purefarma Solutions Inc. a wholly owned subsidiary of Heritage. Utilizing his background in refrigeration and mechanical engineering and winery operations he has developed commercial standardized processes relevant to the new cannabis industry. Mr. Staley provides the technical direction and execution of the team's strategies based on over 20 years of project related experience. With his senior design experience in refrigeration and associated mechanical disciplines gives him specialized skills in the coordination between innovation and implementation.

Celine Arsenault CA, CPA – Director

Ms. Arsenault is an experienced financial executive with more than 20 years' in international business and financial management. Her vast experience stems from several senior financial executive positions with various public and private companies in renewable energy, insurance, private equity, electricity and telecommunications sectors. In addition to her extensive background, she brings disciplined financial reporting and governance skills to the board, having served on numerous non-profit boards and committees.

**Advance Notice Provision**

At the Company's annual general and special meeting held on May 8, 2015, the Company's shareholders approved the adoption of new Articles of the Company, which new Articles include advance notice provisions (the "**Advance Notice Provision**"). The Advance Notice Provision provides for advance notice to the Company in circumstances where nominations of persons for election to the Board of directors of the Company are made by shareholders of the Company other than pursuant to (i) a requisition of a meeting made pursuant to the provisions of the *Business Corporations Act* (British Columbia) or (ii) a shareholder proposal made pursuant to the provisions of the *Business Corporations Act* (British Columbia).

The purpose of the Advance Notice Provision is to foster a variety of interests of the shareholders and the Company by ensuring that all shareholders - including those participating in a meeting by proxy rather than in person - receive adequate notice of the nominations to be considered at a meeting and can thereby exercise their voting rights in an informed manner. Among other things, the Advance Notice Provision fixes a deadline by which holders of Common Shares must submit director nominations to the Company prior to any annual or special meeting of shareholders and sets forth the minimum information that a shareholder must include in the notice to the Company for the notice to be in proper written form.

The Advance Notice Provision also requires all proposed director nominees to deliver a written representation and agreement that such candidate for nomination, if elected as a director of the Company, will comply with all applicable corporate governance, conflict of interest, confidentiality, share ownership, majority voting and insider trading policies and other policies and guidelines of the Company applicable to directors and in effect during such person's term in office as a director.

The foregoing is merely a summary of the Advance Notice Provision, is not comprehensive and is qualified by the full text of such provision contained in the Company's Articles which is available under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

The Company did not receive notice of a nomination in compliance with the Advance Notice Provision, and as such, any nominations other than nominations by or at the direction of the Board or an authorized officer of the Company will be disregarded at the Meeting.

**Unless otherwise directed, the persons named in the enclosed form of proxy intend to vote FOR the election of the Nominees.**

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT EACH SHAREHOLDER VOTE "FOR" THE ELECTION OF THE ABOVE NOMINEES AS DIRECTORS.**

**APPOINTMENT OF AUDITOR**

Morgan & Company LLP, Chartered Professional Accountants, Suite 1630 – 609 Granville Street, Vancouver, British Columbia Canada, V7Y 1A1 will be nominated at the Meeting for reappointment as auditor of the Company.

## AUDIT COMMITTEE AND RELATIONSHIP WITH AUDITOR

National Instrument 52-110 *Audit Committees* of the Canadian Securities Administrators (“NI 52-110”) requires the Company, as a venture issuer, to disclose annually in its Information Circular certain information concerning the constitution of its audit committee and its relationship with its independent auditor, as set forth in the following:

### The Audit Committee’s Charter

The audit committee has a charter. The Company’s audit committee charter is attached as Schedule A to this Information Circular.

### Composition of the Audit Committee

The members of the Company’s Audit Committee are composed of Celine Arsenault (Chair), Graeme L. Staley and Donald Ziraldo. Celine Arsenault and Donald Ziraldo are independent members of the Audit Committee. Graeme L. Staley is not independent as he is the Chief Executive Officer of Purefarma Solutions Inc., a British Columbia company which is 100% owned by the Company.

### Relevant Education and Experience

All members of the Audit Committee are considered to be financially literate. Refer to *New Director Biographies* above.

### Audit Committee Oversight

The audit committee has not made any recommendations to the Board to nominate or compensate any auditor other than Morgan & Company LLP.

### Reliance on Certain Exemptions

The Company’s auditor, Morgan & Company LLP, has not provided any material non-audit services for fiscal year ended October 31, 2018.

### Pre-Approval Policies and Procedures

The audit committee is required to approve the engagement of the Company’s external auditors in respect of non-audit services.

### External Auditor Service Fees (By Category)

The following table summarizes the fees paid to the external auditors of the Company, in each of the last two fiscal years ended October 31, 2018 and October 31, 2017:

<u>Fiscal Year</u>	<u>Audit Fees</u> <sup>2</sup>	<u>Audit-Related Fees</u> <sup>3</sup>	<u>Tax Fees</u> <sup>4</sup>	<u>All Other Fees</u> <sup>5</sup>
2018 <sup>1</sup>	\$65,183	Nil	\$3,500	\$17,000
2017	\$33,045	Nil	\$1,785	\$6,615

Notes:

- (1) The 2018 fees represent the Company’s best estimate as at the date hereof.
- (2) "Audit Fees" include fees necessary to perform the annual audit of the Company's consolidated financial statements.
- (3) "Audit-Related Fees" include other services that are performed by the auditor such as consultations or internal control reviews.
- (4) "Tax Fees" include fees for tax compliance, tax planning and tax advice. These services include preparing tax returns and corresponding with government tax authorities.
- (5) "All Other Fees" include all other non-audit services.

### Exemption

The Company is exempt from the requirements of Part 3 *Composition of the Audit Committee* and Part 5 *Reporting Obligations* of NI 52-110 – *Audit Committees*.

## CORPORATE GOVERNANCE

Corporate governance refers to the policies and structure of the board of directors of a company, whose members are elected by and are accountable to the shareholders of the company. Corporate governance encourages establishing a reasonable degree of independence of the board of directors from executive management and the adoption of policies to ensure the board of directors recognizes the principles of good management. The Board is committed to sound corporate



governance practices; as such practices are both in the interests of shareholders and help to contribute to effective and efficient decision-making.

### **Board of Directors**

The Board is currently composed of Donald Ziraldo, Clinton Sharples, Debra Senger, Graeme L. Staley and Celine Arsenault. All of the proposed nominees for election as directors are currently directors of the Company. National Instrument 58-101 *Disclosure of Corporate Governance Practices* (“NI 58-101”) suggests that the board of directors of a public company should be constituted with a majority of individuals who qualify as “independent” directors. An “independent” director is a director who is independent of management and is free from any interest and any business or other relationship which could, or could reasonably be perceived to; materially interfere with the director’s ability to act with a view to the best interests of the company, other than interests and relationships arising from shareholding. In addition, where a company has a significant shareholder, NI 58-101 suggests that a board of directors should include a number of directors who do not have interests in either the company or the significant shareholder. Donald Ziraldo and Celine Arsenault are considered by the Board to be “independent” within the meaning of NI 58-101. Clinton Sharples, Debra Senger and Graeme L. Staley are considered to be “non independent” within the meaning of NI 58-101 (Clinton Sharples is an executive officer of the Company, Debra Senger is the Chief Executive Officer of Voyage Cannabis Corp. (formerly PhyeinMed Inc.), a British Columbia company 75% owned by the Company and Graham L. Staley is the Chief Executive Officer of Purefarma Solutions Inc. a British Columbia company 100% owned by the Company).

Given the relative small nature of the Company’s operations, the Board feels that the composition of its Board is adequate at the present time. The Board facilitates its exercise of supervision over the Company’s management through frequent meetings of the Board.

### **Directorships**

The directors of the Company currently do not hold directorships in other reporting issuers.

### **Orientation and Continuing Education**

The Company has not yet developed an official orientation or training program for new directors. The Company is currently engaged in Cannabis solutions provider under the Cannabis Act Regulations, and new directors will be provided, through discussions and meetings with other directors, officers, and employees, with a thorough description of the Company’s business, properties, assets, operations and strategic plans and objectives. Orientation activities will be tailored to the particular needs and experience of each director and the overall needs of the Board.

Board meetings may also include presentations by the Company’s management and employees to give the directors additional insight into the Company’s business.

### **Ethical Business Conduct**

The Board conducts itself with high business and moral standards and follows all applicable legal and financial requirements. In that regard, the Board has adopted a written Code of Business Conduct and Ethics (the “Code”) for its directors, officers, employees and consultants. The Code establishes practices regarding compliance with the law and internal policies and guidelines, a Whistleblower Policy which details complaint procedures for financial concerns, disclosure obligations, and internal financial control. Each employee, officer, director, and material consultant is provided with a copy of the Code and certifies, among others, that he or she has understood the Code and that he or she will continue to comply with the terms of the Code.

Further, the Board has found that the fiduciary duties placed on individual directors by the Company’s governing corporate legislation and the common law, as well as the restrictions placed by applicable corporate legislation on the individual director’s participation in decisions of the Board in which the director has an interest, are sufficient to ensure that the Board operates independently of management and in the best interests of the Company and its shareholders.

### **Nomination of Directors**

The Company considers the size of the Board each year when it considers the number of directors to recommend to the Board for director nominees. The criteria for selecting new directors reflect the requirements of the listing standards of the Exchange (or such other exchange or self-regulatory organization on which the Company’s shares are listed for trading) with respect to independence and the following factors:

- (a) the appropriate size of the Company’s Board;
- (b) the needs of the Company with respect to the particular talents and experience of its directors;
- (c) personal and professional integrity of the candidate;

- (d) level of education and/or business experience;
- (e) broad-based business acumen;
- (f) the level of understanding of the Company's business and the mining and oil and gas industry in which it operates and other industries relevant to the Company's business;
- (g) the ability and willingness to commit adequate time to Board and committee matters;
- (h) the fit of the individual's skills and personality with those of other directors and potential directors in building a Board that is effective, collegial and responsive to the needs of the Company;
- (i) the ability to think strategically and a willingness to share ideas; and
- (j) diversity of experiences, expertise and background

Once a decision has been made to add or replace a director, the task of identifying new candidates will fall on the Company's Board. If a candidate looks promising, the Board will conduct due diligence on the candidate and interview the candidate and if the results are satisfactory, the candidate is invited to join the Board.

### **Compensation**

Notwithstanding the foregoing, given that the Company has not, as of yet, generated any significant income or cash flows from operations and operates with limited financial resources to ensure that funds are available to complete scheduled programs, the Company has to consider not only the financial situation of the Company at the time of the determination of executive compensation, but also the estimated financial situation of the Company in the mid and long-term. An important element of executive compensation is the grant of incentive stock options by the Company to its employees, director and officers which do not require cash disbursement by the Company.

#### Compensation Committee

The Company formed a Compensation Committee effective March 8, 2019.

The members of the Company's Audit Committee are composed of Donald Ziraldo (Chair), Celine Arsenault and Clinton Sharples.

The Board as a whole has the responsibility of determining the compensation for the directors and CEO.

To determine compensation payable, the Board reviews compensation paid to directors and chief executive officers of other companies of similar size and stage of development in similar industries and then determine appropriate compensation reflecting the responsibilities and time and effort expended by each director and the CEO while taking into account the financial and other resources of the Company. In settling on the compensation, the Board annually reviews the performance of the CEO in light of the Company's objectives and considers other factors that may have influenced achievement of the Company's objectives.

### **Other Board Committees**

The Company disbanded its Advisory Board effective April 9, 2019.

The Board has no other Committees other than the Audit Committee and Compensation Committee.

### **Assessments**

The Board monitors the adequacy of information given to directors, communication between the Board and management and the strategic direction and processes of the Board.

## **STATEMENT OF EXECUTIVE COMPENSATION**

### GENERAL

For the purposes of this Statement of Executive Compensation:

"**compensation securities**" includes stock options, convertible securities, exchangeable securities and similar instruments including stock appreciation rights, deferred share units and restricted stock units granted or issued by the company or one of its subsidiaries for services provided or to be provided, directly or indirectly, to the company or any of its subsidiaries;

"**NEO**" or "**named executive officer**" means each of the following individuals:

- (a) each individual who, in respect of the company, during any part of the most recently completed financial year, served as chief executive officer ("**CEO**"), including an individual performing functions similar to a

CEO;

- (b) each individual who, in respect of the company, during any part of the most recently completed financial year, served as chief financial officer (“CFO”), including an individual performing functions similar to a CFO;
- (c) in respect of the company and its subsidiaries, the most highly compensated executive officer other than the individuals identified in paragraphs (a) and (b) at the end of the most recently completed financial year whose total compensation was more than \$150,000, for that financial year;
- (d) each individual who would be a named executive officer under paragraph (c) but for the fact that the individual was not an executive officer of the company, and was not acting in a similar capacity, at the end of that financial year.

“**plan**” includes any plans, contract, authorization or arrangement, whether or not set out in any formal document, where cash, compensation securities or any other property may be received, whether for one or more persons; and

“**underlying securities**” means any securities issuable on conversion, exchange or exercise of compensation securities.

The Company was incorporated under the laws of the Province of British Columbia on October 25, 2007 as "Trijet Mining Corp." Effective March 8, 2013, the Company changed its name to "Umbral Energy Corp.". On January 9, 2018, the Company completed a fundamental “change of “business” pursuant to the policies of the Canadian Securities Exchange. Effective January 10, 2018, the Company changed its name to its present name, "Heritage Cannabis Holdings Corp."

The Common Shares are listed on the Canadian Securities Exchange under the trading symbol "CANN" and on the OTCQX under the symbol "HERTF".

## **DIRECTOR AND NAMED EXECUTIVE OFFICER COMPENSATION**

### **Director and NEO Compensation, Excluding Options and Compensation Securities**

The following table of compensation, excluding options and compensation securities, provides a summary of the compensation paid by the Company to NEOs and directors of the Company for the two completed financial years ended October 31, 2018 and October 31, 2017.

Options and compensation securities are disclosed under the heading “**Stock Options and Other Compensation Securities**” below.

**During financial year ended October 31, 2018**, based on the definition above, the NEOs of the Company were: Jagdip Bal, President and Chief Executive Officer and director and Kristina Khersonski, Chief Financial Officer and Corporate Secretary and Clinton Sharples, Interim President and Chief Executive Officer.

Jagdip Bal served as Chief Executive Officer and President and as a Director of the Company from December 14, 2012 to September 4, 2018.

Kristina Khersonski served as Chief Financial Officer and Corporate Secretary of the Company from May 24, 2013 to February 7, 2019.

Clinton Sharples served as Interim President and Chief Executive Officer of the Company from September 4, 2018 to February 4, 2019.

Clinton Sharples was appointed Chief Executive Officer and President of the Company on February 8, 2019.

The directors of the Company who were not NEOs during financial year ended October 31, 2018 were directors, Clinton Sharples, Chairman/Non Executive Director, Bradley T. Culver and Debra Senger. Debra Senger was appointed a director of the Company on September 4, 2018. Bradley T. Culver resigned as a director of the Company on December 14, 2018. Clinton Sharples served as Chairman/Non Executive Director of the Company from April 28, 2016 to February 8, 2019.

**During financial year ended October 31, 2017**, based on the definition above, the NEOs of the Company were: Jagdip Bal, President and Chief Executive Officer and director and Kristina Khersonski, Chief Financial Officer and Corporate Secretary. The directors of the Company who were not NEOs during financial year ended October 31, 2017 were Clinton Sharples, Chairman/Non-Executive director, and director Bradley T. Culver.

### **Table of Compensation, Excluding Compensation Securities in Financial Years ended October 31, 2018 and October 31, 2017**

The following table sets forth all direct and indirect compensation paid, payable, given or otherwise provided, directly or indirectly, by the Company to each NEO and each director of the Company:

Table of compensation excluding compensation securities							
Name and position	Year	Salary, consulting fee, retainer or commission (\$)	Bonus (\$)	Committee or meeting fees (\$)	Value of perquisites (\$)	Value of all other compensation (\$)	Total compensation (\$)
Clinton Sharples, Chief Executive Officer and President	2018	90,000 <sup>(1)</sup>	nil	nil	nil	nil	90,000
	2017	49,910 <sup>(2)</sup>	nil	nil	nil	nil	49,910
Jagdeep Bal, former Chief Executive Officer, President and Director	2018	172,000 <sup>(3)</sup>	nil	nil	nil	nil	172,000
	2017	115,890 <sup>(4)</sup>	nil	nil	nil	nil	115,890
Kristina Khersonski, former Chief Financial Officer and Corporate Secretary	2018	nil	nil	nil	nil	nil	nil
	2017	nil	nil	nil	nil	nil	nil
Debra Senger, Director	2018	114,286 <sup>(5)</sup>	nil	nil	nil	nil	114,286
	2017	nil	nil	nil	nil	nil	nil
Bradley T. Culver, former Director	2018	nil	nil	nil	nil	nil	nil
	2017	nil	nil	nil	nil	nil	nil

Notes:

- (1) \$90,000 was paid to Clinton Sharples/Equival Inc., of which Clinton Sharples is a director in common.
- (2) \$49,910 was paid to Equival Inc., of which Clinton Sharples is a director in common.
- (3) \$172,000 was paid to Jag Bal /Infinity Alliance Corp., of which Jag Bal, a former director in common.
- (4) \$115,890 was paid to Infinity Alliance Corp., of which Jag Bal, a former director in common.
- (5) \$114,286 was paid to Debra Senger /J Hamel Transport, of which Debra is a director in common.

### Stock Options Plans and Other Incentive Plans

#### 10% “rolling” Share Option Plan (Option-Based Awards)

The Company has in place, a 10% rolling stock option plan dated for reference October 23, 2014, as amended on May 13, 2019 (the “**Stock Option Plan**”), pursuant to which the Board can grant stock options to directors, officers, employees, management and others who provide services to the Company. A copy of the Company’s Stock Option Plan is attached to the Company’s Information Circular dated March 29, 2016 for the Company’s April 28, 2016 annual general meeting. The stock option plan provides compensation to participants and an additional incentive to work toward long-term Company performance. On May 13, 2019 the Company amended its Stock Option Plan to continue to be fully compliant with the Canadian Securities Exchange in accordance with Canadian Securities Exchange policy on hold periods. The below definition of the Stock Option Plan was amended as follows:

“(dd) Regulatory Rules” means all corporate and securities laws, regulations, rules, policies, notices, instruments and other orders of any kind whatsoever which may, from time to time, apply to the implementation, operation or amendment of this Plan or the Options granted from time to time hereunder including, without limitation, those of the applicable Regulatory Authorities **or of the Exchange;**”

The Company also amended the Stock Option Plan to contain updated U.S. option holder disclosure which are of an administrative nature that do not affect the rights of the Company’s securityholders..

The purpose of the Stock Option Plan is to provide the Company with a share related mechanism to enable the Company

to attract, retain and motivate qualified directors, officers, employees and other service providers, to reward directors, officers, employees and other service providers for their contribution toward the long term goals of the Company and to enable and encourage such individuals to acquire shares of the Company as long term investments.

The Board is responsible for administering compensation policies related to the Company's executive management, including with respect to option-based awards.

The following information is intended to be a brief description of the Stock Option Plan and is qualified in its entirety by the full text of the Stock Option Plan:

- (a) the Stock Option Plan provides that up to 10% of the issued and outstanding common shares from time to time may be reserved for issue, less any common shares reserved for issuance under any other share compensation arrangement. The options are non-assignable and may be granted for a term not exceeding ten years.
- (b) the exercise price shall not be lower than the greater of the closing market price of the common shares on (a) the trading day prior to the date of grant of the stock options; and (b) the date of grant of the stock options.
- (c) the terms of an option may not be amended once issued. If an option is cancelled prior to its expiry date, the Company shall not grant new options to the same person until 30 days have elapsed from the date of cancellation.
- (d) the maximum number of options which may be granted to any one option holder under the Stock Option Plan within any 12 month period shall be 5% of the outstanding issue on the date of grant (unless the Company has obtained disinterested shareholder approval, if required by Regulatory Rules);
- (e) if required by Regulatory Rules, disinterested shareholder approval is required to the grant to Insiders, within a 12 month period, of a number of options which, when added to the number of outstanding incentive stock options granted to Insiders within the previous 12 months, exceed 10% of the issued shares;
- (f) the maximum number of options which may be granted to any one consultant within any 12 month period must not exceed 2% of the outstanding Issue; and
- (g) the maximum number of options which may be granted within any 12 month period to employees or consultants engaged in investor relations activities must not exceed 2% of the outstanding Issue and such options must vest in stages over 12 months with no more than 25% of the options vesting in any three month period.

#### **CONTINUATION OF 10% ROLLING SHARE OPTION PLAN**

Shareholders are being asked to approve by an ordinary resolution, the continuation of the Company's Share Option Plan. See heading below "**PARTICULARS OF MATTERS TO BE ACTED UPON – A. 10% Rolling Share Option Plan**".

#### **Fixed Restricted Share Unit Plan (Share-Based Awards)**

The Company has in place, a fixed restricted share unit plan dated for reference August 4, 2017, as amended June 17, 2019 (the "**RSU Plan**"). The RSU Plan was approved by the shareholders of the Company at the Company's annual general meeting held on August 10, 2018. A copy of the RSU Plan is attached to the Company's Information Circular dated June 25, 2018 for the Company's August 10, 2018 annual general meeting.

The RSU Plan was designed to provide certain directors, employees, officers, other key employees and consultants of the Company and its related entities with the opportunity

to acquire restricted share units ("**RSUs**") of the Company in order to enable them to participate in the long-term success of the Company and to promote a greater alignment of their interests with the interests of the Shareholders.

The Board (or a Committee delegated by the Board) is responsible for administering the RSU Plan.

The purpose of the RSU Plan is to further promote a greater alignment of the interests of directors, officers, employees and consultants of the Company with the interests of the Company's shareholders. The Board (or such other committee the Board may appoint) is responsible for administering the RSU Plan.

RSUs will vest on terms established by the Board, or any Board committee appointed for such purpose.

#### **Maximum Number of Common Shares Issuable under RSU Plan**

The RSU Plan allows the Company to grant RSUs, under and subject to the terms and conditions of the RSU Plan, which may be exercised to purchase up to a fixed maximum number of 6,000,000 Common Shares.

The RSU Plan provides that the maximum number of Common Shares issuable pursuant to the RSU Plan, together with any common shares issuable pursuant to any other Security Based Compensation Arrangement outside of the RSU Plan (namely the Stock Option Plan described above), will not exceed an aggregate of 10% of the total number of issued and outstanding Common Shares at any time. RSUs to a maximum of 10% of the outstanding Common Shares of the Company may be granted to any one Eligible Person under the RSU Plan; and, in aggregate, a maximum of 5% of the outstanding Common Shares of the Company may be granted to any one Eligible Person in any 12 month period calculated on the grant date.

**Capitalized terms used below are not defined below and shall have the meanings ascribed thereto in the RSU Plan.**

### ***Benefits of the RSU Plan***

The RSU Plan is designed to be a long-term incentive for the directors, officers, employees and consultants of the Company. RSUs provide the Board (or a Board committee) with an additional compensation tool that can be used to help retain and attract highly qualified directors, officers and employees and further align the interests of directors, officers, employees and consultants of the Company with the interest of the Shareholders. The RSU Plan is intended to promote a greater alignment of interests between the Shareholders of the Company and the directors, officers, employees and consultants of the Company by providing an opportunity to participate in any increases to the value of the Company.

The Board may engage such consultants and advisors as it considers appropriate, including compensation or human resources consultants or advisors, to provide advice and assistance in determining the amounts to be paid under this Plan and other amounts and values to be determined hereunder or in respect of this Plan including, without limitation, those related to a particular Fair Market Value.

### ***Nature and Administration of the RSU Plan***

All Directors, Officers, Employees and Consultants (as defined in the RSU Plan) of the Company and its related entities ("**Eligible Persons**") are eligible to participate in the RSU Plan (as "**RSU Plan Recipients**"), though the Company reserves the right to restrict eligibility or otherwise limit the number of persons eligible for participation in the RSU Plan at any time. Eligibility to participate in the RSU Plan does not confer upon any person a right to receive an award of RSUs.

Subject to certain restrictions, the Board (or a Committee delegated by the Board), may, from time to time, award RSUs to Eligible Persons. All RSUs awarded will be credited to an account maintained for each RSU Plan Recipient on the books of the Company as of each award date. The number of RSUs to be credited to each RSU Plan Recipient's account shall be determined at the discretion of the Board and pursuant to the terms of the RSU Plan.

Each award of RSUs vests on the date(s) (each a "**Vesting Date**") that is the later of the Trigger Date (defined below) and the date upon which the relevant performance condition or other vesting condition set out in the award has been satisfied, subject to the requirements of the RSU Plan. Rights and obligations under the RSU Plan can be assigned by the Company to a successor in the business of the Company, any company resulting from any amalgamation, reorganization, combination, merger or arrangement of the Company, or any corporation acquiring all or substantially all of the assets or business of the Company.

### ***Payment of RSUs***

Under the RSU Plan, the Company, in its discretion and as may be determined by the Board, will pay out vested RSUs by paying or issuing (net of any applicable withholding taxes) to a RSU Plan Recipient, on or subsequent to the Trigger Date and before the Expiry Date (as defined below) an award payout of either: (a) one Common Share for each whole vested RSU; and (b) a cash amount equal the fair market value of one Common Share (as determined in accordance with the RSU Plan) as at the Trigger Date (the "**Vesting Date Value**") of each whole vested RSU.

Fractional Common Shares will not be issued pursuant to the RSU Plan, and where a RSU Plan Recipient would be entitled to receive a fractional Common Share in respect of a fractional vested RSU, the Company shall pay to such RSU Plan Recipient, in lieu of such fractional Common Share, cash value equal to the Vesting Date Value of such fractional Common Share.

### ***Resignation, Termination, Leave of Absence or Death***

Generally, if an RSU Plan Recipient's employment or service is terminated, or if the RSU Plan Recipient resigns from employment with the Company, then any RSUs credited to him or her under the RSU Plan which have not vested on or before the separation date for the RSU Plan Recipient are forfeited, cancelled and terminated without payment.

In the event an RSU Plan Recipient is terminated without cause, all unvested RSUs credited to such terminated RSU Plan Recipient will immediately vest on the date of termination. If an RSU Plan Recipient's employment or service is terminated (otherwise than without cause), or the RSU Plan Recipient enters Retirement (as defined in the RSU Plan), dies, or suffers

Total Disability (as defined in the RSU Plan), all unvested RSUs will automatically be cancelled without compensation.

The number of Common Shares available for reserve under the RSU Plan is a fixed number, therefore when RSUs are terminated or cancelled under the Plan, the Common Shares reserved for the exercise of such RSUs are also terminated and cancelled and no longer available for reserve under the RSU Plan.

### ***Change of Control***

In the event of a Change of Control (as defined in the RSU Plan), all RSUs credited to an RSU Plan Recipient vest on the date on which the Change of Control occurs. Within thirty (30) days after the date on which the Change of Control Occurs, the RSU Plan Recipient must receive a payment equal to the number of RSUs that vested on the date of the Change of Control, multiplied by the Fair Market Value on that date.

### ***Adjustments***

In the event of any dividend paid in Common Shares, any subdivision of the Common Shares, any combination or exchange of the Common Shares, merger, consolidation, spin-off or other distribution of Company assets to shareholders, or any other change in the capital of the Company affecting the common shares, the Board will make adjustments with respect to the number of RSUs outstanding and any proportional adjustments as the Board, in its discretion, considers appropriate to reflect that change.

### ***Vesting***

The Board has the discretion to grant RSUs to Eligible Persons as the Board determines is appropriate, and can impose conditions on vesting as it sees fit in addition to the Performance Conditions (as defined in the RSU Plan) if any. RSUs vest on the date that is the later of (a) the date set by the Board at the time of the grant or if no date is set then September 1 of the third calendar year following the date of the grant (the "Trigger Date"), and (b) the date upon which the relevant Performance Condition or other vesting condition has been satisfied, subject to the limitations of the RSU Plan.

RSUs only vest on the Trigger Date to the extent that the Performance Conditions have been satisfied on or before the Trigger Date, and no RSU will remain outstanding for any period which exceeds the expiry date (which shall be December 31 of the third calendar year after the date of grant, or such earlier date as may be established by the Board (the "Expiry Date").

The Board may accelerate the Trigger Date of any RSU at its election.

### ***Limitations under the RSU Plan***

Unless disinterested Shareholder Approval is obtained, or unless permitted otherwise by the policies of the Canadian Securities Exchange:

- (a) the maximum number of Common Shares which may be reserved for issuance to Insiders, as a group, under the RSU Plan together with any other Share Compensation Arrangement (as defined in the RSU Plan), may not exceed 10% of the outstanding Common Shares;
- (b) the maximum number of RSUs that may be granted to Insiders, as a group, under the Plan together with any other Share Compensation Arrangement, within a 12-month period, cannot exceed 10% of the outstanding Common Shares calculated on the date of the grant of the RSUs; and
- (c) the maximum number of RSUs that can be granted to any one Eligible Person under the Plan, together with any other Share Compensation Arrangement, within a 12-month period, cannot exceed 5% of the outstanding Common Shares calculated on the date of the grant of the RSUs.

### ***Amendment or Termination of RSU Plan***

Subject to the requirements of applicable laws, the Board may amend or terminate the RSU Plan at any time, but the consent of the RSU Plan Recipient is required for any such amendment that adversely affects the rights of the RSU Plan Recipient, unless the amendment or termination is required by law. A termination of the RSU Plan will not accelerate the vesting of RSUs or the time in which a RSU Plan Recipient would otherwise be entitled to receive payment in respect of the RSUs.

### **INCREASE TO MAXIMUM NUMBER UNDER RSU PLAN**

On June 17, 2019, the Company approved an increase under the RSU Plan, from the current maximum of 6,000,000 common shares to 15,000,000 common shares. Shareholders are being asked to approve by an ordinary resolution, to an increase of the maximum number under the RSU Plan, from 6,000,000 common shares to 15,000,000 common shares. See heading below "**PARTICULARS OF MATTERS TO BE ACTED UPON – B. Fixed Restricted Share Unit Plan**".

As indicated above, the Company’s 10% “rolling” share option plan (defined above as the “**Stock Option Plan**”) under which convertible securities can be issued as an additional mechanism to encourage equity participation in the Company by directors, officers, employees and other service providers, which for the purposes of the RSU Plan, is considered a Share Compensation Arrangement. Any grants under the Stock Option Plan would be considered in the limitations under the RSU Plan.

**Stock Options and Other Compensation Securities**

**Outstanding Compensation Securities**

Financial year ended October 31, 2018

The following table sets forth all compensation securities (both option-based and share-based) granted or issued to each NEO and director by the Company or any subsidiary thereof during financial year ended October 31, 2018:

<b>Compensation Securities</b>							
<b>Name and position</b>	<b>Type of compensation security</b>	<b>Number of compensation securities, number of underlying securities, and percentage of class</b>	<b>Date of issue or grant M-D-Y</b>	<b>Issue, conversion or exercise price (\$)</b>	<b>Closing price of security or underlying security on date of grant (\$)</b>	<b>Closing price of security or underlying security at year end (\$)</b>	<b>Expiry Date M-D-Y</b>
Clinton Sharples, Chief Executive Officer and President	Options	1,000,000 280,500 0.62%	11-15-17 03-19-18	0.14 0.54	0.14 0.54	0.24 0.24	11-15-22 03-19-23
	RSUs	700,000 11.6%	02-20-18	nil	0.60	0.24	nil
Jagdip Bal, former Chief Executive Officer, President\ and Director	Options	1,500,00 250,000 280,500 0.99%	11-15-17 01-22-18 03-19-18	0.14 0.59 0.54	0.14 0.59 0.54	0.24 0.24 0.24	11-15-22 01-22-23 03-19-23
	RSUs	900,000 15%	02-20-18	nil	0.60	0.24	nil
	Options	200,000 0.09%	11-15-17	0.14	0.14	0.24	11-15-17
Kristina Khersonski, former Chief Financial Officer and Corporate Secretary	Options	200,000 0.09%	11-15-17	0.14	0.14	0.24	11-15-17
	RSUs	nil	nil	nil	nil	nil	nil
Debra Senger, Director	Options	nil	nil	nil	nil	nil	nil
	RSUs	nil	nil	nil	nil	nil	nil
Bradley T. Culver, former Director	Options	200,000 0.09%	11-15-17	0.14	0.14	0.24	11-15-17
	RSUs	50,000 0.83%	02-20-18	nil	0.60	0.24	nil



**Exercise of Compensation Securities by NEOs and Directors**

Financial Year Ended October 31, 2018

The following table sets forth incentive stock options (option-based awards) and restricted share units (share-based awards) that were exercised during the year ended October 31, 2018 by NEOs and directors of the Company:

Exercise of Compensation Securities by Directors and NEOs							
Name and position	Type of compensation security	Number of underlying securities exercised	Exercise price per security (\$)	Date of Exercise M-D-Y	Closing price per security on date of exercise (\$)	Difference between exercise price and closing price on date of exercise (\$)	Total Value on exercise date (\$) M-D-Y
Clinton Sharples, Chief Executive Officer and President	Options	1,000,000	0.14	01-17-18	0.63	0.49	\$490,000
	RSUs	700,000	nil	08-18-18	0.245	0.245	\$171,500
Jagdip Bal, Former Chief Executive Officer, President and Director	Options	200,000	0.065	01-19-18	0.59	0.525	\$105,000
		600,000	0.065	02-01-18	0.62	0.555	\$333,000
	RSUs	1,500,000	0.14	09-12-18	0.30	0.16	\$240,000
		900,000	nil	08-18-18	0.245	0.245	\$220,500
Kristina Khersonski, former Chief Financial Officer and Corporate Secretary	Options	200,000	0.14	01-15-18	0.72	0.58	\$116,000
	RSUs	nil	nil	nil	nil	nil	nil
Debra Senger, Director	Options	nil	nil	nil	nil	nil	nil
	RSUs	2,400,000	nil	08-18-18	0.245	0.245	\$588,000
Bradley T. Culver, former Director	Options	400,000	0.080	05-17-18	0.31	0.23	\$92,000
	RSUs	50,000	nil	08-18-18	0.245	0.245	\$12,250

**Employment, Consulting and Management Agreements**

The Company did not have any employment, consulting or management agreements or arrangements with any of the Company's current NEOs or directors in financial years ending October 31, 2018.

**Director Compensation**

There are no arrangements under which directors were compensated by the Company during the two most recently completed financial years ended October 31, 2018 and October 31, 2017 for their services in their capacity as directors.

**Oversight and Description of Director and Named Executive Officer Compensation**

The Company does not have a compensation program. The compensation of the executive officers is determined by the Board, based in part on recommendations from the Chief Executive Officer. The Board recognizes the need to provide a compensation package that will attract and retain qualified and experienced executives, as well as align the compensation level of each executive to that executive's level of responsibility. The objectives of the Company's compensation policies and practices are:

1. to reward individual contributions in light of the Company's performance;

2. to be competitive with companies with whom the Company competes for talent;
3. to align the interests of the executives with the interests of the shareholders; and
4. to attract and retain executives who could help the Company achieve its objectives.

The basic component of executive compensation has consisted of only a consulting fee component and going forward, the Company may include performance-based variable incentive compensation, which may be comprised of cash bonuses or stock option grants or restricted share unit awards. The allocation of value to these different compensation elements will not be based on a formula, but rather will be intended to reflect market practices as well as the Board's discretionary assessment of an executive officer's past contribution and the ability to contribute to future short and long-term business results. Specifically, the objectives of consulting fees are to recognize market pay and acknowledge the competencies and skills of individuals. The rate established for each executive officer is intended to reflect each individual's responsibilities, experience, prior performance and other discretionary factors deemed relevant by a compensation committee that may be formed in future. In deciding on the consulting fee portion of the compensation of the executive officers, major consideration is given to the fact that the Company is an early stage Cannabis company and does not generate any material revenue and must rely exclusively on funds raised from equity financings. In the future, the objectives of incentive bonuses in the form of cash payments will be designed to add a variable component of compensation, based on corporate and individual performances for executive officers and employees. The objectives of stock options or restricted share units will be to reward achievement of long-term financial and operating performance and focus on key activities and achievements critical to the ongoing success of the Company. The Company has no other forms of compensation, other than payments made from time to time to individuals or companies they control for the provision of consulting services. Such consulting services are paid for by the Company, to the best of its ability, at competitive industry rates for work of a similar nature by reputable arm's length service providers. Actual compensation will vary based on the performance of the executives relative to the achievement of goals and the price of the Company's securities, as well as the financial condition of the Company.

The Board evaluates individual executive performance with the goal of setting compensation at levels that it believes is comparable with executives in other companies of similar size and stage of development operating in the same industry. In connection with setting appropriate levels of compensation, members of the Board base their decisions on their general business and industry knowledge and experience and publicly available information of comparable companies in the industry while also taking into account the Company's relative performance and strategic goals. The Board also assumes responsibility for reviewing and monitoring the long-range compensation strategy of the Company's senior management. The Board reviews the compensation of senior management on an annual basis taking into account compensation paid by other issuers of similar size and activity.

In the course of its deliberations, the Board considered the implications of the risks associated with adopting the compensation practices currently in place. The Board does not believe that its current compensation practices creates a material risk that the NEOs or any director or employee of the Company would be encouraged to take as being inappropriate or excessive. The Board will continue to include this consideration in its deliberations and believes that it would detect actions of management and employees of the Company that constitute or would lead to inappropriate or excessive risks.

#### Base Salary or Consulting Fees

Base salary ranges for executive officers are determined upon a review of companies within the cannabis-based industry, which are of the same size as the Company, at the same stage of development as the Company and considered comparable to the Company.

In determining the base salary of an executive officer, the Board considers the following factors:

- (a) the particular responsibilities related to the position;
- (b) salaries paid by other companies in the cannabis-based industry which are of similar in size as the Company;
- (c) the experience level of the executive officer;
- (d) the amount of time and commitment which the executive officer devotes to the Company; and
- (e) the executive officer's overall performance and performance in relation to the achievement of corporate milestones and objectives.

#### Financial Year ended October 31, 2018

All related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. All amounts either due from or due to related parties other than specifically disclosed are non-interest bearing, unsecured and have no fixed terms of repayments.

During the financial year ended October 31, 2018:

- (a) The Company incurred \$172,000 for management and consulting fees to Jag Bal and Infinity Alliance Corp., of which Jag Bal is a director in common. Jagdip Bal served as Chief Executive Officer, President and a director of the Company from December 14, 2012 to September 4, 2018.
- (b) The Company incurred \$90,000 for management and consulting fees to Clinton Sharples and Equival Inc., of which Clinton Sharples is a director in common.
- (c) The Company incurred \$114,286 for management and consulting fees to Debra Senger and J Hamel Transport, of which Debra is a director in common.
- (d) As of the year end October 31<sup>st</sup>, 2018 the company had a payable due Clinton Sharples and Equival Inc., of which Clinton Sharples is a director in common in the amount of \$44,808.

#### Financial Year ended October 31, 2017

During the financial year ended October 31, 2017:

- (a) The Company incurred \$115,890 for management and consulting fees to Jag Bal and Infinity Alliance Corp., of which Jag Bal is a director in common.
- (b) The Company incurred \$49,910 for management and consulting fees to Clinton Sharples and Equival Inc., of which Clinton Sharples is a director in common.

#### **Compensation Review Process**

The Board conducts reviews with regard to directors' compensation once a year. To make its recommendation on directors' compensation, the Board takes into account the types of compensation and the amounts paid to directors of comparable publicly traded Canadian companies and aligns the interests of directors with the return to shareholders. The Board decides the compensation of the Company's officers, based on industry standards and the Company's financial situation.

#### **Bonus Incentive Compensation**

The Company's objective is to achieve certain strategic objectives and milestones. The Board will consider executive bonus compensation dependent upon the Company meeting those strategic objectives and milestones and will ascertain if sufficient cash resources are available for the grant of bonuses. The Board approves executive bonus compensation dependent upon compensation levels based on recommendations of the Chief Executive Officer. Such recommendations are generally based on information provided by companies that are similar in size and scope to the Company's operations.

#### **Equity Participation**

Equity participation is accomplished through the Company's stock option plan and restricted share unit plan. The Company believes that encouraging its executives and employees to become shareholders is the best way of aligning their interests with those of its shareholders. Stock options and restricted share units are granted to executives and employees taking into account a number of factors, including the amount and term of options or restricted share units previously granted, base salary and bonuses and competitive factors. The amounts and terms of options and restricted share units granted are determined by the directors of the Company based on recommendations put forward by the Chief Executive Officer. The Company emphasizes the provisions of option and restricted share units grants to maintain executive motivation.

#### **Risks Associated with the Company's Compensation Program**

The Board has not proceeded in a formal evaluation of the considered implications of the risks associated with the Company's compensation policies and practices. The Board and the CEO are responsible for setting and overseeing the Company's compensation policies and practices.

Executive compensation is comprised of short-term compensation in the form of a consulting fees and long-term ownership through the Company's stock option plan and restricted share unit plan. This structure ensures that a significant portion of executive compensation (stock options and restricted share units) are both long-term and "at risk" and, accordingly, is directly linked to the achievement of business results and the creation of long-term shareholder value. As the benefits of

such compensation, if any, are not realized by officers until a significant period of time has passed, the ability of officers to take inappropriate or excessive risks that are beneficial to their compensation at the expense of the Company and the shareholders is extremely limited.

The Company does not use any specific practices to identify and mitigate compensation policies that could encourage an officer or individual to take inappropriate or excessive risks. These matters are dealt with on a case-by-case basis. The Company currently believes that none of its policies encourage its officers to take such risks. The Company has not identified any risks arising from its compensation policies and practices that are reasonably likely to have a material adverse effect on the Company.

Risks, if any, may be identified and mitigated through regular meetings of the Board during which financial and other information of the Company are reviewed. No risks have been identified arising from the Company's compensation policies and practices that are reasonably likely to have a material adverse effect on the Company.

#### Benefits and Perquisites

The Company does not, as of the date of this Information Circular, offer any benefits or perquisites to its NEOs other than entitlement to incentive stock options and restricted share units or as otherwise disclosed and discussed herein.

#### Hedging by Directors or NEOs

The Company has not, to date, adopted a policy restricting its executive officers and directors from purchasing financial instruments, including, for greater certainty, prepaid variable forward contracts, equity swaps, collars, or units of exchange funds, which are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by executive officers or directors. The Company is not, however, aware of any directors or officers having entered into this type of transaction.

#### **Pension Disclosure**

The Company does not have a pension plan that provides for payments or benefits to the NEOs, directors or employees at, following, or in connection with retirement.

#### **Option-Based Awards**

The Board is responsible for administering compensation policies related to the Company's executive management, including with respect to option-based awards.

As referenced above, the Company has in place, a 10% rolling stock option plan pursuant to which the Board can grant stock options to directors, officers, employees, management and others who provide services to the Company. The stock option plan provides compensation to participants and an additional incentive to work toward long-term Company performance.

#### **Share-Based Awards**

As referenced above, the Company has adopted a fixed restricted share unit plan (the "**RSU Plan**"). The RSU Plan was designed to provide certain directors, employees, officers, other key employees and consultants of the Company and its related entities with the opportunity to acquire restricted share units ("**RSUs**") of the Company in order to enable them to participate in the long-term success of the Company and to promote a greater alignment of their interests with the interests of the Shareholders. The Board (or a Committee delegated by the Board) is responsible for administering the RSU Plan.

## SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The Company has in place its 10% “rolling” share option plan and a fixed restricted share unit plan.

The following table sets out equity compensation plans information at fiscal year ending October 31, 2018:

### Equity Compensation Plans Information

	Number of securities to be issued upon exercise of outstanding Options/RSUs	Weighted-average exercise price of outstanding Options/RSUs	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) <sup>(1)</sup>
Plan Category	(a)	(b)	(c)
Equity compensation plans approved by securityholders 10% Rolling Share Option Plan	5,041,000Options	\$0.30 Options	9,350,945Options
Equity compensation plans approved by securityholders Fixed Restricted Share Unit Plan	6,000,000RSUs	N/A ,	0 RSUs
Total	5,041,000Options 6,000,000 RSUs		9,350,945 Options 0 RSUs

### INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

Other than as set out in this Information Circular, no directors, proposed nominees for election as directors, executive officers or their respective associates or affiliates, or other management of the Company were indebted to the Company as of the end of the financial year end October 31, 2018 or as at the date hereof.

### INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

To the knowledge of management of the Company, other than set out in this Information Circular, no informed person (a director, officer or holder of 10% or more of the Common Shares) or nominee for election as a director of the Company or any associate or affiliate of any informed person or proposed director had any interest in any transaction which has materially affected or would materially affect the Company or any of its subsidiaries during financial year ended October 31, 2018.

### MANAGEMENT CONTRACTS

Other than as set out in this Information Circular, there are no management functions of the Company, which are to any substantial degree performed by a person or company other than the directors or NEOs of the Company.

### PARTICULARS OF MATTERS TO BE ACTED UPON

#### A. 10% Rolling Share Option Plan

A total of 10,791,000 stock options were outstanding at the date of this Information Circular.

The Board is of the view that the Company’s 10% rolling share option plan provides the Company with the flexibility to attract and maintain the services of executives, employees and other service providers in compensation with other companies in the industry.

#### Shareholder Resolution

At the Meeting, shareholders will be asked to vote on the following ordinary resolution, with or without variation:

“**Resolved**, as an ordinary resolution of shareholders of the Company, that the Company’s 10% rolling share option plan dated for reference October 23, 2014, as amended on May 13, 2019, be and is hereby ratified and approved until the next annual general meeting of the Company.”

An ordinary resolution is a resolution passed by the shareholders of the Company at a general meeting by a simple majority of the votes cast in person or by proxy.

The **Board recommends that you vote in favour of the above resolution.**

A copy of the Option Plan will also be available for inspection at the Meeting.

#### **B. Fixed Restricted Share Unit Plan**

A total of 6,000,000 Common Shares are reserved for the issuance of stock options pursuant to the Company's Fixed Restricted Share Unit Plan (the material terms of which is detailed in this Information Circular above).

In order to provide incentive to directors, officers, officers, employees, management and others providing services to the Company to act in the Company's best interests, the Company proposes that the total of the reserved restricted share units of the Fixed Restricted Share Unit Plan be increased from 6,000,000 Common shares to 15,000,000 Common Shares. As of Record Date, June 18, 2019, there were 6,000,000 restricted share units granted under the Fixed Restricted Share Unit Plan.

Shareholders will be asked to approve an ordinary resolution of disinterested shareholders to amend the Company's fixed restricted share unit plan to increase the number of authorized Shares to be reserved for issuance under the plan.

#### **Shareholder Resolution**

**"Resolved,** as an ordinary resolution of shareholders of the Company, that the number of Common Shares reserved for issuance as restricted share units under the Company's Fixed Restricted Share Unit Plan dated August 4, 2017, as amended and restated June 17, 2019 (the "RSU Plan"), be increased by an additional 9,000,000 Common Shares, to a total of 15,000,000 Common Shares and the RSU Plan, as amended, be ratified and approved."

An ordinary resolution of disinterested shareholders is a resolution passed by a simple majority of the votes of disinterested shareholders of the Company, as defined below, cast in person or by proxy at a general meeting.

A copy of the Fixed Restricted Share Unit Plan, as amended and restated, will be available for review at the Meeting.

**The Board recommends that shareholders vote in favour of the above resolution.**

#### **C. Continuance to Ontario/By-Law No. 1**

Management of the Company believes it to be in the best interests of the Company to continue the Company into the governing jurisdiction of the Province of Ontario for corporate and administrative reasons. The Company is seeking shareholder approval at the Meeting to consider and, if deemed advisable, approve a special resolution authorizing the Board, in its sole discretion, to apply for continuance out of the Province of British Columbia under the provisions of the *Business Corporations Act* (British Columbia) (the "BCBCA") into the Province of Ontario under the provisions of the *Business Corporations Act* (Ontario) (the "OBCA") (the "Continuance") and to adopt new By-Laws in accordance with the *Business Corporations Act* (Ontario) relating generally to the conduct of the business and affairs of the Corporation under the OBCA ("By-Law No. 1").

#### **Introduction**

The Company is currently incorporated under the BCBCA. The Company's board of directors proposes to continue the Company out of British Columbia and into Ontario under the OBCA. The Continuance, if approved, will effect a change in the legal domicile of the Company as of the effective date and time thereof and will affect certain of the rights of Shareholders as they currently exist under the BCBCA. Management of the Company is of the view that the OBCA will provide to shareholders substantively the same rights as are available to shareholders under the BCBCA, including rights of dissent and appraisal and rights to bring derivative actions and oppression actions, and is consistent with corporate legislation in most other Canadian jurisdictions, and that Shareholders will not be adversely affected by the Continuance.

Upon the Continuance becoming effective, Shareholders will continue to hold one common share of the Company for each Share currently held. The principal attributes of the Shares after Continuance will be identical to the corresponding shares of the Company prior to the Continuance other than differences in shareholders' rights under the OBCA and the BCBCA. The directors and officers of the Company immediately following the Continuance will be identical to the directors and officers of the Company immediately prior to the Continuance. As of the effective date of the Continuance, the election, duties, resignations and removal of the Company's directors and officers shall be governed by the OBCA, the proposed Articles of Continuance under the OBCA, and the By-laws to be adopted by the directors following the continuance. The new by-laws will replace the current articles of the Company.

### ***Procedure***

Under the BCBCA, in order to affect the Continuance of the Company from British Columbia into Ontario, the Company must obtain the approval of its shareholders by way of special resolution under the BCBCA, being a resolution passed by not less than two-thirds of the votes cast in person or by proxy at the Meeting.

The Company must also make a written application to the Registrar of Companies appointed under the BCBCA (the “**Registrar of Companies**”) for consent to continue. If the Continuance Resolution is approved at the Meeting, it is proposed the Company shall apply to and file all necessary documentation with the Registrar of Companies for authorization to continue into Ontario. Immediately following receipt of the authorization of the Registrar of Companies, it is proposed that the Company shall apply for a Certificate of Continuance and file Articles of Continuance under the OBCA to continue the Company into Ontario. Upon the issuance of a Certificate of Continuance by the Director appointed under the OBCA (the “**Director**”), the Continuance will become effective, whereupon the Company will become subject to the OBCA, as if it had been incorporated under the OBCA, and the Articles of Continuance will be deemed to be the articles of incorporation of the Company.

The Articles of Continuance will constitute the governing instrument of the continued Company under the OBCA and the Certificate of Continuance issued by the Director will be deemed to be the certificate of incorporation of the continued Company. Upon the Articles of Continuance becoming effective, the Company becomes a corporation to which the OBCA applies as if it had been incorporated under the OBCA. Notwithstanding the Continuance of the Company from British Columbia into Ontario, the BCBCA and the OBCA provide that all the rights of creditors of the Company against the Company’s property, rights and assets and all liens on the Company’s property, rights and assets are unimpaired by the Continuance. All debts, contracts, liabilities and duties of the Company continue to attach to the Company upon being continued under the OBCA and continue to be enforceable against it as if the Company had remained incorporated under the BCBCA as well as any existing cause of action, claim or legal proceeding against the Company. Notwithstanding the approval of the Continuance by special resolution of the Shareholders of the Company, the Board may, without further approval by the Company’s Shareholders, abandon the application for the Continuance of the Company under the OBCA at any time prior to the issue of a certificate of continuance.

### ***Continuance – Corporate Governance Differences***

In general terms, the OBCA provides to shareholders substantively the same rights as are available to shareholders under the BCBCA, including rights of dissent and appraisal and rights to bring derivative actions and oppression actions, and is consistent with corporate legislation in most other Canadian jurisdictions. There are, however, important differences concerning the qualifications of directors, location of shareholder meetings and certain shareholder remedies. The following is a summary comparison of certain provisions and the highlights of the BCBCA and the OBCA which pertain to rights of Shareholders. This summary is not intended to be exhaustive and Shareholders should consult their legal advisers regarding all of the implications of the Continuance.

### ***Charter Documents***

Under the OBCA, the charter documents will consist of Articles of Continuance, which set forth, among other things, the name of the corporation and the amount and type of authorized capital, and By-laws, which govern the management of the Company following the Continuance. The Articles and the By-laws are kept at the Company’s registered office, or such other place in Ontario designated by the directors. Under the BCBCA, the charter documents consist of a Notice of Articles, which sets forth the name of the corporation and the amount and authorized share structure, and Articles, which govern the management of the Company. The Notice of Articles is filed with the Registrar of Companies while the Articles are kept at the Company’s records office. The Continuance to Ontario and the adoption of the Articles of Continuance and By-laws will not result in any substantive changes to the constitution, powers or management of the Company, except as otherwise described herein.

### ***Amendments to Charter Documents***

Under the OBCA, certain fundamental changes require a special resolution passed by not less than two-thirds of the votes cast by the shareholders voting on the resolution authorizing the alteration at a special meeting of shareholders, and, in certain instances, where the rights of the holders of a class or series of shares are affected differently by the alteration than those of the holders of other classes or series of shares, a special resolution passed by not less than two-thirds of the votes cast by the holders of shares of each class or series so affected, whether or not they are otherwise entitled to vote. Authorization to amalgamate an OBCA corporation requires that a special resolution in respect of the amalgamation be passed by the holders of each class or series of shares entitled to vote thereon. The holders of a class or series of shares of an amalgamating corporation, whether or not they are otherwise entitled to vote, are entitled to vote separately as a class or series in respect of an amalgamation if the amalgamation agreement contains a provision that, if contained in a proposed

amendment to the Articles, would entitle such holders to vote separately as a class or series under Section 170 of the OBCA.

Any substantive change to the charter documents of a corporation under the BCBCA, such as an alteration of the restrictions, if any, on the business carried on by a corporation, a change in the name of a corporation, an increase, reduction or elimination of the maximum number of shares that the corporation is authorized to issue out of any class or series of shares, an alteration of the special rights and restrictions attached to issued shares or continuance of a corporation out of the jurisdiction requires a resolution of the type specified in its Articles. If the Articles do not specify the type of resolution, a special resolution passed by the majority of votes that the Articles of the corporation specify is required, if that specified majority is at least two thirds and not more than three quarters of the votes cast on the resolution or, if the Articles do not contain such a provision, a special resolution passed by at least two thirds of the votes cast on the resolution. Other fundamental changes such as a proposed amalgamation or arrangement require a similar special resolution passed by holders of shares of each class entitled to vote at a general meeting of the corporation and the holders of all classes of shares adversely affected by such changes.

#### *Sale of Undertaking*

The OBCA requires approval by not less than two-thirds of the votes cast upon a special resolution at a duly called special meeting for a sale, lease or exchange of all or substantially all of the property of the corporation (other than in the ordinary course of business of the corporation). Holders of a class or series of shares, otherwise not entitled to vote, may vote separately only if the sale, lease or exchange would affect a particular class or series in a manner different from the shares of another class or series entitled to vote.

Under the BCBCA, a corporation may sell, lease or otherwise dispose of all or substantially all of the undertaking (as opposed to 'property' under the OBCA) of the corporation if it does so in the ordinary course of its business or if it has been authorized to do so by a special resolution passed by the majority of votes that the Articles of the corporation specify is required, if that specified majority is at least two-thirds and not more than three-quarters of the votes cast on the resolution or, if the Articles do not contain such a provision, a special resolution passed by at least two-thirds of the votes cast on the resolution.

#### *Rights of Dissent and Appraisal*

The OBCA provides that shareholders who dissent to certain actions being taken by a corporation may exercise a right of dissent and require the corporation to purchase the shares held by such shareholder at the fair value of such shares. The dissent right is applicable in respect of:

- (a) a resolution to amend its Articles to add, remove or change restrictions on the issue, transfer or ownership of shares of a class or series of the shares of the corporation;
- (b) a resolution to amend its Articles to add, remove or change any restriction upon the business or businesses that the corporation may carry on or upon the powers that the corporation may exercise;
- (c) a resolution to amalgamate with another corporation;
- (d) a resolution to be continued under the laws of another jurisdiction; or
- (e) a resolution to sell, lease or exchange all or substantially all the corporation's property.

Although the procedure under BCBCA for exercising rights of dissent differs from the procedure under the OBCA, the BCBCA still provides that shareholders who dissent to certain actions being taken by the Company may exercise a right of dissent and require the Company to purchase the shares held by such shareholder at the fair value of such shares. A shareholder is entitled to dissent in respect of:

- (a) a resolution to alter the Company's Articles to alter restrictions on the powers of the Company or on the business that the Company is permitted to carry on;
- (b) a resolution to adopt an amalgamation agreement;
- (c) a resolution to adopt a resolution to approve an amalgamation into a foreign jurisdiction;
- (d) a resolution to approve an arrangement, the terms of which arrangement permit dissent;
- (e) a resolution to authorize or ratify the sale, lease or other disposition of all or substantially all of the Company's undertaking;
- (f) a resolution to continue into a jurisdiction other than British Columbia;



- (g) any other resolution, if dissent is authorized by the resolution; or
- (h) any court order that permits dissent.

#### *Oppression Remedies*

Under the OBCA, a registered shareholder, former registered shareholder, beneficial owner of shares, former beneficial owner of shares, director, former director, officer, former officer of a corporation or any of its affiliates, or any other person who, in the discretion of a court, is a proper person to seek an oppression remedy may apply to a court for an order to rectify the matters complained of where, in respect of a corporation or any of its affiliates:

- (a) any act or omission of the corporation or its affiliates effects, or threatens to effect, a result;
- (b) the business or affairs of the corporation or its affiliates are, or have been or are threatened to be carried on or conducted in a manner; or
- (c) the powers of the directors of the corporation or any of its affiliates are, have been or are threatened to be exercised in a manner, that is oppressive or unfairly prejudicial to or that unfairly disregards the interests of, any security holder, creditor, director or officer.

The OBCA contains rights that are substantially broader in that they are available to a larger class of complainants than the BCBCA. Under the BCBCA, a shareholder of a corporation has the right to apply to court on the ground that:

- (a) the affairs of the corporation are being or have been conducted, or that the powers of the directors are being or have been exercised, in a manner oppressive to one or more of the shareholders, including the applicant, or
- (b) some act of the corporation has been done or is threatened, or that some resolution of the shareholders or of the shareholders holding shares of a class or series of shares has been passed or is proposed, that is unfairly prejudicial to one or more of the shareholders, including the applicant.

On such an application, the court may make such order as it sees fit including an order to prohibit any act proposed by the corporation.

#### *Shareholder Derivative Actions*

Under the BCBCA, a shareholder or director of a corporation may, with leave of the court, bring an action in the name and on behalf of the corporation to enforce a right, duty or obligation owed to the corporation that could be enforced by the corporation itself or to obtain damages for any breach of such a right, duty or obligation. A broader right to bring a derivative action is contained in the OBCA, and this right extends also to registered shareholders, former registered shareholders, beneficial owners of shares, former beneficial owners of shares, directors, former directors, officers and former officers of a corporation or any of its affiliates, and any person who, in the discretion of the court, is a proper person to make an application to court to bring a derivative action. In addition, the OBCA permits derivative actions to be commenced in the name and on behalf of a corporation or any of its subsidiaries.

#### *Requisition of Meetings*

Both the BCBCA and the OBCA provide that shareholders of a corporation holding not less than 5% of the issued voting shares of a corporation may give notice to the directors requiring them to call and hold a meeting.

#### *Place of Meetings*

Subject to the Articles or any unanimous shareholder agreement, the OBCA permits meetings of shareholders to be held inside or outside Ontario as the directors determine, or in the absence of such a determination, at the place where the registered office of the corporation is located. Under the BCBCA, meetings of shareholders are required to be held in British Columbia unless:

- (a) location outside of British Columbia is provided for in the Articles;
- (b) the Articles do not restrict the corporation from approving a location outside of British Columbia, the location is approved by the resolution required by the Articles for that purpose (in the case of the Company, the location may be approved by directors' resolution), or if no resolution is specified then approved by ordinary resolution before the meeting is held; or
- (c) the location for the meeting is approved in writing by the Registrar of Companies before the meeting is held.

### *Directors*

The OBCA and BCBCA both provide that a public corporation must have a minimum of three directors. The OBCA does not have a provincial residency requirement for directors (although at least 25% must be resident Canadians) and the BCBCA has neither Canadian nor provincial residency requirements for directors.

### ***Shareholders' Rights of Dissent in Respect of the Continuance***

**The following is a summary of the operation of the provisions of the BCBCA relating to a registered Shareholder's dissent and appraisal rights in respect of the Continuance. Such summary is not a comprehensive statement of the procedures to be followed by a Shareholder who seeks such dissent and appraisal rights and is qualified in its entirety by reference to the full text of Part 8, Division 2 of the BCBCA which is attached to this Information Circular as Schedule B. Any registered Shareholder considering the exercise of the right of dissent should seek legal advice, since failure to comply strictly with the provisions of the BCBCA may prejudice the registered Shareholder's right of dissent. Persons who are beneficial owners of Shares registered in the name of a broker, custodian, nominee or other intermediary who wish to dissent should be aware that only the registered holders of such shares are entitled to dissent. Accordingly, a beneficial owner of Shares desiring to exercise the right of dissent must make arrangements for the Shares beneficially owned to be registered in their name prior to the time the written objection to the Continuance resolution is required to be received by the Company or, alternatively, make arrangements for the registered holder of such shares to dissent on their behalf.**

Pursuant to Section 238 of the BCBCA, any shareholder who dissents from the Continuance resolution (a "**Continuance Dissenting Shareholder**") in compliance with Sections 237 to 247 of the BCBCA will be entitled to be paid by the Company the fair value of the Shares held by such Continuance Dissenting Shareholder determined as at the point in time immediately before the passing of the Continuance resolution. A Continuance Dissenting Shareholder must dissent with respect to all Shares in which the holder owns a beneficial interest.

The filing of a notice of dissent deprives a Continuance Dissenting Shareholder of the right to vote at the Meeting, except if such Continuance Dissenting Shareholder ceases to be a Continuance Dissenting Shareholder in accordance with the Continuance Dissent Rights. For greater certainty, a shareholder who wishes to exercise the Continuance Dissent Rights may not vote in favour of the Continuance. A shareholder who wishes to dissent must deliver written notice of dissent to the Company at its registered office, which is 1500 Royal Centre, 1055 West Georgia Street, P.O. Box 11117, Vancouver, British Columbia Canada V6E 4N7 at least two days before the date on which the Continuance resolution is to be voted upon and such notice of dissent must strictly comply with the requirements of Section 242 of the BCBCA.

In particular, the written notice of dissent must set out the number of Shares in respect of which the notice of dissent is to be sent and:

- (a) if such Shares constitute all of the Shares of which the shareholder is the registered and beneficial owner, a statement to that effect;
- (b) if such Shares constitute all of the Shares of which the shareholder is both the registered and beneficial owner but if the shareholder owns additional Shares beneficially, a statement to that effect and the names of the registered shareholders, the number of Shares held by such registered owners and a statement that written notices of dissent have or will be sent with respect to such shares; or
- (c) if the dissent rights are being exercised by a registered owner who is not the beneficial owner of such Shares, a statement to that effect and the name of the beneficial owner and a statement that the registered owner is dissenting with respect to all Shares of the beneficial owner registered in such registered owner's name.

The Company is required promptly after the later of (i) the date on which the Company forms the intention to proceed with the Continuance; and (ii) the date on which the written notice of dissent was received, to notify each Continuance Dissenting Shareholder of its intention to act on the Continuance. Upon receipt of such notification, each Continuance Dissenting Shareholder is then required, if the Continuance Dissenting Shareholder wishes to proceed with the dissent, within one month after the date of such notice to send to the Company (a) a written statement that the Continuance Dissenting Shareholder requires the Company to purchase all of its Shares; (b) the certificates representing such Shares; and (c) if the dissent right is being exercised by the Continuance Dissenting Shareholder on behalf of a beneficial owner who is not the Continuance Dissenting Shareholder, a statement signed by the beneficial owner which sets out whether the beneficial owner is the beneficial owner of other Shares, and if so, (i) the names of the registered owners of such Shares; (ii) the number of such Shares; and (iii) that dissent is being exercised in respect of such Shares. A shareholder who fails to send the Company, within the required time frame, the written statements described above and the certificates representing the Shares in respect of which the Continuance Dissenting Shareholder dissents, forfeits the shareholder's right to dissent.

On sending the required documentation to the Company, the fair value for a Continuance Dissenting Shareholder's Shares will be determined as follows:

- (a) if the Company and a Continuance Dissenting Shareholder agree on the fair value of the Shares, then the Company must promptly pay that amount to the Continuance Dissenting Shareholder or promptly send notice to the Continuance Dissenting Shareholder that the Company is lawfully unable to pay the Continuance Dissenting Shareholders for their Shares; or
- (b) if a Continuance Dissenting Shareholder and the Company are unable to agree on a fair value, the Continuance Dissenting Shareholder may apply to the Supreme Court of British Columbia to determine the fair value of the Shares, and the Company must pay to the Continuance Dissenting Shareholder the fair value determined by such Court or promptly send notice to the Continuance Dissenting Shareholder that the Company is lawfully unable to pay the Continuance Dissenting Shareholders for their Shares.

The Company will be lawfully unable to pay the Continuance Dissenting Shareholder the fair value of their Shares if the Company is insolvent or would be rendered insolvent by making the payment to the Continuance Dissenting Shareholder. In such event, Continuance Dissenting Shareholders will have 30 days to elect to either (a) withdraw their dissent or (b) retain their status as a claimant and be paid as soon as the Company is lawfully able to do so or, in a liquidation, be ranked subordinate to its creditors but in priority to its shareholders.

If the Continuance is not implemented for any reason, Continuance Dissenting Shareholders will not be entitled to be paid the fair value for their Shares and the Continuance Dissenting Shareholders will be entitled to the return of any Share certificates delivered to the Company in connection with the exercise of the Continuance Dissent Rights.

The discussion above is only a summary of the Continuance dissent rights which are technical and complex. A Shareholder who intends to exercise Continuance dissent rights should carefully consider and comply with the provisions of Sections 237 to 247 of the BCBCA. Persons who are beneficial owners of Shares registered in the name of an intermediary such as a broker, custodian, nominee, other intermediary, or in some other name, who wish to dissent should be aware that only the registered owner of such shares is entitled to dissent. It is suggested that any shareholder wishing to avail himself or herself of the Continuance dissent rights seek his or her own legal advice as failure to comply strictly with the applicable provisions of the BCBCA may prejudice the availability of such dissent rights. Continuance Dissenting Shareholders should note that the exercise of dissent rights can be a complex, time-consuming and expensive process.

#### By-Law No. 1

The Corporation's By-Law No. 1 was adopted on by Board resolution on June 20, 2019, the form of which is attached as Schedule "C" to this Information Circular. By-Law No. 1 relates generally to the regulation of business and affairs of the Company, and which By-Law includes advance notice of nominations of directors in circumstances where nominations of persons for election to the Board are made by shareholders other than pursuant to a requisition of a meeting made pursuant to the provisions of the *Business Corporations Act* (Ontario) (the "Act") or a shareholder proposal made pursuant to the provisions of the Act.

Under the provisions of the OBCA, adoption of a new set of by-laws is required to be submitted to shareholders for confirmation, rejection or amendment by special resolution. If the proposed By-Law No. 1 is not ratified and confirmed by shareholders at the Meeting, the Company will continue with its current BCBCA Articles that is currently in full force and effect.

The Continuance/ By-Law No. 1 resolution must be approved by a special resolution in order to become effective. To pass, a special resolution requires a majority of not less than two-thirds of the votes cast by the shareholders present at the Meeting in person or by proxy.

Even if the Continuance is approved, the Board retains the power to revoke it at all times without any further approval by the shareholders. The Board will only exercise such power in the event that it is in its opinion, in the best interest of the Company. For example, if a significant number of shareholders dissent in respect of the Continuance, the Board may determine not to proceed with the Continuance.

### **Continuance/By-Law No.1 Resolution**

The shareholders of the Company are being asked to pass the following special resolution, with or without variation, to the below resolution transferring the Company's jurisdiction of incorporation from the jurisdiction of British Columbia to the jurisdiction of Ontario and to ratify, confirm and approve the adoption of By-Law No. 1, as follows:

**"RESOLVED**, as a special resolution, that:

1. the Company be authorized to make application the Registrar of Companies of British Columbia for the issuance of a consent to file Articles of Continuance of the Company with the Director of the *Business Corporations Act* (Ontario) ("**OBCA**") to continue the Company as if it had been incorporated under the *Business Corporations Act* (Ontario) and to make application to the Registrar of Companies in British Columbia for the issuance of a Certificate of Discontinuance;
2. the Company be authorized to file Articles of Continuance with the Director of the OBCA to continue the Company under the OBCA;
3. By-Law No. 1 relating generally to the conduct of the business and affairs of the Corporation under the OBCA, in the form attached as Schedule "C" to the Company's Information Circular for the Company's August 9, 2019 annual general and special meeting be and is hereby ratified, confirmed and adopted as tabled at the Meeting, with such non-material amendments as the directors may approve, and that such By-Law No. 1 not take effect until the Continuance Application and Notice of Articles are filed with the Director in Ontario;
4. subject to the issuance of such Certificate of Continuance and without affecting the validity of the Company and the existence of the Company by or under its Notice of Articles and Articles and any act done thereunder, effective upon issuance of the Certificate of Continuance, the Company shall adopt Articles of Continuance forming part of the said application for continuance in substitution for the Notice of Articles of the Company;
5. subject to the completion of the Continuance, and pursuant to section 125(3) of the OBCA, the directors of the Company are hereby empowered to determine from time to time the number of directors of the Company and the number of directors to be elected at each annual meeting of shareholders;
6. any director or officer of the Company is hereby authorized and directed to execute and deliver all such documents and to do all such other acts and things as such director or officer may determine to be necessary or advisable in connection with such continuance (including, without limitation, the execution and delivery of such articles of continuance and of certificates or other assurances that such continuance will not adversely affect creditors or shareholders of the Company), the execution of such document or the doing of any such other act or thing by any director or officer of the Company being conclusive evidence of such determination;
7. notwithstanding that this special resolution has been duly passed by the Shareholders of the Company, the directors of the Company be, and they hereby are, authorized and empowered to revoke this special resolution at any time before it is acted on and to determine not to proceed with the continuance of the Company under the OBCA without further approval of the Shareholders of the Company or to receive the fair value thereof.

Upon the Continuance, the Company's current Articles will be repealed and the By-Law No. 1 will be adopted. There are many differences between the form of the current Articles and the proposed By-Law No. 1. A number of these changes reflect the increased flexibility afforded to companies under the OBCA as compared with those governed by the BCBCA. In certain cases, provisions contained in the Company's current Articles which deal with matters which will, following the Continuance, be dealt with in the OBCA or applicable securities legislation, rules and policies, will not be contained in the new By-Law No. 1. As well, certain provisions in the Company's current Articles that reflect the provisions of the BCBCA will be retained in By-Law No. 1, but will be altered as required to reflect the provisions of the OBCA.

The Board has concluded that the Continuance is in the best interests of the Company and its Shareholders. **Accordingly, the Board unanimously recommends that the Shareholders approve the Continuance/By-Law No. 1 Resolution, by voting in favour of the Continuance/By-Law No. 1 Resolution at the Meeting.**

### **ADDITIONAL INFORMATION**

Financial information is provided in the audited financial statements of the Company for financial year ended October 31, 2018, the report of the auditor and the related management's discussion and analysis which were filed on SEDAR at [www.sedar.com](http://www.sedar.com), of which will be placed before the Meeting.

Additional information relating to the Company is filed on SEDAR at [www.sedar.com](http://www.sedar.com) and upon request from the Company at 929 Mainland Street, Vancouver, British Columbia Canada at telephone number 604-628-1767 or Company's Toll Free

number: 1-855-210-4851. Copies of documents will be provided free of charge to security holders of the Company. The Company may require the payment of a reasonable charge from any person or company who is not a securityholder of the Company, who requests a copy of any such document.

**OTHER MATTERS**

The Board is not aware of any other matters which it anticipates will come before the Meeting as of the date of mailing of this Information Circular.

The contents of this Information Circular and its distribution to shareholders has been approved by the Board.

**DATED** at Vancouver, British Columbia, June 24, 2019.

**BY ORDER OF THE BOARD**

(Signed) "*Clinton Sharples*"

Clinton Sharples  
President and Chief Executive Officer

**SCHEDULE A**  
**AUDIT COMMITTEE CHARTER OF HERITAGE CANNABIS HOLDINGS CORP.**  
**ADOPTED ON MAY 30, 2013**  
**AUDIT COMMITTEE CHARTER**

**1. Mandate**

The audit committee will assist the board of directors (the “Board”) in fulfilling its financial oversight responsibilities. The audit committee will review and consider in consultation with the auditors the financial reporting process, the system of internal control and the audit process. In performing its duties, the audit committee will maintain effective working relationships with the Board, management, and the external auditors. To effectively perform his or her role, each audit committee member must obtain an understanding of the principal responsibilities of audit committee membership as well and the Company’s business, operations and risks.

**2. Composition**

The Board will appoint from among their membership an audit committee after each annual general meeting of the shareholders of the Company. The audit committee will consist of a minimum of three directors.

*2.1 Independence*

A majority of the members of the audit committee must not be officers, employees or control persons of the Company.

*2.2 Expertise of Committee Members*

Each member of the audit committee must be financially literate or must become financially literate within a reasonable period of time after his or her appointment to the committee. At least one member of the audit committee must have accounting or related financial management expertise. The Board shall interpret the qualifications of financial literacy and financial management expertise in its business judgment and shall conclude whether a director meets these qualifications.

**3. Meetings**

The audit committee shall meet in accordance with a schedule established each year by the Board, and at other times that the audit committee may determine. The audit committee shall meet at least annually with the Company’s Chief Financial Officer and external auditors in separate executive sessions.

**4. Roles and Responsibilities**

The audit committee shall fulfill the following roles and discharge the following responsibilities:

*4.1 External Audit*

The audit committee shall be directly responsible for overseeing the work of the external auditors in preparing or issuing the auditor’s report, including the resolution of disagreements between management and the external auditors regarding financial reporting and audit scope or procedures. In carrying out this duty, the audit committee shall:

- (a) recommend to the Board the external auditor to be nominated by the shareholders for the purpose of preparing or issuing an auditor’s report or performing other audit, review or attest services for the Company;
- (b) review (by discussion and enquiry) the external auditors’ proposed audit scope and approach;
- (c) review the performance of the external auditors and recommend to the Board the appointment or discharge of the external auditors;
- (d) review and recommend to the Board the compensation to be paid to the external auditors; and
- (e) review and confirm the independence of the external auditors by reviewing the non-audit services provided and the external auditors’ assertion of their independence in accordance with professional standards.

*4.2 Internal Control*

The audit committee shall consider whether adequate controls are in place over annual and interim financial reporting as well as controls over assets, transactions and the creation of obligations, commitments and liabilities of the Company. In carrying out this duty, the audit committee shall:

- (a) evaluate the adequacy and effectiveness of management’s system of internal controls over the accounting and financial reporting system within the Company; and

- (b) ensure that the external auditors discuss with the audit committee any event or matter which suggests the possibility of fraud, illegal acts or deficiencies in internal controls.

#### 4.3 *Financial Reporting*

The audit committee shall review the financial statements and financial information prior to its release to the public. In carrying out this duty, the audit committee shall:

##### *General*

- (a) review significant accounting and financial reporting issues, especially complex, unusual and related party transactions; and
- (b) review and ensure that the accounting principles selected by management in preparing financial statements are appropriate.

##### *Annual Financial Statements*

- (a) review the draft annual financial statements and provide a recommendation to the Board with respect to the approval of the financial statements;
- (b) meet with management and the external auditors to review the financial statements and the results of the audit, including any difficulties encountered; and
- (c) review management's discussion & analysis respecting the annual reporting period prior to its release to the public.

##### *Interim Financial Statements*

- (a) review and approve the interim financial statements prior to their release to the public; and
- (b) review management's discussion & analysis respecting the interim reporting period prior to its release to the public.

##### *Release of Financial Information*

- (a) where reasonably possible, review and approve all public disclosure, including news releases, containing financial information, prior to its release to the public.

#### 4.4 *Non-Audit Services*

All non-audit services (being services other than services rendered for the audit and review of the financial statements or services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements) which are proposed to be provided by the external auditors to the Company or any subsidiary of the Company shall be subject to the prior approval of the audit committee.

##### *Delegation of Authority*

- (a) The audit committee may delegate to one or more independent members of the audit committee the authority to approve non-audit services, provided any non-audit services approved in this manner must be presented to the audit committee at its next scheduled meeting.

##### *De-Minimis Non-Audit Services*

- (a) The audit committee may satisfy the requirement for the pre-approval of non-audit services if:
  - (i) the aggregate amount of all non-audit services that were not pre-approved is reasonably expected to constitute no more than five per cent of the total amount of fees paid by the Company and its subsidiaries to the external auditor during the fiscal year in which the services are provided; or
  - (ii) the services are brought to the attention of the audit committee and approved, prior to the completion of the audit, by the audit committee or by one or more of its members to whom authority to grant such approvals has been delegated.

##### *Pre-Approval Policies and Procedures*

- (a) The audit committee may also satisfy the requirement for the pre-approval of non-audit services by adopting specific policies and procedures for the engagement of non-audit services, if:
  - (i) the pre-approval policies and procedures are detailed as to the particular service;

- (ii) the audit committee is informed of each non-audit service; and
- (iii) the procedures do not include delegation of the audit committee's responsibilities to management.

#### 4.5 *Other Responsibilities*

The audit committee shall:

- (a) establish procedures for the receipt, retention and treatment of complaints received by the company regarding accounting, internal accounting controls, or auditing matters;
- (b) establish procedures for the confidential, anonymous submission by employees of the company of concerns regarding questionable accounting or auditing matters;
- (c) ensure that significant findings and recommendations made by management and external auditor are received and discussed on a timely basis;
- (d) review the policies and procedures in effect for considering officers' expenses and perquisites;
- (e) perform other oversight functions as requested by the Board; and
- (f) review and update this Charter and receive approval of changes to this Charter from the Board.

#### 4.6 *Reporting Responsibilities*

The audit committee shall regularly update the Board about audit committee activities and make appropriate recommendations.

### 5. **Resources and Authority of the Audit Committee**

The audit committee shall have the resources and the authority appropriate to discharge its responsibilities, including the authority to

- (a) engage independent counsel and other advisors as it determines necessary to carry out its duties;
- (b) set and pay the compensation for any advisors employed by the audit committee; and
- (c) communicate directly with the internal and external auditors.

### 6. **Guidance – Roles & Responsibilities**

The following guidance is intended to provide the audit committee members with additional guidance on fulfillment of their roles and responsibilities on the committee:

#### 6.1 *Internal Control*

- (a) evaluate whether management is setting the goal of high standards by communicating the importance of internal control and ensuring that all individuals possess an understanding of their roles and responsibilities;
- (b) focus on the extent to which external auditors review computer systems and applications, the security of such systems and applications, and the contingency plan for processing financial information in the event of an IT systems breakdown; and
- (c) gain an understanding of whether internal control recommendations made by external auditors have been implemented by management.

#### 6.2 *Financial Reporting*

##### *General*

- (a) review significant accounting and reporting issues, including recent professional and regulatory pronouncements, and understand their impact on the financial statements; and
- (b) ask management and the external auditors about significant risks and exposures and the plans to minimize such risks; and
- (c) understand industry best practices and the Company's adoption of them.



### *Annual Financial Statements*

- (a) review the annual financial statements and determine whether they are complete and consistent with the information known to committee members, and assess whether the financial statements reflect appropriate accounting principles in light of the jurisdictions in which the Company reports or trades its shares;
- (b) pay attention to complex and/or unusual transactions such as restructuring charges and derivative disclosures;
- (c) focus on judgmental areas such as those involving valuation of assets and liabilities, including, for example, the accounting for and disclosure of loan losses; warranty, professional liability; litigation reserves; and other commitments and contingencies;
- (d) consider management's handling of proposed audit adjustments identified by the external auditors; and
- (e) ensure that the external auditors communicate all required matters to the committee.

### *Interim Financial Statements*

- (a) be briefed on how management develops and summarizes interim financial information, the extent to which the external auditors review interim financial information;
- (b) meet with management and the auditors, either telephonically or in person, to review the interim financial statements; and
- (c) to gain insight into the fairness of the interim statements and disclosures, obtain explanations from management on whether:
  - (i) actual financial results for the quarter or interim period varied significantly from budgeted or projected results;
  - (ii) changes in financial ratios and relationships of various balance sheet and operating statement figures in the interim financial statements are consistent with changes in the company's operations and financing practices;
  - (iii) generally accepted accounting principles have been consistently applied;
  - (iv) there are any actual or proposed changes in accounting or financial reporting practices;
  - (v) there are any significant or unusual events or transactions;
  - (vi) the Company's financial and operating controls are functioning effectively;
  - (vii) the Company has complied with the terms of loan agreements, security indentures or other financial position or results dependent agreement; and
  - (viii) the interim financial statements contain adequate and appropriate disclosures.

### *6.3 Compliance with Laws and Regulations*

- (a) periodically obtain updates from management regarding compliance with this policy and industry "best practices";
- (b) be satisfied that all regulatory compliance matters have been considered in the preparation of the financial statements; and
- (c) review the findings of any examinations by securities regulatory authorities and stock exchanges.

### *6.4 Other Responsibilities*

- (a) review, with the Company's counsel, any legal matters that could have a significant impact on the Company's financial statements.

**SCHEDULE B DISSENT RIGHTS**  
**Business Corporation Act (British Columbia)**

**PART 8**

**Division 2 — Dissent Proceedings**

**Definitions and application**

237 (1) In this Division:

“dissenter” means a shareholder who, being entitled to do so, sends written notice of dissent when and as required by section 242;

“notice shares” means, in relation to a notice of dissent, the shares in respect of which dissent is being exercised under the notice of dissent;

“payout value” means,

(a) in the case of a dissent in respect of a resolution, the fair value that the notice shares had immediately before the passing of the resolution,

(b) in the case of a dissent in respect of an arrangement approved by a court order made under section 291 (2) (c) that permits dissent, the fair value that the notice shares had immediately before the passing of the resolution adopting the arrangement,

(c) in the case of a dissent in respect of a matter approved or authorized by any other court order that permits dissent, the fair value that the notice shares had at the time specified by the court order, or

(d) in the case of a dissent in respect of a community contribution company, the value of the notice shares set out in the regulations, excluding any appreciation or depreciation in anticipation of the corporate action approved or authorized by the resolution or court order unless exclusion would be inequitable.

(2) This Division applies to any right of dissent exercisable by a shareholder except to the extent that

(a) the court orders otherwise, or

(b) in the case of a right of dissent authorized by a resolution referred to in section 238 (1) (g), the court orders otherwise or the resolution provides otherwise.

**Right to dissent**

238 (1) A shareholder of a company, whether or not the shareholder’s shares carry the right to vote, is entitled to dissent as follows:

(a) under section 260, in respect of a resolution to alter the articles

(i) to alter restrictions on the powers of the company or on the business the company is permitted to carry on, or

(ii) without limiting subparagraph (i), in the case of a community contribution company, to alter any of the company’s community purposes within the meaning of section 51.91;

(b) under section 272, in respect of a resolution to adopt an amalgamation agreement;

(c) under section 287, in respect of a resolution to approve an amalgamation under Division 4 of Part 9;

(d) in respect of a resolution to approve an arrangement, the terms of which arrangement permit dissent;

(e) under section 301 (5), in respect of a resolution to authorize or ratify the sale, lease or other disposition of all or substantially all of the company’s undertaking;

(f) under section 309, in respect of a resolution to authorize the continuation of the company into a jurisdiction other than British Columbia;

(g) in respect of any other resolution, if dissent is authorized by the resolution;

(h) in respect of any court order that permits dissent.

(2) A shareholder wishing to dissent must

(a) prepare a separate notice of dissent under section 242 for

(i) the shareholder, if the shareholder is dissenting on the shareholder's own behalf, and

(ii) each other person who beneficially owns shares registered in the shareholder's name and on whose behalf the shareholder is dissenting,

(b) identify in each notice of dissent, in accordance with section 242 (4), the person on whose behalf dissent is being exercised in that notice of dissent, and

(c) dissent with respect to all of the shares, registered in the shareholder's name, of which the person identified under paragraph (b) of this subsection is the beneficial owner.

(3) Without limiting subsection (2), a person who wishes to have dissent exercised with respect to shares of which the person is the beneficial owner must

(a) dissent with respect to all of the shares, if any, of which the person is both the registered owner and the beneficial owner, and

(b) cause each shareholder who is a registered owner of any other shares of which the person is the beneficial owner to dissent with respect to all of those shares.

### **Waiver of right to dissent**

239 (1) A shareholder may not waive generally a right to dissent but may, in writing, waive the right to dissent with respect to a particular corporate action.

(2) A shareholder wishing to waive a right of dissent with respect to a particular corporate action must

(a) provide to the company a separate waiver for

(i) the shareholder, if the shareholder is providing a waiver on the shareholder's own behalf, and

(ii) each other person who beneficially owns shares registered in the shareholder's name and on whose behalf the shareholder is providing a waiver, and

(b) identify in each waiver the person on whose behalf the waiver is made.

(3) If a shareholder waives a right of dissent with respect to a particular corporate action and indicates in the waiver that the right to dissent is being waived on the shareholder's own behalf, the shareholder's right to dissent with respect to the particular corporate action terminates in respect of the shares of which the shareholder is both the registered owner and the beneficial owner, and this Division ceases to apply to

(a) the shareholder in respect of the shares of which the shareholder is both the registered owner and the beneficial owner, and

(b) any other shareholders, who are registered owners of shares beneficially owned by the first mentioned shareholder, in respect of the shares that are beneficially owned by the first mentioned shareholder.

(4) If a shareholder waives a right of dissent with respect to a particular corporate action and indicates in the waiver that the right to dissent is being waived on behalf of a specified person who beneficially owns shares registered in the name of the shareholder, the right of shareholders who are registered owners of shares beneficially owned by that specified person to dissent on behalf of that specified person with respect to the particular corporate action terminates and this Division ceases to apply to those shareholders in respect of the shares that are beneficially owned by that specified person.

### **Notice of resolution**

240 (1) If a resolution in respect of which a shareholder is entitled to dissent is to be considered at a meeting of shareholders, the company must, at least the prescribed number of days before the date of the proposed meeting, send to each of its shareholders, whether or not their shares carry the right to vote,

(a) a copy of the proposed resolution, and

(b) a notice of the meeting that specifies the date of the meeting, and contains a statement advising of the right to send a notice of dissent.

(2) If a resolution in respect of which a shareholder is entitled to dissent is to be passed as a consent resolution of shareholders or as a resolution of directors and the earliest date on which that resolution can be passed is specified in the

resolution or in the statement referred to in paragraph (b), the company may, at least 21 days before that specified date, send to each of its shareholders, whether or not their shares carry the right to vote,

- (a) a copy of the proposed resolution, and
- (b) a statement advising of the right to send a notice of dissent.

(3) If a resolution in respect of which a shareholder is entitled to dissent was or is to be passed as a resolution of shareholders without the company complying with subsection (1) or (2), or was or is to be passed as a directors' resolution without the company complying with subsection (2), the company must, before or within 14 days after the passing of the resolution, send to each of its shareholders who has not, on behalf of every person who beneficially owns shares registered in the name of the shareholder, consented to the resolution or voted in favour of the resolution, whether or not their shares carry the right to vote,

- (a) a copy of the resolution,
- (b) a statement advising of the right to send a notice of dissent, and
- (c) if the resolution has passed, notification of that fact and the date on which it was passed.

(4) Nothing in subsection (1), (2) or (3) gives a shareholder a right to vote in a meeting at which, or on a resolution on which, the shareholder would not otherwise be entitled to vote.

#### **Notice of court orders**

241 If a court order provides for a right of dissent, the company must, not later than 14 days after the date on which the company receives a copy of the entered order, send to each shareholder who is entitled to exercise that right of dissent

- (a) a copy of the entered order, and
- (b) a statement advising of the right to send a notice of dissent.

#### **Notice of dissent**

242 (1) A shareholder intending to dissent in respect of a resolution referred to in section 238 (1) (a), (b), (c), (d), (e) or (f) must,

- (a) if the company has complied with section 240 (1) or (2), send written notice of dissent to the company at least 2 days before the date on which the resolution is to be passed or can be passed, as the case may be,
- (b) if the company has complied with section 240 (3), send written notice of dissent to the company not more than 14 days after receiving the records referred to in that section, or
- (c) if the company has not complied with section 240 (1), (2) or (3), send written notice of dissent to the company not more than 14 days after the later of
  - (i) the date on which the shareholder learns that the resolution was passed, and
  - (ii) the date on which the shareholder learns that the shareholder is entitled to dissent.

(2) A shareholder intending to dissent in respect of a resolution referred to in section 238 (1) (g) must send written notice of dissent to the company

- (a) on or before the date specified by the resolution or in the statement referred to in section 240 (2) (b) or (3) (b) as the last date by which notice of dissent must be sent, or
- (b) if the resolution or statement does not specify a date, in accordance with subsection (1) of this section.

(3) A shareholder intending to dissent under section 238 (1) (h) in respect of a court order that permits dissent must send written notice of dissent to the company

- (a) within the number of days, specified by the court order, after the shareholder receives the records referred to in section 241, or
- (b) if the court order does not specify the number of days referred to in paragraph (a) of this subsection, within 14 days after the shareholder receives the records referred to in section 241.

(4) A notice of dissent sent under this section must set out the number, and the class and series, if applicable, of the notice shares, and must set out whichever of the following is applicable:

(a) if the notice shares constitute all of the shares of which the shareholder is both the registered owner and beneficial owner and the shareholder owns no other shares of the company as beneficial owner, a statement to that effect;

(b) if the notice shares constitute all of the shares of which the shareholder is both the registered owner and beneficial owner but the shareholder owns other shares of the company as beneficial owner, a statement to that effect and

(i) the names of the registered owners of those other shares,

(ii) the number, and the class and series, if applicable, of those other shares that are held by each of those registered owners, and

(iii) a statement that notices of dissent are being, or have been, sent in respect of all of those other shares;

(c) if dissent is being exercised by the shareholder on behalf of a beneficial owner who is not the dissenting shareholder, a statement to that effect and

(i) the name and address of the beneficial owner, and

(ii) a statement that the shareholder is dissenting in relation to all of the shares beneficially owned by the beneficial owner that are registered in the shareholder's name.

(5) The right of a shareholder to dissent on behalf of a beneficial owner of shares, including the shareholder, terminates and this Division ceases to apply to the shareholder in respect of that beneficial owner if subsections (1) to (4) of this section, as those subsections pertain to that beneficial owner, are not complied with.

#### **Notice of intention to proceed**

243 (1) A company that receives a notice of dissent under section 242 from a dissenter must,

(a) if the company intends to act on the authority of the resolution or court order in respect of which the notice of dissent was sent, send a notice to the dissenter promptly after the later of

(i) the date on which the company forms the intention to proceed, and

(ii) the date on which the notice of dissent was received, or

(b) if the company has acted on the authority of that resolution or court order, promptly send a notice to the dissenter.

(2) A notice sent under subsection (1) (a) or (b) of this section must

(a) be dated not earlier than the date on which the notice is sent,

(b) state that the company intends to act, or has acted, as the case may be, on the authority of the resolution or court order, and

(c) advise the dissenter of the manner in which dissent is to be completed under section 244.

#### **Completion of dissent**

244 (1) A dissenter who receives a notice under section 243 must, if the dissenter wishes to proceed with the dissent, send to the company or its transfer agent for the notice shares, within one month after the date of the notice,

(a) a written statement that the dissenter requires the company to purchase all of the notice shares,

(b) the certificates, if any, representing the notice shares, and

(c) if section 242 (4) (c) applies, a written statement that complies with subsection (2) of this section.

(2) The written statement referred to in subsection (1) (c) must

(a) be signed by the beneficial owner on whose behalf dissent is being exercised, and

(b) set out whether or not the beneficial owner is the beneficial owner of other shares of the company and, if so, set out

(i) the names of the registered owners of those other shares,

(ii) the number, and the class and series, if applicable, of those other shares that are held by each of those registered owners, and

(iii) that dissent is being exercised in respect of all of those other shares.

(3) After the dissenter has complied with subsection (1),

(a) the dissenter is deemed to have sold to the company the notice shares, and

(b) the company is deemed to have purchased those shares, and must comply with section 245, whether or not it is authorized to do so by, and despite any restriction in, its memorandum or articles.

(4) Unless the court orders otherwise, if the dissenter fails to comply with subsection (1) of this section in relation to notice shares, the right of the dissenter to dissent with respect to those notice shares terminates and this Division, other than section 247, ceases to apply to the dissenter with respect to those notice shares.

(5) Unless the court orders otherwise, if a person on whose behalf dissent is being exercised in relation to a particular corporate action fails to ensure that every shareholder who is a registered owner of any of the shares beneficially owned by that person complies with subsection (1) of this section, the right of shareholders who are registered owners of shares beneficially owned by that person to dissent on behalf of that person with respect to that corporate action terminates and this Division, other than section 247, ceases to apply to those shareholders in respect of the shares that are beneficially owned by that person.

(6) A dissenter who has complied with subsection (1) of this section may not vote, or exercise or assert any rights of a shareholder, in respect of the notice shares, other than under this Division.

#### **Payment for notice shares**

245 (1) A company and a dissenter who has complied with section 244 (1) may agree on the amount of the payout value of the notice shares and, in that event, the company must

(a) promptly pay that amount to the dissenter, or

(b) if subsection (5) of this section applies, promptly send a notice to the dissenter that the company is unable lawfully to pay dissenters for their shares.

(2) A dissenter who has not entered into an agreement with the company under subsection (1) or the company may apply to the court and the court may

(a) determine the payout value of the notice shares of those dissenters who have not entered into an agreement with the company under subsection (1), or order that the payout value of those notice shares be established by arbitration or by reference to the registrar, or a referee, of the court,

(b) join in the application each dissenter, other than a dissenter who has entered into an agreement with the company under subsection (1), who has complied with section 244 (1), and

(c) make consequential orders and give directions it considers appropriate.

(3) Promptly after a determination of the payout value for notice shares has been made under subsection (2) (a) of this section, the company must

(a) pay to each dissenter who has complied with section 244 (1) in relation to those notice shares, other than a dissenter who has entered into an agreement with the company under subsection (1) of this section, the payout value applicable to that dissenter's notice shares, or

(b) if subsection (5) applies, promptly send a notice to the dissenter that the company is unable lawfully to pay dissenters for their shares.

(4) If a dissenter receives a notice under subsection (1) (b) or (3) (b),

(a) the dissenter may, within 30 days after receipt, withdraw the dissenter's notice of dissent, in which case the company is deemed to consent to the withdrawal and this Division, other than section 247, ceases to apply to the dissenter with respect to the notice shares, or

(b) if the dissenter does not withdraw the notice of dissent in accordance with paragraph (a) of this subsection, the dissenter retains a status as a claimant against the company, to be paid as soon as the company is lawfully able to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of the company but in priority to its shareholders.

- (5) A company must not make a payment to a dissenter under this section if there are reasonable grounds for believing that
- (a) the company is insolvent, or
  - (b) the payment would render the company insolvent.

**Loss of right to dissent**

246 The right of a dissenter to dissent with respect to notice shares terminates and this Division, other than section 247, ceases to apply to the dissenter with respect to those notice shares, if, before payment is made to the dissenter of the full amount of money to which the dissenter is entitled under section 245 in relation to those notice shares, any of the following events occur:

- (a) the corporate action approved or authorized, or to be approved or authorized, by the resolution or court order in respect of which the notice of dissent was sent is abandoned;
- (b) the resolution in respect of which the notice of dissent was sent does not pass;
- (c) the resolution in respect of which the notice of dissent was sent is revoked before the corporate action approved or authorized by that resolution is taken;
- (d) the notice of dissent was sent in respect of a resolution adopting an amalgamation agreement and the amalgamation is abandoned or, by the terms of the agreement, will not proceed;
- (e) the arrangement in respect of which the notice of dissent was sent is abandoned or by its terms will not proceed;
- (f) a court permanently enjoins or sets aside the corporate action approved or authorized by the resolution or court order in respect of which the notice of dissent was sent;
- (g) with respect to the notice shares, the dissenter consents to, or votes in favour of, the resolution in respect of which the notice of dissent was sent;
- (h) the notice of dissent is withdrawn with the written consent of the company;
- (i) the court determines that the dissenter is not entitled to dissent under this Division or that the dissenter is not entitled to dissent with respect to the notice shares under this Division.

**Shareholders entitled to return of shares and rights**

247 If, under section 244 (4) or (5), 245 (4) (a) or 246, this Division, other than this section, ceases to apply to a dissenter with respect to notice shares,

- (a) the company must return to the dissenter each of the applicable share certificates, if any, sent under section 244 (1)(b) or, if those share certificates are unavailable, replacements for those share certificates,
- (b) the dissenter regains any ability lost under section 244 (6) to vote, or exercise or assert any rights of a shareholder, in respect of the notice shares, and
- (c) the dissenter must return any money that the company paid to the dissenter in respect of the notice shares under, or in purported compliance with, this Division.

**SCHEDULE C  
HERITAGE CANNABIS HOLDINGS CORP.**

**BY-LAW NO. 1**

**A BY-LAW RELATING GENERALLY TO THE CONDUCT OF THE BUSINESS AND AFFAIRS OF  
HERITAGE CANNABIS HOLDINGS CORP. A CORPORATION SUBJECT TO THE  
*BUSINESS CORPORATIONS ACT* (ONTARIO)**



By-Law No. 1 enacted by the Board of Directors on June 20, 2019 and to be presented for confirmation by the Shareholders of the Company at the Annual and Special Meeting to be held on August 9, 2019

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## **BY-LAW NO. 1**

**A BY-LAW RELATING GENERALLY TO THE CONDUCT OF  
THE BUSINESS AND AFFAIRS OF  
HERITAGE CANNABIS HOLDINGS CORP.  
A CORPORATION SUBJECT TO THE  
*BUSINESS CORPORATIONS ACT* (ONTARIO)**

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# BY-LAW NO. 1

## A BY-LAW RELATING GENERALLY TO THE CONDUCT OF THE BUSINESS AND AFFAIRS OF HERITAGE CANNABIS HOLDINGS CORP. A CORPORATION SUBJECT TO THE *BUSINESS CORPORATIONS ACT (ONTARIO)*

### SECTION 1 – INTERPRETATION

#### 1.1 Definitions

In the By-laws of the Corporation, unless the context otherwise requires:

- (1) “**Act**” means the *Business Corporations Act* (Ontario), and includes the regulations made pursuant thereto;
- (2) “**Affiliate**”, when used to indicate a relationship with a person, shall mean a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such specific person;
- (3) “**Applicable Securities Laws**” means the *Securities Act* (Ontario) and the equivalent legislation in or applicable to the other provinces and territories of Canada, as amended from time to time, the rules, regulations and forms made or promulgated under any such statute and the published national instruments, multilateral instruments, policies, bulletins and notices of the securities commissions and similar regulatory authorities of each of the applicable provinces and territories of Canada and of any cooperative capital markets regulatory authority
- (4) “**appoint**” includes “elect” and *vice versa*.
- (5) “**Articles**” means the original or restated articles of incorporation, articles of amendment, articles of amalgamation, articles of arrangement, articles of continuance, articles of dissolution, articles of reorganization and articles of revival, letters patent, supplementary letters patent and a special Act of the Corporation.
- (6) “**Associate**”, when used to indicate a relationship with a specified person, shall mean (A) any corporation or trust of which such person owns beneficially, directly or indirectly, voting securities carrying more than 10% of the voting rights attached to all voting securities of such corporation or trust for the time being outstanding, (B) any partner of that person, (C) any trust or estate in which such person has a substantial beneficial interest or as to which such person serves as trustee or in a similar capacity, (D) a spouse of such specified person, (E) any person of either sex with whom such specified person is living in conjugal relationship outside marriage or (F) any relative of such specified person or of a person mentioned in clauses (D) or (E) of this definition if that relative has the same residence as the specified person; “**Board**” means the board of directors of the Corporation.
- (7) “**board**” means the board of directors of the Corporation; “**By-laws**” means these by-laws and all other by-laws of the Corporation from time to time in force and effect.
- (8) “**Cheque**” includes a draft.
- (9) “**Corporation**” means Heritage Cannabis Holdings Corp. in its English form.
- (10) “**Defaulting Shareholder**” means a shareholder of the Corporation who defaults in the payment of any Shareholder Debt when the same becomes due and payable.
- (11) “**Director**” means a member of the Board.
- (12) “**Liened Shares**” means the whole or any part of the shares registered in the name of a Defaulting Shareholder.

- (13) **“Meeting of Shareholders”** shall mean such annual shareholders meeting or special shareholders meeting, whether general or not, at which one or more persons are nominated for election to the board by a Nominating Shareholder;.
- (14) **“non-business day”** means Saturday, Sunday and any other day that is a holiday as defined in the *Legislation Act, 2006* (Ontario) as from time to time amended.
- (15) **“owned beneficially” or “owns beneficially”** means, in connection with the ownership of shares in the capital of the Corporation by a person, (A) any such shares as to which such person or any of such person’s Affiliates or Associates owns at law or in equity, or has the right to acquire or become the owner at law or in equity, where such right is exercisable immediately or after the passage of time and whether or not on condition or the happening of any contingency or the making of any payment, upon the exercise of any conversion right, exchange right or purchase right attaching to any securities, or pursuant to any agreement, arrangement, pledge or understanding whether or not in writing; (B) any such shares as to which such person or any of such person’s Affiliates or Associates has the right to vote, or the right to direct the voting, where such right is exercisable immediately or after the passage of time and whether or not on condition or the happening of any contingency or the making of any payment, pursuant to any agreement, arrangement, pledge or understanding whether or not in writing; and (C) any such shares which are owned beneficially within the meaning of this definition by any other person with whom such person is acting jointly or in concert with respect to the Corporation or any of its securities;
- (16) **“public announcement”** shall mean disclosure in a press release reported by a national news service in Canada, or in a document publicly filed by the Corporation or its agents under its profile on the System of Electronic Document Analysis and Retrieval at [www.sedar.com](http://www.sedar.com).
- (17) **“recorded address”** means:
- (a) in the case of a shareholder, his or her address as recorded in the securities register;
  - (b) in the case of joint shareholders, the address appearing in the securities register in respect of the joint holding or the first address so appearing if there is more than one;
  - (c) in the case of an officer, auditor or member of a committee of the Board, his or her latest address as recorded in the records of the Corporation; and
  - (d) in the case of a Director, his or her latest address as recorded in the most recent notice filed under the *Corporations Information Act* (Ontario).
- (18) **“resident Canadian”** means an individual who is:
- (a) a Canadian citizen ordinarily resident in Canada;
  - (b) a Canadian citizen not ordinarily resident in Canada who is a member of a prescribed class of persons as defined in the regulations to the Act; or
  - (c) a permanent resident within the meaning of the *Immigration and Refugee Protection Act* (Canada) and ordinarily resident in Canada.
- (19) **“Shareholder Debt”** means any principal or interest due to the Corporation in respect of any indebtedness owing by the holder of any class or series of shares in the Corporation, including an amount unpaid in respect of a share issued by a body corporate on the date it was continued under the Act.
- (20) **“special meeting of shareholders”** includes a meeting of any class or classes of shareholders and a special meeting of all shareholders entitled to vote at an annual meeting of shareholders.
- (21) **“Unanimous Shareholder Agreement”** means a lawful written agreement among all of the shareholders of the Corporation or among all such shareholders and one or more persons who are not shareholders, or a written declaration of the registered holder of all of the issued shares of the Corporation, that restricts in whole or in part the powers of the Board to manage or supervise the management of the business and affairs of the Corporation, as from time to time amended.

## **1.2 Other Definitions**

Other than as specified above, words and expressions defined in the Act have the same meanings when used herein. Words importing the singular number include the plural and *vice versa*; words importing gender include the masculine, feminine and neuter genders; and “including” means including, without limitation.

## **SECTION 2 – GENERAL BUSINESS**

### **2.1 Registered Office**

The registered office of the Corporation shall be in the municipality or geographic township within Ontario initially specified in its Articles and thereafter as the shareholders may from time to time determine by special resolution and at such location therein as the Board may from time to time determine.

### **2.2 Corporate Seal**

The Corporation may but need not have a corporate seal and, if one is adopted, it may be changed from time to time by resolution of the Board.

### **2.3 Financial Year**

The Board may, by resolution, fix the financial year end of the Corporation and may from time to time, by resolution, change the financial year end of the Corporation.

### **2.4 Execution of Instruments**

(1) Deeds, transfers, assignments, contracts, obligations, certificates and other instruments may be signed on behalf of the Corporation by any two Directors or officers of the Corporation.

(2) In addition, the Board may from time to time authorize any other person or persons to sign any particular instruments.

(3) The secretary, or any other officer or any Director, may sign certificates and similar instruments (other than share certificates) on the Corporation’s behalf with respect to any factual matters relating to the Corporation’s business and affairs, including certificates verifying copies of the Articles, By-laws, resolutions and minutes of meetings of the Corporation. Any signing officer may affix the corporate seal to any instrument requiring the same.

(4) The signature of any person authorized to sign on behalf of the Corporation may, if specifically authorized by resolution of the Board, be written, printed, stamped, engraved, lithographed or otherwise mechanically reproduced or may be an electronic signature. Anything so signed shall be as valid as if it had been signed manually, even if that person has ceased to hold office when anything so signed is issued or delivered, until revoked by resolution of the Board.

### **2.5 Banking Arrangements**

The banking business of the Corporation, including the borrowing of money and the giving of security therefor, shall be transacted with such banks, trust companies, credit unions or other bodies corporate or organizations as may from time to time be designated by or under the authority of the Board. Such banking business or any part thereof shall be transacted under such agreements, instructions and delegations of powers as the Board may from time to time prescribe.

### **2.6 Voting Rights in Other Bodies Corporate**

The signing officers of the Corporation under Section 2.4 may execute and deliver proxies and arrange for the issuance of voting certificates or other evidence of the right to exercise the voting rights attaching to any securities held by the Corporation. Such instruments shall be in favour of such persons as may be determined by the officers executing or arranging for the same. In addition, the Board may from time to time direct the manner in which and the persons by whom any particular voting rights or class of voting rights may or shall be exercised.

## 2.7 Divisions

The Board may cause the business and operations of the Corporation or any part thereof to be divided into one or more divisions upon such basis, including types of business or operations, geographical territories, product lines or goods or services, as may be considered appropriate in each case. In connection with any such division, the Board or, subject to any direction by the Board, the chief executive officer may authorize from time to time, upon such basis as may be considered appropriate in each case:

- (a) **Subdivision and Consolidation.** the further division of the business and operations of any such division into sub-units and the consolidation of the business and operations of any such divisions and sub-units;
- (b) **Name.** the designation of any such division or sub-unit by, and the carrying on of the business and operations of any such division or sub-unit under, a name other than the name of the Corporation, provided that the Corporation shall set out both its corporate name and the name of its division or sub-unit in legible characters in all contracts, invoices, negotiable instruments and orders for goods or services issued or made by or on behalf of the Corporation; and
- (c) **Officers.** the appointment of officers for any such division or sub-unit, the determination of their powers and duties, and the removal of any of such officers so appointed, provided that any such officers shall not, as such, be officers of the Corporation.

## SECTION 3 – BORROWING AND SECURITY

### 3.1 Borrowing Power

(1) Without limiting the borrowing powers of the Corporation as set forth in the Act, but subject to the Articles and any Unanimous Shareholder Agreement, the Board may from time to time on behalf of the Corporation, without authorization of the shareholders:

- (a) borrow money upon the credit of the Corporation;
- (b) issue, reissue, sell or pledge bonds, debentures, notes or other debt obligations or guarantees of the Corporation, whether secured or unsecured;
- (c) give, directly or indirectly, financial assistance to any person by means of a loan or a guarantee on behalf of the Corporation to secure performance of any present or future indebtedness, liability or obligation of any person, or otherwise; and
- (d) mortgage, hypothecate, pledge or otherwise create a security interest in all or any currently owned or subsequently acquired real or personal, movable or immovable, property of the Corporation, including accounts, rights, powers, franchises and undertakings to secure any such bonds, debentures, notes or other debt obligations or guarantees or any other present or future indebtedness, liability or obligation of the Corporation.

(2) Nothing in Section 3.1(1) limits or restricts the borrowing of money by the Corporation on bills of exchange or promissory notes made, drawn, accepted or endorsed by or on behalf of the Corporation.

### 3.2 Delegation

Subject to the Act, the Articles and any Unanimous Shareholder Agreement, the Board may from time to time delegate to a committee of the Board, a Director or an officer of the Corporation or any other person as may be designated by the Board all or any of the powers conferred on the Board by Section 3.1 or by the Act to such extent and in such manner as the Board may determine at the time of such delegation.



## **SECTION 4 – DIRECTORS**

### **4.1 Duties of Directors**

Subject to any Unanimous Shareholder Agreement, the Board shall manage or supervise the management of the business and affairs of the Corporation.

### **4.2 Number of Directors**

Until changed in accordance with the Act, the Board shall consist of not fewer than the minimum number and not more than the maximum number of directors as set out in the Articles.

### **4.3 Qualification**

- (1) No person shall be qualified for election or appointment as a Director if he or she:
  - (a) is less than 18 years of age;
  - (b) has been found under the *Substitute Decisions Act, 1992* (Ontario) or under the *Mental Health Act* (Ontario) to be incapable of managing property or has been found to be incapable by a court in Canada or elsewhere;
  - (c) is not an individual; or
  - (d) has the status of a bankrupt.
- (2) A Director need not be a shareholder.
- (3) Not less than 25% of the Directors shall be resident Canadians.

### **4.4 Election and Term**

- (1) Directors shall be elected by the shareholders at the first meeting of shareholders after the effective date of these By-laws and at each succeeding annual meeting at which an election of Directors is required, and shall hold office until the next annual meeting of shareholders or, if elected for an expressly stated term, for a term expiring not later than the close of the third annual meeting of shareholders following the election.
- (2) Subject to the Act, the number of Directors to be elected at any such meeting shall be the number of Directors determined from time to time by special resolution or, if a special resolution empowers the Directors to determine the number, by resolution of the Board.
- (3) The election of Directors shall be by resolution or, if demanded by a shareholder or a proxyholder, by ballot.
- (4) If an election of Directors is not held at the proper time, the incumbent Directors shall continue in office until their successors are elected.
- (5) The election or appointment of a Director is not effective unless:
  - (a) the person elected or appointed consented in writing before or within 10 days after the date of the election or appointment; or
  - (b) the Director is re-elected or re-appointed so that there is no break in the Director's term of office.
- (6) If, however, the person elected or appointed as Director consents in writing after the 10-day period referred to in Section 4.4(5)(a), the election or appointment is nevertheless valid.

#### **4.5 Removal of Directors**

Subject to the Act, the shareholders may by ordinary resolution passed at an annual or special meeting of shareholders remove any Director from office, and the vacancy created by such removal may be filled at the same meeting, failing which it may be filled by the Board.

#### **4.6 Ceasing to Hold Office**

(1) A Director ceases to hold office when:

- (a) he or she dies;
- (b) he or she is removed from office by the shareholders;
- (c) he or she ceases to be qualified for election as a Director; or
- (d) his or her written resignation is received by the Corporation or, if a time is specified in such resignation, at the time so specified, whichever is later.

(2) A Director named in the Articles is not permitted to resign his or her office before the first meeting of shareholders unless at the time the resignation is to become effective a successor is elected or appointed.

#### **4.7 Filling Vacancies**

Subject to the Act and any Unanimous Shareholder Agreement, a quorum of the Board may fill a vacancy in the Board, except for a vacancy resulting from:

- (a) an increase in the number or minimum number of Directors;
- (b) a failure of the shareholders to elect the number or minimum number of Directors required to be elected at any meeting of the shareholders; or
- (c) where the Directors are empowered to determine the number of Directors, if, after such appointment, the total number of Directors would be greater than 1/3 the number of Directors required to have been elected at the last annual meeting of shareholders.

#### **4.8 Action by the Board**

Subject to any Unanimous Shareholder Agreement, the Board shall exercise its powers by or pursuant to a By-law or resolution either passed at a Board meeting at which a quorum is present or consented to by the signatures of all the Directors then in office, if constituting a quorum.

#### **4.9 Conflict of Interest**

A Director who is a party to, or who is a director or officer of or has a material interest in any person who is a party to, a material contract or transaction or proposed material contract or transaction with the Corporation shall disclose in writing to the Corporation, or request to have entered in the minutes of the Board meeting, the nature and extent of his or her interest at the time and in the manner provided by the Act. Such a Director shall not vote on any resolution to approve the same except as provided by the Act.

#### **4.10 Remuneration and Expenses**

Subject to any Unanimous Shareholder Agreement, the Directors shall be paid such remuneration for their services as the Board may from time to time determine. The Directors shall also be entitled to be reimbursed for travelling and other expenses properly incurred by them in attending meetings of the Board or any committee thereof. Nothing herein contained shall preclude any Director from serving the Corporation in any other capacity and receiving remuneration therefor.

## **SECTION 5 – BOARD MEETINGS**

### **5.1 Meeting by Telephone or Electronic Facilities**

If all the Directors of the Corporation consent thereto generally or in respect of a particular meeting, a Director may participate in a meeting of the Board or of a committee of the Board by means of such telephone, electronic or other communications facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and a Director participating in such a meeting by such means is deemed to be present at the meeting. Any such consent shall be effective whether given before or after the meeting to which it relates and may be given with respect to all meetings of the Board and of committees of the Board.

### **5.2 Place of Meetings**

Board meetings may be held at the registered office of the Corporation or at any other place within or outside Ontario. In any financial year of the Corporation, a majority of the Board meetings need not be held in Canada.

### **5.3 Calling of Meetings**

Board meetings shall be held from time to time at such time and at such place as the Board, the chair of the Board, the managing director, the president or any two Directors may determine.

### **5.4 Notice of Meeting**

(1) Notice of the time and place of each Board meeting shall be sent in the manner provided in Section 12 to each Director:

- (a) not less than seven days before the time when the meeting is to be held if the notice is mailed; or
- (b) not less than 24 hours before the time the meeting is to be held if the notice is given personally, is delivered or is communicated by telephone or electronic means.

(2) A notice of a Board meeting need not specify the purpose of or the business to be transacted at the meeting except where the Act requires such purpose or business or the general nature thereof to be specified.

### **5.5 Waiver of Notice**

A Director may in any manner or at any time waive notice of or otherwise consent to a Board meeting. Attendance of a Director at a Board meeting shall constitute a waiver of notice of that meeting except where a Director attends for the express purpose of objecting to the transaction of any business on the grounds that the meeting has not been properly called.

### **5.6 First Meeting of New Board**

As long as a quorum of Directors is present, each newly elected Board may without notice hold its first meeting immediately following the meeting of shareholders at which such Board is elected.

### **5.7 Adjourned Meeting**

Notice of an adjourned Board meeting is not required if the time and place of the adjourned meeting is announced at the original meeting.

### **5.8 Regular Meetings**

The Board may appoint a day or days in any month or months for regular Board meetings at a place and hour to be named. A copy of any resolution of the Board fixing the place and time of such regular meetings shall be sent to each Director forthwith after being passed, but no other notice shall be required for any such regular meeting except where the Act requires the purpose thereof or the business to be transacted thereat to be specified.

## **5.9 Chair and Secretary**

The chair of any Board meeting shall be the first mentioned of such of the following officers as have been appointed and who is a Director and is present at the meeting: chair of the Board; managing director; or president. If no such officer is present, the Directors present shall choose one of their number to be chair. The secretary of the Corporation shall act as secretary of any Board meeting, and, if the secretary of the Corporation is absent, the chair of the meeting shall appoint a person who need not be a Director to act as secretary of the meeting.

## **5.10 Quorum**

Subject to any Unanimous Shareholder Agreement, a majority of the Directors constitutes a quorum at a Board meeting.

## **5.11 Votes to Govern**

(1) Subject to any Unanimous Shareholder Agreement, at all Board meetings, every question shall be decided by a majority of the votes cast on the question.

(2) Unless a ballot is demanded, an entry in the minutes of a meeting to the effect that the chair of the meeting declared a resolution to be carried or defeated is, in the absence of evidence to the contrary, proof of the fact without proof of the number or proportion of the votes recorded in favour of or against the resolution.

## **5.12 Casting Vote**

Subject to any Unanimous Shareholder Agreement, in case of an equality of votes at a Board meeting, the chair of the meeting shall be entitled to a second or casting vote.

## **5.13 Resolution in Lieu of Meeting**

A resolution in writing, signed by all the Directors entitled to vote on that resolution at a Board meeting, is as valid as if it had been passed at a Board meeting.

## **5.14 One Director Meeting**

Where the Board consists of only one Director, that Director may constitute a meeting.

# **SECTION 6 – COMMITTEES**

## **6.1 Committees of the Board**

The Board may appoint from their number one or more committees of the Board, however designated, and delegate to any such committee any of the powers of the Board, except powers to:

- (a) submit to the shareholders any question or matter requiring the approval of the shareholders;
- (b) fill a vacancy among the Directors or in the office of auditor or appoint or remove any of the chief executive officers, however designated, the chief financial officer, however designated, the chair or the president of the Corporation;
- (c) subject to the Act, issue securities except in the manner and on the terms authorized by the Directors;
- (d) declare dividends;
- (e) purchase, redeem or otherwise acquire shares issued by the Corporation;
- (f) pay a commission for the sale of shares of the Corporation;

- (g) approve a management information circular;
- (h) approve a take-over bid circular, directors' circular or issuer bid circular;
- (i) approve any financial statements;
- (j) approve an amalgamation of the Corporation with any corporation that holds all of its issued and outstanding shares, any wholly-owned subsidiary of the Corporation or corporation all of the issued and outstanding shares of which are held by the same body corporate that holds all issued and outstanding shares in the Corporation; and
- (k) adopt, amend or repeal By-laws.

## **6.2 Transaction of Business**

Subject to the provisions of Section 6.1, the powers of a committee of the Board may be exercised at a meeting at which a quorum is present or by resolution in writing signed by all members of such committee who would have been entitled to vote on that resolution at a meeting of the committee. Meetings of such committee may be held at any place in or outside Ontario.

## **6.3 Advisory Bodies**

The Board may from time to time appoint such advisory bodies as it may deem advisable.

## **6.4 Procedure**

Unless otherwise determined by the Board, each committee and advisory body shall have the power to fix its quorum at not less than a majority of its members, to elect its chair and to regulate its procedure. To the extent that the Board or the committee does not establish rules to regulate the procedure of the committee, the provisions of these By-laws applicable to Board meetings shall apply with all necessary modifications.

## **SECTION 7 – OFFICERS**

### **7.1 Appointment**

Subject to any Unanimous Shareholder Agreement, the Board may from time to time designate the offices of the Corporation and from time to time appoint a chair of the Board, managing director, president, one or more vice-presidents (to which title may be added words indicating seniority or function), a secretary, a treasurer and such other officers as the Board may determine, including one or more assistants to any of the officers so appointed. One person may hold more than one office. The Board may specify the duties of and, in accordance with these By-laws and subject to the Act, delegate to such officers powers to manage the business and affairs of the Corporation. Except for the chair of the Board and the managing director, an officer may but need not be a Director.

### **7.2 Chair of the Board**

The Board may from time to time appoint a chair of the Board who shall be a Director. If appointed, the Board may assign to the chair of the Board any of the powers and duties that are by any provisions of these By-laws assigned to the managing director or to the president. The chair shall have such other powers and duties as the Board may specify.

### **7.3 Managing Director**

The Board may from time to time appoint a managing director who shall be a Director. If appointed, the managing director shall be the chief executive officer and, subject to the authority of the Board, shall have general supervision of the business and affairs of the Corporation. The managing director shall have such other powers and duties as the Board may specify. During the absence or disability of the president, or if no president has been appointed, the managing director shall also have the powers and duties of that office.

#### **7.4 President**

The president, subject to the authority of the Board, shall have general supervision of the business of the Corporation. The president shall have such other powers and duties as the Board may specify. During the absence or disability of the managing director, or if no managing director has been appointed, the president shall also have the powers and duties of that office.

#### **7.5 Secretary**

Unless otherwise determined by the Board, the secretary shall attend and be the secretary of all meetings of the Board, shareholders and committees of the Board that he or she attends. The secretary shall enter or cause to be entered in records kept for that purpose minutes of all proceedings at meetings of the Board, shareholders and committees of the Board, whether or not he or she attends such meetings. The secretary shall give or cause to be given, as and when instructed, all notices to shareholders, Directors, officers, auditors and members of committees of the Board. The secretary shall be the custodian of the seal of the Corporation and of all books, records and instruments belonging to the Corporation, except when some other officer or agent has been appointed for that purpose. The secretary shall have such other powers and duties as otherwise may be specified.

#### **7.6 Treasurer**

The treasurer shall keep proper accounting records in compliance with the Act and shall be responsible for the deposit of money, the safekeeping of securities and the disbursement of the funds of the Corporation. The treasurer shall render to the Board whenever required an account of all his or her transactions as treasurer and of the financial position of the Corporation. The treasurer shall have such other powers and duties as otherwise may be specified.

#### **7.7 Powers and Duties of Officers**

The powers and duties of all officers shall be such as the terms of their engagement call for or as the Board or (except for those whose powers and duties are to be specified only by the Board) the chief executive officer may specify. The Board and (except as aforesaid) the chief executive officer may, from time to time and subject to the provisions of the Act and any Unanimous Shareholder Agreement, vary, add to or limit the powers and duties of any officer. Any of the powers and duties of an officer to whom an assistant has been appointed may be exercised and performed by such assistant, unless the Board or the chief executive officer otherwise directs.

#### **7.8 Term of Office**

Subject to any Unanimous Shareholder Agreement, the Board, in its discretion, may remove any officer of the Corporation. Otherwise, each officer appointed by the Board shall hold office until his or her successor is appointed or until his or her earlier resignation.

#### **7.9 Agents and Attorneys**

The Board shall have power from time to time to appoint agents or attorneys for the Corporation in or outside Canada with such powers (including the power to sub-delegate) of management, administration or otherwise as may be thought fit.

#### **7.10 Conflict of Interest**

An officer shall disclose his or her interest in any material contract or transaction or proposed material contract or transaction with the Corporation in accordance with Section 4.9.

#### **7.11 Fidelity Bonds**

The Board may require such officers, employees and agents of the Corporation as the Board deems advisable to furnish bonds for the faithful discharge of their duties, in such form and with such surety as the Board may from time to time prescribe.

## **SECTION 8 – PROTECTION OF DIRECTORS, OFFICERS AND OTHERS**

### **8.1 Limitation of Liability**

Every Director and officer of the Corporation in exercising his or her powers and discharging his or her duties to the Corporation shall act honestly and in good faith with a view to the best interests of the Corporation and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Subject to the foregoing, no Director or officer shall be liable for the acts, omissions, failures, neglects or defaults of any other Director, officer or employee, or for joining in any act for conformity, or for any loss, damage or expense suffered or incurred by the Corporation through the insufficiency or deficiency of title to any property acquired by the Corporation or for or on behalf of the Corporation, or for the insufficiency or deficiency of any security in or upon which any of the moneys of the Corporation shall be invested, or for any loss or damage arising from the bankruptcy, insolvency or tortious act of any person with whom any of the moneys, securities or effects of the Corporation shall be deposited, or for any loss occasioned by any error of judgment or oversight on his or her part, or for any other loss, damage or misfortune which shall happen in the execution of the duties of his or her office or in relation thereto. Nothing herein shall relieve any Director or officer from the duty to act in accordance with the Act and the regulations thereunder or from liability for any breach thereof.

### **8.2 Indemnity**

(1) The Corporation shall indemnify a Director or officer of the Corporation, a former Director or officer or another individual who acts or acted at the Corporation's request as a director or officer (or an individual acting in a similar capacity) of another entity, against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by the individual in respect of any civil, criminal, administrative, investigative or other proceeding in which the individual is involved because of that association with the Corporation or other entity.

(2) The Corporation shall advance moneys to a Director, officer or other individual for the costs, charges and expenses of a proceeding referred to in Section 8.2(1). The individual shall repay the moneys if he or she does not fulfil the conditions of Section 8.2(3).

(3) The Corporation shall not indemnify an individual under Sections 8.2(1) or (2) unless he or she:

- (a) acted honestly and in good faith with a view to the best interests of the Corporation or, as the case may be, to the best interests of the other entity for which he or she acted as a director or officer or in a similar capacity at the Corporation's request; and
- (b) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, the person had reasonable grounds for believing that his or her conduct was lawful.

(4) The Corporation shall also indemnify the person referred to in Section 8.2(1) in such other circumstances as the Act or law permits or requires. Nothing in these By-laws shall limit the right of any person entitled to indemnity to claim indemnity apart from the provisions of these By-laws.

### **8.3 Insurance**

The Corporation may purchase and maintain such insurance for the benefit of any person referred to in Section 8.2(1) as the Board may from time to time determine.

## **SECTION 9 – SECURITIES**

### **9.1 Options or Rights**

Subject to the Act, the Articles and any Unanimous Shareholder Agreement, the Board may from time to time issue or grant options to purchase the whole or any part of the authorized and unissued shares of the Corporation at such times and to such persons and for such consideration as the Board shall determine, except that no share shall be issued until it is fully paid as provided by the Act.

## 9.2 Commissions

The Board may from time to time authorize the Corporation to pay a reasonable commission to any person in consideration of his or her purchasing or agreeing to purchase shares of the Corporation, whether from the Corporation or from any other person, or procuring or agreeing to procure purchasers for any such shares.

## 9.3 Securities Register

The Corporation shall prepare and maintain, at its registered office or at any other place in Ontario designated by the Board, a securities register in which it records the securities issued by it in registered form, showing with respect to each class or series of securities:

- (a) the names, alphabetically arranged, of each person who:
  - (i) is or has been within six years registered as a shareholder of the Corporation, the address, including the street and number, if any, of every such person while a holder, and the number and class of shares registered in the name of such holder;
  - (ii) is or has been within six years registered as a holder of debt obligations of the Corporation, the address, including the street and number, if any, of every such person while a holder, and the class or series and principal amount of the debt obligations registered in the name of such holder; or
  - (iii) is or has been within six years registered as a holder of warrants of the Corporation, other than warrants exercisable within one year from the date of issue, the address, including the street and number, if any, of every such person while a registered holder and the class or series and number of warrants registered in the name of such holder; and
- (b) the date and particulars of the issue of each security and warrant.

## 9.4 Register of Transfers

The Corporation shall cause to be kept a register of transfers in which all transfers of securities issued by the Corporation in registered form and the date and other particulars of each transfer shall be set out.

## 9.5 Registration of Transfers

Subject to the *Securities Transfer Act, 2006* (Ontario), no transfer of a share shall be registered in a securities register except on presentation of the certificate, if any, issued by the Corporation, representing the share with an endorsement which complies with the *Securities Transfer Act, 2006* (Ontario) made on or delivered with it duly executed by an appropriate person as provided by the *Securities Transfer Act, 2006* (Ontario), together with such reasonable assurance that the endorsement is genuine and effective as the Board may from time to time prescribe, on payment of all applicable taxes and any reasonable fees prescribed by the Board, on compliance with the restrictions on issue, transfer or ownership authorized by the Articles or any Unanimous Shareholder Agreement and on satisfaction of any lien referred to in Section 9.12(1).

## 9.6 Transfer Agents and Registrars

The Board may from time to time, in respect of each class of securities issued by it, appoint one or more trustees, transfer or other agents to keep the securities register and the register of transfers and a registrar, trustee or agent to maintain a central securities register of issued securities and may appoint one or more persons or agents to keep branch registers, and, subject to the Act, one person may be appointed to keep the securities register, register of transfers and the records of issued securities. Such a person may be designated as transfer agent or registrar according to its functions, and one person may be designated both registrar and transfer agent. The Board may at any time terminate such appointment.



## **9.7 Non-recognition of Trusts**

Subject to the Act, the Corporation may treat the registered holder of any security as the person exclusively entitled to vote, to receive notices, to receive any dividend, interest or other payments in respect of the security, and otherwise to exercise all the rights and powers of an owner of the security.

## **9.8 Security Certificates**

(1) Subject to Section 9.8(2), every holder of one or more securities of the Corporation shall be entitled, at his or her option, to a security certificate, stating the number and class or series of securities held by him or her as shown in the securities register. The certificates shall be in such form as the Board may from time to time approve and need not be under the corporate seal. Unless otherwise ordered by the Board, any such certificate shall be signed manually by at least one of the Directors or officers of the Corporation.

(2) Unless otherwise provided in the Articles, the Board may provide by resolution that all or any classes and series of shares or other securities shall be uncertificated securities, provided that such resolution shall not apply to securities represented by a certificate until such certificate is surrendered to the Corporation.

(3) Unless the Board otherwise determines, certificates in respect of which a transfer agent or registrar has been appointed shall not be valid unless countersigned by or on behalf of such transfer agent or registrar.

(4) Signatures of signing officers may be printed or mechanically reproduced in facsimile upon security certificates and every such facsimile shall for all purposes be deemed to be the signature of the officer whose signature it reproduces and shall be binding upon the Corporation, except that at least one Director or officer of the Corporation shall manually sign each certificate (other than a scrip certificate or a certificate representing a fractional share or a warrant or a promissory note that is not issued under a trust indenture) in the absence of a manual signature thereon of a duly appointed transfer agent, registrar, branch transfer agent or issuing or other authenticating agent of the Corporation or trustee who certifies it in accordance with a trust indenture. A security certificate executed as aforesaid shall be valid notwithstanding that the person has ceased to be a Director or an officer of the Corporation at the date of issue of the certificate.

## **9.9 Replacement of Security Certificates**

The Board may in its discretion (or any officer or agent designated by the Board may in his or her discretion) direct the issue of a new share or other such certificate in lieu of and on cancellation of a certificate that has been mutilated or in substitution for a certificate claimed to have been lost, apparently destroyed or wrongfully taken, on payment of such reasonable fee and on such terms as to indemnity, reimbursement of expenses and evidence of loss and of title as the Board may from time to time prescribe, whether generally or in any particular case.

## **9.10 Joint Holders**

If two or more persons are registered as joint holders of any security, the Corporation shall not be bound to issue more than one certificate in respect of that security, and delivery of such certificate to one of those persons shall be sufficient delivery to all of them. Any one of those persons may give effectual receipts for the certificate issued in respect of it or for any dividend, interest, bonus, return of capital or other money payable or warrant issuable in respect of that security.

## **9.11 Deceased Holders**

In the event of the death of a holder, or of one of the joint holders of any security, the Corporation shall not be required to make any entry in the securities register in respect of the death or to make any dividend, interest or other payments in respect of the security except on production of all such documents as may be required by law.

## **9.12 Lien for Indebtedness**

(1) Except with respect to any class or series of shares listed and posted for trading on any stock exchange in or outside Canada, the Corporation shall have a lien on shares registered in the name of a Defaulting Shareholder for any Shareholder Debt.

(2) If any Defaulting Shareholder defaults in the payment due in respect of any Shareholder Debt when the same becomes due and payable and continues in default for a period of 15 days after the Corporation has given notice in writing of such default to the Defaulting Shareholder:

- (a) the Corporation may sell all or any part of the Liened Shares at a *bona fide* public or private sale or auction;
- (b) the terms and manner of the auction or sale shall be in the sole discretion of the Corporation;
- (c) the Corporation may accept any offer that it in its absolute discretion considers advisable upon such terms, whether for cash or credit or partly cash and partly credit, as it in its discretion considers advisable;
- (d) notice of any public or private sale or auction shall be given to the Defaulting Shareholder at least 15 days prior to the date on which such sale is held;
- (e) the proceeds of such sale shall be used and applied in descending order as follows:
  - (i) first, to the cost and expense of such sale incurred by the Corporation, including legal fees, disbursements and charges;
  - (ii) second, to reimburse the Corporation for out-of-pocket expenses incurred in connection with the sale;
  - (iii) third, for the payment in full of the Shareholder Debt and all other sums due to the Corporation by the Defaulting Shareholder; and
  - (iv) the balance, if any, to the Defaulting Shareholder;
- (f) if the proceeds of the sale are insufficient to pay the Shareholder Debt, the Defaulting Shareholder shall remain liable for any such deficiency;
- (g) the Corporation may apply any dividends or other distributions paid or payable on or in respect of the Liened Shares in repayment of the Shareholder Debt;
- (h) where the Liened Shares are redeemable pursuant to the Articles or may be repurchased at a price determined pursuant to the terms of any Unanimous Shareholder Agreement, the Corporation may redeem or repurchase all or any part of the Liened Shares and apply the redemption or repurchase price to the Shareholder Debt; and
- (i) the Corporation may refuse to register a transfer of all or part of the Liened Shares until the Shareholder Debt is paid.

(3) In exercising one or more of the rights granted in Section 9.12(2), the Corporation shall not thereby prejudice or surrender any other rights of enforcement of its lien which may by law be available to it, or any other remedy available to the Corporation for collection of the Shareholder Debt, and the Defaulting Shareholder shall remain liable for any deficiency remaining.

## **SECTION 10 – DIVIDENDS AND RIGHTS**

### **10.1 Dividends**

Subject to the Act and any Unanimous Shareholder Agreement, the Board may from time to time declare dividends payable to the shareholders according to their respective rights and interests in the Corporation. Dividends may be paid in money or property or by the issue of fully paid shares of the Corporation or options or rights to acquire fully paid shares of the Corporation.

## **10.2 Dividend Cheques**

A dividend payable in money (less any tax or other amounts required to be deducted or withheld by the Corporation) shall be paid to the order of each registered holder of the shares of the class or series in respect of which it has been declared by Cheque in lawful money of Canada at par at any branch in Canada of the Corporation's bankers for the time being or, in respect of any particular holder, by any other means agreed upon between the Corporation and such holder. The mailing of such Cheque by ordinary unregistered first class pre-paid mail addressed to a holder at his or her address as it appears in the securities register of the Corporation or, in the event of the address of any such holder not so appearing, then at the last address of such holder known to the Corporation or, in the case of joint holders, to the address of that one of the joint holders whose name stands first in such register, or the payment by such other means shall be deemed to be payment of the dividends represented thereby and payable on such date to the extent of the amount of such payment unless the Cheque is not paid upon presentation or payment by such other means is not received.

## **10.3 Non-receipt or Loss of Cheques**

In the event of non-receipt or loss of any dividend Cheque by the person to whom it is sent, the Corporation shall issue a replacement Cheque for a like amount on such terms as to indemnity, reimbursement of expenses and evidence of non-receipt and of title as the Board may from time to time prescribe, whether generally or in any particular case.

## **10.4 Currency of Dividends**

Dividends or other distributions payable in cash may be paid to some shareholders in Canadian currency and to other shareholders in equivalent amounts of a currency or currencies other than Canadian currency. The Board may declare dividends or other distributions in any currency or in alternative currencies and make such provisions as it deems advisable for the payment of such dividends or other distributions.

## **10.5 Record Date for Dividends and Rights**

The Board may fix in advance a date, preceding by not more than 50 days and not less than 21 days, as the record date for the payment of any dividend or the date for the issue of any warrant or other evidence of the right to subscribe for securities of the Corporation, as a record date for the determination of the persons entitled to receive payment of such dividend or to exercise the right to subscribe for such securities, and notice of any such record date shall be given not less than seven days before the record date in the manner provided by the Act. If no record date is so fixed, the record date for the determination of the persons entitled to receive payment of any dividend or to exercise the right to subscribe for securities of the Corporation shall be at the close of business on the day on which the resolution relating to the dividend or right to subscribe is passed by the Board.

## **10.6 Unclaimed Dividends**

Any dividend unclaimed after a period of six years from the date on which it has been declared to be payable shall be forfeited and shall revert to the Corporation.

## **SECTION 11 – MEETINGS OF SHAREHOLDERS**

### **11.1 Annual Meetings**

The annual meeting of shareholders shall be held at such time in each year and, subject to Section 11.4, at such place as the Board may from time to time determine, for the purpose of considering the minutes of an earlier meeting, considering the financial statements and reports required by the Act to be placed before the annual meeting, electing Directors, appointing or waiving the appointment of an auditor, fixing or authorizing the Directors to fix the remuneration payable to any such auditor and for the transaction of such other business as may properly be brought before the meeting.

### **11.2 Special Meetings**

The Board shall have power to call a special meeting of shareholders at any time.

### **11.3 Meeting Held by Electronic Means**

A meeting of the shareholders may be held by telephonic or electronic means. A shareholder who, through these means, votes at the meeting or establishes a communications link to the meeting shall be deemed to be present at the meeting.

### **11.4 Place of Meetings**

Meetings of shareholders shall be held at such place in or outside Ontario as the Directors determine or, in the absence of such a determination, at the place where the registered office of the Corporation is located. A meeting held under Section 11.3 shall be deemed to be held at the place where the registered office of the Corporation is located.

### **11.5 Notice of Meetings**

Notice of the time and place of each meeting of shareholders shall be given in the manner provided in Section 12, in the case of an offering corporation, not less than 21 days and, in the case of any other corporation, not less than 10 days, but in either case, not more than 50 days before the date of the meeting to each Director, to any auditor and to each shareholder who at the close of business on the record date for notice is entered in the securities register as the holder of one or more shares carrying the right to receive notice of or vote at the meeting. Notice of a meeting of shareholders called for any purpose other than consideration of the minutes of an earlier meeting, financial statements and auditor's report, election of directors and reappointment of the incumbent auditor or fixing or authorizing the Directors to fix the remuneration payable to such auditor shall state or be accompanied by a statement of:

- (a) the nature of the business in sufficient detail to permit the shareholders to form a reasoned judgment on it; and
- (b) the text of any special resolution or by-law to be submitted to the meeting.

### **11.6 List of Shareholders Entitled to Notice**

For every meeting of shareholders, the Corporation shall prepare a list of shareholders entitled to receive notice of the meeting, arranged in alphabetical order and showing the number of shares held by each shareholder entitled to vote at the meeting. If a record date for the meeting is fixed pursuant to Section 11.7, the shareholders listed shall be those registered at the close of business on that record date. If no record date is fixed, the shareholders listed shall be those registered at the close of business on the day immediately preceding the day on which notice of the meeting is given or, where no such notice is given, on the day on which the meeting is held. The list shall be available for examination by any shareholder during usual business hours at the registered office of the Corporation or at the place where the central securities register is maintained and at the meeting for which the list was prepared. Where a separate list of shareholders has not been prepared, the names of persons appearing in the securities register at the requisite time as the holder of one or more shares carrying the right to vote at such a meeting shall be deemed to be a list of shareholders.

### **11.7 Record Date for Notice**

The Board may fix in advance a date, preceding the date of any meeting of shareholders by not more than 50 days and not less than 21 days, as a record date for the determination of the shareholders entitled to notice of the meeting, and notice of any such record date shall be given not less than seven days before the record date, by advertisement in a newspaper published or distributed in the place where the Corporation has its registered office and in each place in Canada where it has a transfer agent or where a transfer of the Corporation's shares may be recorded, and, where applicable, by written notice to each stock exchange in Canada on which the Corporation's shares are listed for trading unless notice of the record date is waived in writing by every holder of a share of the class or series affected whose name is set out in the securities register of the Corporation at the close of business on the day the Directors fix the record date. If no such record date is so fixed, the record date for the determination of the shareholders entitled to receive notice of the meeting shall be at the close of business on the day preceding the day on which the notice is given or, if no notice is given, shall be the day on which the meeting is held.

## **11.8 Waiver of Notice**

- (1) A meeting of shareholders may be held without notice at any time and place permitted by the Act if:
  - (a) all the shareholders entitled to vote at the meeting are present in person or duly represented or if those not present or represented waive notice of or otherwise consent to the meeting being held; and
  - (b) the auditor and the Directors are present or waive notice of or otherwise consent to the meeting being held,

so long as the shareholders, auditor or Directors present are not attending for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

- (2) At a meeting held under Section 11.8(1), any business may be transacted which the Corporation may transact at a meeting of shareholders.

## **11.9 Chair, Secretary and Scrutineers**

The chair of any meeting of shareholders shall be the first mentioned of such of the following officers as have been appointed and who is present at the meeting: chair of the Board; managing director; president; or a vice-president who is a shareholder. If no such officer is present within 15 minutes from the time fixed for holding the meeting, the persons present and entitled to vote shall choose one of their number to be chair. If the secretary of the Corporation is absent, the chair shall appoint some person, who need not be a shareholder, to act as secretary of the meeting. If desired, one or more scrutineers, who need not be shareholders, may be appointed by a resolution or by the chair with the consent of the meeting.

## **11.10 Persons Entitled to be Present**

The only persons entitled to be present at a meeting of the shareholders shall be those entitled to attend or vote at the meeting, the Directors, auditor, legal counsel of the Corporation and others who, although not entitled to attend or vote, are entitled or required under any provision of the Act, the Articles, By-laws or Unanimous Shareholder Agreement to be present at the meeting. Any other person may be admitted only on the invitation of the chair of the meeting or with the consent of the meeting.

## **11.11 Quorum**

Subject to any Unanimous Shareholder Agreement, a quorum of shareholders is present at a meeting of shareholders irrespective of the number of persons actually present at the meeting, if, in the case of an offering corporation, two or more holders of shares carrying not less in aggregate than 5% of the votes entitled to be voted at the meeting are present in person or represented by proxy and, in the case of any other corporation, the holders of a majority of the shares entitled to vote at the meeting are present in person or represented by proxy. A quorum need not be present throughout the meeting provided that a quorum is present at the opening of the meeting. If a quorum is not present at the time appointed for the meeting or within a reasonable time after that the shareholders may determine, the shareholders present or represented may adjourn the meeting to a fixed time and place but may not transact any other business.

## **11.12 Right to Vote**

Every person named in the list referred to in Section 11.6 shall be entitled to vote the shares shown on the list opposite his or her name at the meeting to which the list relates.

## **11.13 Proxyholders and Representatives**

Every shareholder entitled to vote at a meeting of shareholders may appoint a proxyholder, or one or more alternate proxyholders, as his or her nominee to attend and act at the meeting in the manner and to the extent authorized and with the authority conferred by the proxy. A proxy shall be in writing or have an electronic signature executed by the shareholder or his or her attorney and shall conform with the requirements of the Act. Alternatively, every shareholder which is a body corporate or other legal entity may authorize by resolution of its directors or governing body an individual to represent it at a meeting of shareholders and that individual may exercise on the shareholder's behalf all the powers it could exercise if it were an individual shareholder. The authority of such an individual shall be established by depositing

with the Corporation a certified copy of the resolution, or in such other manner as may be satisfactory to the secretary of the Corporation or the chair of the meeting. Any such proxyholder or representative need not be a shareholder. In the case of a proxy appointing a proxyholder to attend and act at a meeting or meetings of shareholders of an offering corporation, the proxy ceases to be valid one year from its date.

#### **11.14 Time for Deposit of Proxies**

The Board may fix a time not exceeding 48 hours, excluding non-business days, preceding any meeting or adjourned meeting of shareholders before which time proxies to be used at the meeting must be deposited with the Corporation or its agent, and any time so fixed shall be specified in the notice calling the meeting. A proxy shall be acted on only if, before the time so specified, it has been deposited with the Corporation or its agent specified in the notice or if, no such time having been specified in the notice, it has been received by the secretary of the Corporation or by the chair of the meeting before the time of voting.

#### **11.15 Joint Shareholders**

If two or more persons hold shares jointly, any one of them present in person or duly represented at a meeting of shareholders may, in the absence of the other or others, vote the shares, but, if two or more of those persons are present in person or represented and vote, they shall vote as one the shares jointly held by them.

#### **11.16 Votes to Govern**

At any meeting of shareholders, every question shall, unless otherwise required by the Articles, By-laws, any Unanimous Shareholder Agreement or by law, be determined by a majority of the votes cast on the question.

#### **11.17 Casting Vote**

Subject to any Unanimous Shareholder Agreement, in case of an equality of votes at any meeting of shareholders either on a show of hands or on a poll, the chair of the meeting shall be entitled to a second or casting vote.

#### **11.18 Show of Hands**

Subject to the Act, any question at a meeting of shareholders shall be decided by a show of hands, unless a ballot is required or demanded as provided. On a show of hands, every person who is present and entitled to vote shall have one vote. Whenever a vote by show of hands has been taken on a question, unless a ballot is required or demanded, a declaration by the chair of the meeting that the vote on the question has been carried or carried by a particular majority or not carried and an entry to that effect in the minutes of the meeting shall be *prima facie* evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against any resolution or other proceeding in respect of the question, and the result of the vote so taken shall be the decision of the shareholders on the question.

#### **11.19 Ballots**

On any question proposed for consideration at a meeting of shareholders, and whether or not a show of hands has been taken on it, the chair may require a ballot or any person who is present and entitled to vote on the question at the meeting may demand a ballot. A ballot so required or demanded shall be taken in such manner as the chair shall direct. A requirement or demand for a ballot may be withdrawn at any time before the ballot is taken. If a ballot is taken, each person present shall be entitled, in respect of the shares which he or she is entitled to vote at the meeting on the question, to that number of votes provided by the Act or the Articles, and the result of the ballot so taken shall be the decision of the shareholders on the question.

#### **11.20 Adjournment**

The chair at a meeting of shareholders may, with the consent of the meeting and subject to such conditions as the meeting may decide, adjourn the meeting from time to time and from place to place. If a meeting of shareholders is adjourned for less than 30 days, it will not be necessary to give notice of the adjourned meeting, other than by announcement at the original meeting that is adjourned. Subject to the Act, if a meeting of shareholders is adjourned by one or more adjournments for an aggregate of 30 days or more, notice of the adjourned meeting shall be given as for an original meeting.

### **11.21 Resolution in Lieu of Meeting**

A resolution in writing signed by all the shareholders entitled to vote on that resolution at a meeting of shareholders is as valid as if it had been passed at a meeting of the shareholders unless, in accordance with the Act:

- (a) in the case of the resignation or removal of a Director, or the appointment or election of another person to fill the place of that Director, a written statement is submitted to the Corporation by the Director giving the reasons for his or her resignation or the reasons why he or she opposes any proposed action or resolution for the purpose of removing him or her from office or the election of another person to fill the office of that Director; or
- (b) in the case of the removal or resignation of an auditor, or the appointment or election of another person to fill the office of auditor, representations in writing are made to the Corporation by that auditor concerning its proposed removal, the appointment or election of another person to fill the office of auditor or its resignation.

### **11.22 Only One Shareholder**

Where the Corporation has only one shareholder or only one holder of any class or series of shares, the shareholder present in person or duly represented constitutes a meeting.

## **SECTION 12 – NOTICES**

### **12.1 Method of Giving Notices**

Any notice (which term includes any communication or document) to be given (which term includes sent, delivered or served) pursuant to the Act, the regulations, the Articles, the By-laws, any Unanimous Shareholder Agreement or otherwise to a shareholder, Director, officer, auditor or member of a committee of the Board shall be sufficiently given if delivered personally to the person to whom it is to be given or if mailed to him or her at his or her recorded address by prepaid, ordinary or air mail, or if sent to him or her at his or her recorded address by any telephonic or electronic means. A notice so delivered shall be deemed to have been given when it is delivered personally, and a notice so mailed shall be deemed to have been given on the fifth day after it is deposited in a post office or public letter box. A notice sent by any telephonic or electronic means shall be deemed to have been given when dispatched or delivered to the appropriate communication company or agency or its representative for dispatch or through transmission of data or information through automated touch-tone telephone systems, computer networks, any other similar means or any other prescribed means. The secretary may change or cause to be changed the recorded address of any shareholder, Director, officer, auditor or member of a committee of the Board in accordance with any information believed by him or her to be reliable.

### **12.2 Notice to Joint Shareholders**

If two or more persons are registered as joint holders of any share, any notice may be addressed to all such joint holders, but notice addressed to one of those persons shall be sufficient notice to all of them.

### **12.3 Computation of Time**

In computing the period of days when notice must be given under any provision requiring a specified number of days notice of any meeting or other event, the period shall be deemed to begin on the day following the event that began the period and shall be deemed to end at midnight of the last day of the period, except that, if the last day of the period falls on a non-business day, the period shall end at midnight on the day next following that is not a non-business day.

### **12.4 Undelivered Notices**

If any notice given to a shareholder pursuant to Section 12.1 is returned on three consecutive occasions because such shareholder cannot be found, the Corporation shall not be required to give any further notices to that shareholder until he or she informs the Corporation in writing of his or her new address.

## 12.5 Omissions and Errors

The accidental omission to give any notice to any shareholder, Director, officer, auditor or member of a committee of the Board or the non-receipt of any notice by any such person or any error in any notice not affecting the substance of the notice shall not invalidate any action taken at any meeting held pursuant to the notice or otherwise founded on it.

## 12.6 Persons Entitled by Death or Operation of Law

Every person who, by operation of law, transfer, death of a shareholder or any other means whatsoever, shall become entitled to any share, shall be bound by every notice in respect of the share which has been duly given to the shareholder from whom he or she derives his or her title to the share before his or her name and address is entered on the securities register (whether the notice was given before or after the happening of the event on which he or she became so entitled) and before he or she furnished the Corporation with the proof of authority or evidence of his or her entitlement prescribed by the Act.

## 12.7 Waiver of Notice

Any shareholder, proxyholder or other person entitled to notice of or attend a meeting of shareholders, Director, officer, auditor or member of a committee of the Board may at any time waive any notice, or waive or abridge the time for any notice, required to be given to him or her under the Act, the regulations, the Articles, the By-laws, any Unanimous Shareholder Agreement or otherwise, and that waiver or abridgement, whether given before or after the meeting or other event of which notice is required to be given, shall cure any default in the giving or in the time of the notice, as the case may be. Any such waiver or abridgement shall be in writing, except a waiver of notice of a meeting of shareholders or of the Board or a committee of the Board, which may be given in any manner.

## 12.8 Nomination of Directors

- (a) Subject only to the Act, only persons who are nominated in accordance with the following procedures shall be eligible for election as directors of the Corporation. Nominations of persons for election to the board may be made at any annual meeting of shareholders, or at any special meeting of shareholders (but only if the election of directors is a matter specified in the notice of meeting given by or at the direction of the person calling such special meeting):
  - (i) by or at the direction of the board or an authorized officer of the Corporation, including pursuant to a notice of meeting;
  - (ii) by or at the direction or request of one or more shareholders pursuant to a proposal made in accordance with the provisions of the Act or a requisition of the shareholders made in accordance with the provisions of the Act; or
  - (iii) by any person (a “**Nominating Shareholder**”) (A) who, at the close of business on the date of the giving of the notice provided for below in this Section 12 and on the record date for notice of such meeting, is entered in the securities register as a holder of one or more shares carrying the right to vote at such meeting or who beneficially owns shares that are entitled to be voted at such meeting and (B) who complies with the notice procedures set forth below in this Section 12.
- (b) In addition to any other applicable requirements, for a nomination to be made by a Nominating Shareholder, such person must have given (i) timely notice thereof in proper written form to the Secretary of the Corporation at the principal executive offices of the Corporation in accordance with this Section 12 and (ii) the representation and agreement with respect to each candidate for nomination as required by, and within the time period specified in Section 12.8(e).
- (c) To be timely under Section 12, a Nominating Shareholder’s notice to the Secretary of the Corporation must be made:
  - (i) in the case of an annual meeting of shareholders, not less than 30 nor more than 65 days prior to the date of the annual meeting of shareholders; provided, however, that in the event that the annual meeting of shareholders is called for a date that is less than 50 days after the date (the



“**Notice Date**”) on which the first public announcement of the date of the annual meeting was made, notice by the Nominating Shareholder may be made not later than the tenth (10<sup>th</sup>) day following the Notice Date; and

- (ii) in the case of a special meeting (which is not also an annual meeting) of shareholders called for the purpose of electing directors (whether or not called for other purposes), not later than the fifteenth (15<sup>th</sup>) day following the day on which the first public announcement of the date of the special meeting of shareholders was made.

Notwithstanding the foregoing, the board may, in its sole discretion, waive any requirement in this section 12.8(c).

- (d) To be in proper written form, a Nominating Shareholder’s notice to the Secretary of the Corporation under Section 12.8(b)(i), must set forth:

- (i) as to each person whom the Nominating Shareholder proposes to nominate for election as a director (A) the name, age, business address and residence address of the person, (B) the principal occupation or employment of the person, (C) the class or series and number of shares in the capital of the Corporation which are controlled or which are owned beneficially or of record by the person as of the record date for the Meeting of Shareholders (if such date shall then have been made publicly available and shall have occurred) and as of the date of such notice, (D) a statement as to whether such person would be “independent” of the Corporation (within the meaning of sections 1.4 and 1.5 of National Instrument 52-110 – *Audit Committees* of the Canadian Securities Administrators, as such provisions may be amended, or pursuant to any regulations or statutes which may supersede such provisions, from time to time) if elected as a director at such meeting and the reasons and basis for such determination and (E) any other information relating to the person that would be required to be disclosed in a dissident’s proxy circular in connection with solicitations of proxies for election of directors; and

- (ii) as to the Nominating Shareholder giving the notice, (A) any information relating to such Nominating Shareholder that would be required to be made in a dissident’s proxy circular in connection with solicitations of proxies for election of directors pursuant to the Act and Applicable Securities Laws, and (B) the class or series and number of shares in the capital of the Corporation which are controlled or which are owned beneficially or of record by the Nominating Shareholder as of the record date for the Meeting of Shareholders (if such date shall then have been made publicly available and shall have occurred) and as of the date of such notice.

- (e) To be eligible to be a candidate for election as a director of the Corporation and to be duly nominated, a candidate must be nominated in the manner prescribed in this Section 12 and the candidate for nomination, whether nominated by the board or otherwise, must have previously delivered to the Secretary of the Corporation at the principal executive offices of the Corporation, not less than 5 days prior to the date of the Meeting of Shareholders, a written representation and agreement (in form provided by the Corporation) that such candidate for nomination, if elected as a director of the Corporation, will comply with all applicable corporate governance, conflict of interest, confidentiality, share ownership, majority voting and insider trading policies and other policies and guidelines of the Corporation applicable to directors and in effect during such person's term in office as a director (and, if requested by any candidate for nomination, the Secretary of the Corporation shall provide to such candidate for nomination all such policies and guidelines then in effect).

- (f) No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the provisions of this Section 12; provided, however, that nothing in this Section 12 shall be deemed to preclude discussion by a shareholder (as distinct from nominating directors) at a meeting of shareholders of any matter in respect of which it would have been entitled to submit a proposal pursuant to the provisions of the Act. The chair of the meeting shall have the power and duty to determine whether a nomination was made in accordance with the procedures set forth in the foregoing provisions and, if any proposed nomination is not in compliance with such foregoing provisions, to declare that such defective nomination shall be disregarded.

- (g) Notwithstanding any other provision to this Section 12, notice or any delivery given to the Secretary of the Corporation pursuant to this Section 12 may only be given by personal delivery, facsimile transmission or by email (provided that the Secretary of the Corporation has stipulated an email address for purposes of this notice, at such email address as stipulated from time to time), and shall be deemed to have been given and made only at the time it is served by personal delivery, email (at the address as aforesaid) or sent by facsimile transmission (provided that receipt of confirmation of such transmission has been received) to the Secretary at the address of the principal executive offices of the Corporation; provided that if such delivery or electronic communication is made on a day which is a not a business day or later than 5:00 p.m. (Toronto time) on a day which is a business day, then such delivery or electronic communication shall be deemed to have been made on the subsequent day that is a business day.
- (h) In no event shall any adjournment or postponement of a Meeting of Shareholders or an announcement thereof commence a new time period for the giving of a Nominating Shareholder's notice as described in Section 12.8(c) or the delivery of a representation and agreement as described in Section 12.8(e).
- (i) Notwithstanding the foregoing provisions of this Section 12, the provisions of this Section 12 shall not take effect until approved by shareholders at a Meeting of Shareholders.

## **SECTION 13 – EFFECTIVE DATE**

### **13.1 Effective Date**

These By-laws shall come into force when made by the Board in accordance with the Act.

### **13.2 Paramountcy**

In the event of any conflict between any provision of these By-laws and any provision of any Unanimous Shareholder Agreement, the provision of the Unanimous Shareholder Agreement shall prevail to the extent of the conflict, and the Directors and the shareholders shall amend these By-laws accordingly.

### **13.3 Repeal**

All previous By-laws of the Corporation are repealed as of the coming into force of these By-laws. The repeal shall not affect the previous operation of any By-laws so repealed or affect the validity of any act done or right, privilege, obligation or liability acquired or incurred under, or the validity of any contract or agreement made pursuant to, or the validity of any Articles or predecessor charter documents of the Corporation obtained pursuant to, any such By-laws before its repeal. All officers and persons acting under any By-laws so repealed shall continue to act as if appointed under the provisions of these By-laws, and all resolutions of the shareholders or the Board or a committee of the Board with continuing effect passed under any repealed By-laws shall continue to be good and valid except to the extent inconsistent with these By-laws and until amended or repealed.

**MADE** by the Board the \_\_ day of \_\_\_\_\_, 20\_\_.

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Secretary