

EQUITY PARTICIPATION AND EARN-IN AGREEMENT

THIS AGREEMENT is dated as of the 25th day of September, 2018 (the “**Effective Date**”).

AMONG:

PUF VENTURES INC., a company duly existing under the laws of British Columbia and having a head office at 804 – 750 West Pender Street
Vancouver, British Columbia, V6C 2T7;

(hereinafter referred to as “**PUF**”)

AND:

1180782 B.C. LTD. operating as DELTA ORGANIC CANNABIS CORP., a company duly existing under the laws of British Columbia;

(hereinafter referred to as the “**DOCC**”)

WHEREAS PUF is the legal owner of 50% of Propagation Services Canada Inc. (“**PSC**”), having ownership of the Houwelings Delta propagation facility (the “**Facility**”) consisting of 2,200,000 sq. feet of illuminated greenhouse space and 1,700,000 sq. feet of “ebb and flood” irrigation space;

AND WHEREAS DOCC wishes to acquire an equity interest in PUF by committing up to \$40 million for the furtherance of the Facility’s lease obligations, construction expenses, and operational expenses;

AND WHEREAS PUF desires to grant to DOCC an option to acquire up to 19.9% of outstanding common shares of PUF and a 20% interest in PSC pursuant to the terms and conditions set forth herein;

THIS AGREEMENT WITNESSES that in consideration of the mutual covenants and premises contained in this Agreement, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

1. Subscription and Share Issuance

1.1. DOCC hereby confirms its subscription for and offer to purchase up to **17,832,816** common shares in the capital of PUF (the “**Common Shares**”), representing 19.9% of the issued and outstanding Common Shares of PUF on a fully diluted basis, in consideration for aggregate subscription proceeds of \$40,000,000, such proceeds payable on the following draw down schedule:

- (a) On or before October 8, 2018, DOCC shall advance \$12,500,000 in subscription proceeds in exchange for **5,572,755** Common Shares, such funds to be remitted to PSC by PUF and allocated exclusively for the pre-paid lease on the Facility (\$10,000,000), other long lead items in respect of the improvements on the Facility (\$2,500,000), and such other use of proceeds as more fully described in Schedule I attached hereto.

- (b) On or before November 15, 2018, DOCC shall advance \$7,500,000 in subscription proceeds in exchange for **3,343,653** Common Shares, such funds to be remitted to PSC by PUF and allocated exclusively for construction draw downs on the Facility (\$5,000,000), additional long lead items in respect of the improvements on the Facility (\$2,500,000), and such other use of proceeds as more fully described in Schedule I attached hereto.
 - (c) On or before January 15, 2019, DOCC shall advance \$5,000,000 in subscription proceeds in exchange for **2,229,102** Common Shares, such funds to be remitted to PSC by PUF and allocated exclusively for construction draw downs on the Facility and such other use of proceeds as more fully described in Schedule I attached hereto.
 - (d) On or before March 1, 2019, DOCC shall advance \$15,000,000 in subscription proceeds in exchange for **6,687,306** Common Shares, such funds to be remitted to PSC by PUF and allocated exclusively for ongoing operational expenses of the Facility (\$10,000,000), pre-payment on the Facility lease (\$5,000,000), and such other use of proceeds as more fully described in Schedule I attached hereto.
- 1.2. In connection with each issuance of Common Shares pursuant to Section 1.1, PUF shall issue share certificates representing the Common Shares within 5 business days from the receipt of proceeds from DOCC provided that the total number of Common Shares owned by DOCC upon closing of the subscription does not exceed 19.9% of the Common Shares of PUF. In the event that the issuance of Common Shares to DOCC would exceed this 19.9% threshold, PUF shall reserve for issuance the balance of the Common Shares to be issued to DOCC and such shares shall only be issued when the number of issued and outstanding Common Shares is sufficient to fall below the 19.9% threshold, as and when instructed by DOCC and within 5 business days of receiving such instructions.

2. Grant of Earn-In Rights

- 2.1. In consideration of DOCC's equity commitment set out herein, PUF hereby grants to DOCC, with effect as of the Effective Date, the Earn-in Right (as hereinafter defined).
- 2.2. DOCC will have the right (the "**Earn-in Right**") to earn an Ownership Interest in PSC in accordance with the following schedule (the "**Earn-in Schedule**"):
- (a) earn **6.25%** of PUF's interest in PSC by satisfaction of the subscription obligations set out in subsection 2.1(a);
 - (b) earn an additional **3.75%** for a total of 10% of PUF's interest in PSC by satisfaction of the subscription obligations set out in subsection 2.1(b);
 - (c) earn an additional **2.5%** for a total of 12.5% of PUF's interest in PSC by satisfaction of the subscription obligations set out in subsection 2.1(c); and
 - (d) earn an additional **7.5%** for a total of 20% of PUF's interest in PSC by satisfaction of the subscription obligations set out in subsection 2.1(d).

Notwithstanding the foregoing, DOCC may complete the earn-in obligations sooner than provided by the Earn-in Schedule by the completion of the subscriptions set out in subsections 2.1(a) to (d).

- 2.3. DOCC shall be entitled to its 20% interest in and to the profits of PSC where PSC generates revenue prior to the commencement of full scale operations and completion of the construction commitments

as if all of the items in the Earn-In Schedule have been satisfied, provided there does not exist any Events of Default (as hereinafter defined).

3. Condition Precedent

3.1. The obligations to complete the transactions contemplated by this Agreement are subject to the following conditions, which conditions may only be waived, in whole or in part, by the mutual consent of each of the parties:

3.1.1. the approval of the board of Houwelings Group, shareholder of PSC, which shall be received no later than 7 business days following the Effective Date; and

3.1.2. the shareholders of PSC shall have entered into a shareholders' agreement on terms and conditions that DOCC agrees to, to which DOCC shall become a party upon acquiring shares of PSC pursuant to Section 2.

4. DOCC Nominee

4.1. For so long as DOCC's Percentage (as defined below) is not less than 10% (subject to the proviso at the end of this Section 4.1), DOCC shall be entitled to designate a number of individuals, who may be non-residents of Canada and directors or officers of DOCC or any of its affiliates, to be nominated to serve as directors of PUF (each an "**DOCC Nominee**") that is equal to:

(a) one DOCC Nominee; or

(b) if at any time the board of directors of PUF (the "**Board**") is increased to more than 5 directors, two DOCC Nominees,

provided that DOCC will not lose its right to nominate an DOCC Nominee pursuant to this Section 4 if DOCC's Percentage falls below 10% as a result of one or more issuances of Equity Securities (as defined below) by PUF (a "**Dilutive Event**") if DOCC is not permitted pursuant to Section 5 or applicable law to exercise its Participation Right to maintain its holdings in connection with such Dilutive Event unless, following such Dilutive Event (1) if DOCC has the right pursuant to Section 5.7 to subscribe for additional Equity Securities following such Dilutive Event to increase its DOCC's Percentage back to DOCC's Percentage that applied immediately prior to such Dilutive Event, DOCC fails (except to the extent prohibited by applicable Law) to exercise such right within the time period permitted by Section 5.7, or (2) if DOCC does not have any such right, DOCC's Percentage decreases further as a result of either (x) a sale or other disposition of Equity Securities by DOCC, or (y) the failure of DOCC to exercise its Participation Right or its right pursuant to Section 5.7, in each case to the extent available pursuant to Section 5 and applicable law, to maintain such DOCC's Percentage as a result of a subsequent Equity Financing.

4.2. Each DOCC Nominee must consent in writing to serve as a director of PUF and meet all statutory and stock exchange requirements for membership on the Board.

4.3. On or prior to the later of 30 days following the first issuance of Common Shares to DOCC pursuant to Section 1.1 and the date that is 3 business days following receipt of notice from DOCC designating the initial DOCC Nominee, PUF shall appoint such DOCC Nominee to the Board as promptly as practicable (and in any event within 10 business days) pursuant to the

power of the Board to appoint additional directors between shareholders meetings or to fill a vacancy on the Board. PUF will ensure that, both prior to and following PUF's next annual meeting of shareholders, the Board shall have the power, exercisable by resolution at a duly called meeting of the Board, to appoint DOCC Nominee to the Board.

- 4.4. If at any time DOCC becomes entitled to nominate an additional DOCC Nominee pursuant to Section 4.1(b), PUF shall take all steps necessary to appoint an additional DOCC Nominee designated by DOCC to the Board as promptly as practicable, including pursuant to the power of the Board to appoint additional directors between shareholders meetings or to fill a vacancy on the Board; provided that if the Board does not have the power to appoint additional directors at any time prior to the next shareholders meeting and the next shareholders meeting is not scheduled to occur less than three months from the date DOCC becomes entitled to appoint such additional DOCC Nominee, PUF shall convene a special meeting of shareholders to obtain the approval of shareholders to elect or appoint such DOCC Nominee to the Board and the provisions of Section 4.6 shall apply in respect thereof, *mutatis mutandis*.
- 4.5. PUF shall notify DOCC in writing promptly upon determining the date of any meeting of the shareholders at which directors of PUF are to be elected and DOCC shall advise PUF of the name of each DOCC Nominee that DOCC is entitled to nominate pursuant to this Section 4.1 (as of the record date for the shareholders meeting) within 10 business days after receiving such notice. If DOCC does not advise PUF and the Board of DOCC Nominee(s) within such ten business day period, then DOCC will be deemed to have designated the incumbent DOCC Nominee(s) for nomination for election at the relevant meeting of the shareholders.
- 4.6. At each meeting of shareholders of PUF at which directors are to be elected, PUF shall cause the number of DOCC Nominees that DOCC is entitled to nominate pursuant to Section 4.1 (as of the record date for the shareholders meeting) to be included in the slate of nominees proposed by PUF for election as directors of PUF. PUF shall use commercially reasonable efforts to cause the election of each DOCC Nominee, including soliciting proxies in favour of the election of each DOCC Nominee. Forthwith following any meeting of shareholders at which an DOCC Nominee was nominated to serve as a director but was not validly elected by the shareholders in accordance with the *Business Corporations Act* (Ontario), PUF shall take all steps necessary to appoint an DOCC Nominee to the Board who is not the same individual who was not elected at the meeting of shareholders, including pursuant to the power of the Board to appoint additional directors between Shareholders meetings or to fill a vacancy on the Board.
- 4.7. If an DOCC Nominee ceases to hold office as a director of PUF for any reason (including as a result of a resignation by DOCC Nominee tendered pursuant to PUF's by-laws), other than as a result of DOCC no longer being entitled to nominate such DOCC Nominee pursuant to this Section 4, DOCC shall be entitled to nominate an individual to replace him or her and PUF shall promptly take all steps as may be necessary to appoint such individual to the Board to replace an DOCC Nominee who has ceased to hold office, including pursuant to the power of the Board to appoint additional directors between Shareholders meetings or to fill a vacancy on the Board.
- 4.8. For so long as an DOCC Nominee serves as a member of the Board and is considered independent under National Instrument 52-110 – *Audit Committees* (it being acknowledged that the Board will determine independence with regard to the test in NI 52-110, but that an DOCC Nominee shall not be considered to not be independent solely on the basis of DOCC's Percentage, so long as it is less than 50%), DOCC shall be entitled to designate one DOCC Nominee to serve as a member of the audit committee of the Board (and if DOCC exercises such right PUF shall take all steps necessary to appoint such DOCC Nominee to the audit committee as

promptly as practicable and in any event within 10 business days of receipt of notice of such exercise by DOCC), and each DOCC Nominee shall be eligible to serve on all committees of the Board, in each case provided that such DOCC Nominee satisfies all statutory and stock exchange requirements and the requirements of PUF's relevant charter or mandate for membership on such committee (as they exist on the date hereof or as amended with the consent of DOCC Nominee).

- 4.9. PUF shall pay all reasonable expenses incurred by each DOCC Nominee in the performance of his or her duties for or on behalf of PUF incurred as a result of DOCC Nominee attending Board and committee meetings, including travel and accommodation expenses, in each case in accordance with PUF's policies applicable to all directors.
- 4.10. PUF shall maintain director and officer indemnifications and liability insurance in respect of each DOCC Nominee of the same kind and type provided for PUF's other directors and officers.
- 4.11. PUF acknowledges and agrees that DOCC Nominee shall be entitled to disclose to DOCC and its affiliates (and their respective representatives) any information (including confidential information) received by DOCC Nominee in his or her capacity as such, and DOCC further acknowledges and agrees that upon receiving such confidential information, DOCC and its affiliates (and their respective representatives) may be considered to be in a "special relationship" with PUF pursuant to the *Securities Act* (Ontario).
- 4.12. In this Agreement, "**DOCC's Percentage**" means the percentage of the outstanding Common Shares owned beneficially by DOCC and its affiliates collectively at any given time and is calculated by multiplying 100 by a fraction, the numerator of which is the aggregate number of Common Shares beneficially owned by DOCC and its affiliates (including any Common Shares that are issuable upon the exercise, exchange or conversion of convertible securities held by DOCC and its affiliates), and the denominator of which is the number of outstanding Common Shares (including any Common Shares that are issuable upon the exercise, exchange or conversion of convertible securities held by DOCC and its affiliates).

5. Equity Financing Transactions

- 5.1 If, at any time during the Applicable Period (as defined below), PUF or any of its affiliates is considering a potential Equity Financing, then before soliciting proposals for, or entering into discussions or negotiations regarding, such Equity Financing, PUF shall notify DOCC of the possibility of such Equity Financing and the potential terms thereof.
- 5.2 For so long as DOCC continues to be entitled to nominate at least one DOCC Nominee pursuant to Section 4 (the "**Applicable Period**"), DOCC shall have a right (the "**Participation Right**") to participate in any issuance by PUF of Equity Securities (each, an "**Equity Financing**") such that its DOCC's Percentage after giving effect to the proposed Equity Financing (including, for greater certainty, any upsizing, over-allotment option or similar exercised by the underwriter(s) or agent(s)) shall be equal to its DOCC's Percentage immediately prior to the Equity Financing, all on the same terms and conditions offered to other subscribers of the Equity Financing, subject to and in compliance with the terms and conditions of this Section 5.
- 5.3 During the Applicable Period, in the event that PUF proposes an Equity Financing:
 - (a) PUF shall deliver to DOCC (prior to or concurrently with first delivery to any other subscriber) copies of all documents and other materials delivered by PUF (or any agent of

PUF) to potential subscribers under the Equity Financing and a notice in writing (the “**Equity Financing Notice**”) specifying:

- (A) as of the date thereof, the total number of Common Shares outstanding;
 - (B) the maximum number and type of Equity Securities that are being offered, including any Equity Securities subject to an option or other right exercisable by a subscriber, underwriter or agent in connection with the Equity Financing (the “**Offered Equity Securities**”);
 - (C) the rights, privileges, restrictions, terms and conditions of such Equity Securities;
 - (D) the consideration for which such Equity Securities are currently anticipated being offered; and
 - (E) the proposed closing date of the Equity Financing.
- (b) DOCC shall have the option by notice given to PUF (a “**Financing Subscription Notice**”), to subscribe for up to that number of Equity Securities being offered for sale (as described in the Equity Financing Notice) for the consideration set forth in the Equity Financing Notice such that its DOCC’s Percentage after giving effect to the proposed Equity Financing (including any Equity Securities issued pursuant to an option or other right exercisable by a subscriber, underwriter or agent in connection with the Equity Financing) shall be equal to its DOCC’s Percentage immediately prior to the Equity Financing. In the Financing Subscription Notice, DOCC shall specify the number of Equity Securities beneficially owned, directly or indirectly, by it as at the date of the Equity Financing Notice and either the number of Equity Securities for which DOCC is subscribing or DOCC’s Percentage (up to the then applicable DOCC’s Percentage) that DOCC wishes to maintain following completion of the Equity Financing. The right to subscribe is exercisable by DOCC for a period of 5 business days from the date the Equity Financing Notice is delivered, provided that such period shall be reduced, in the case of a “bought deal” or “overnight marketed” financing proposal where PUF has entered into a bid letter, engagement letter or other form of binding commitment with one or more underwriters to purchase Equity Securities for resale by means of a short form prospectus to be filed with the applicable securities regulators to 48 hours from DOCC’s receipt of the Equity Financing Notice. In the case of an Equity Financing that is qualified by a prospectus, PUF will use commercially reasonable efforts to qualify the Equity Securities subscribed for by DOCC pursuant to such prospectus, failing which the Equity Securities Subscribed for by DOCC will be issued on a private placement basis concurrently with the closing of the Equity Financing.
- (c) If DOCC does not deliver a Financing Subscription Notice within the period identified in Section 5.3(b) or waives its rights hereunder in writing following receipt of an Equity Financing Notice, then any rights which DOCC may have had to subscribe for any of the Equity Securities covered by that specific Equity Financing Notice shall be extinguished (subject to Section 5.5).
- (d) Each Equity Financing Notice and Financing Subscription Notice, taken together with each subscription agreement in the form that all subscribers are required to enter into with PUF (except as otherwise required pursuant to this Section 5), if any, shall constitute a

binding agreement by DOCC to subscribe for and take up, and by PUF to issue and sell to DOCC, the number of Equity Securities subscribed for therein upon the terms and conditions specified in the Equity Financing Notice; provided that DOCC shall not be required to fulfill any obligation of a subscriber that cannot reasonably be fulfilled by DOCC and its affiliates (e.g., an agreement conditioned upon the services of a particular individual or the supply of a product exclusively under the control of the subscriber). The closing of any purchase by DOCC pursuant to the Equity Financing Notice shall be conditional upon, and shall be consummated concurrently with, the relevant closing of the Equity Financing (including any subsequent closing, of an over-allocation option or otherwise) described in the Equity Financing Notice.

- (e) DOCC agrees that, if required by Canadian Securities Laws (as defined below), securities regulators or any stock exchange on which the applicable Equity Securities are listed, DOCC shall execute and deliver any report, undertaking or other documents with respect to the issue of Equity Securities to it contemplated hereunder as may be required by such Canadian Securities Laws, securities regulators or stock exchanges.

5.4 In the event PUF proposes an Equity Financing for which DOCC has exercised its full Participation Right and a portion of the Offered Equity Securities (the “**Excess Securities**”) are not subscribed for by other DOCCs (including unallocated inventory of the underwriter(s) or agent(s)) DOCC shall have a right to subscribe for all or any portion of the Excess Securities (the “**Backstop Right**”). Promptly following the close of trading on each business day commencing on the third business day prior to the scheduled closing date of such Equity Financing, PUF shall notify DOCC of the number of Excess Securities as of the close of trading on such date, and DOCC shall have the option, exercisable by notice given to PUF prior to closing, to subscribe for all or any portion of the Excess Securities that have not been subscribed for by other DOCCs as of the end of the day prior to the closing date, on the same terms as the Equity Securities subscribed for pursuant to DOCC’s Financing Subscription Notice. PUF shall not take any action or omit to take any action for the purpose, directly or indirectly, of avoiding or limiting the Backstop Right or DOCC’s exercise thereof, or the number of Excess Securities available for purchase by DOCC pursuant to the Backstop Right.

5.5 Any material amendment to the terms of an Equity Financing shall be deemed to be a new Equity Financing for the purposes of this Section 5.

5.6 If the exercise by DOCC of its rights pursuant to this Section 5 in respect of any Equity Financing requires the approval of any governmental entity or the shareholders of PUF under any applicable Law, then:

- (a) prior to receiving such approval, PUF shall only be permitted to complete the portion of the Equity Financing (the “**Non-Conditional Portion**”) to DOCC and the other subscribers that would result in DOCC acquiring, pursuant to the Non-Conditional Portion, the lesser of (A) a number of Equity Securities such that its DOCC’s Percentage after giving effect to the Non-Conditional Portion will be equal to its DOCC’s Percentage immediately prior to the completion of the Non-Conditional Portion, and (B) all of the Equity Securities elected in its Financing Subscription Notice; and
- (b) the portion of the Equity Financing (including Equity Securities that would be issued to DOCC and the other subscribers) other than the Non-Conditional Portion (the “**Conditional Portion**”) may not be completed unless and until such approval has been

obtained, and PUF shall use its commercially reasonable efforts to obtain such approval as promptly as practical.

- 5.7 DOCC's Participation Right under this Section 5 shall not apply to the issue of Equity Securities (i) under any securities-based compensation arrangement in respect of the directors, officers, consultants or employees of PUF that has been approved by shareholders, up to a maximum of 10% of the outstanding Common Shares from time to time (on a non-diluted basis), (ii) pursuant to existing convertible securities outstanding on the date hereof, (iii) as consideration for an acquisition of any property or another person or business approved by the Board and, if required by law, the shareholders of PUF, or (iv) issued as a *bona fide de minimis* "equity kicker" to financial institutions, commercial lenders, brokers/finders or any similar person, or their respective designees, in connection with the incurrence of indebtedness by PUF or an affiliate; provided that if at any time DOCC's Percentage is diluted by more than 0.5% as a result of one or more transaction(s) described in this Section 5.7 (other than a transaction described in paragraph (iii) hereof) or any other occurrence which results in the issuance of additional Equity Securities (other than as a result of an Equity Financing in respect of which DOCC does not elect to exercise its Participation Right pursuant to this Section 5, in whole or in part), DOCC shall have the right, within 60 days of such dilution occurring, and upon 5 business days' notice to PUF, to subscribe, at a price equal to the volume weighted average trading price of the Common Shares on the exchange upon which the Common Shares are listed for the preceding 20 trading days, for that number of Common Shares required for DOCC to maintain its DOCC's Percentage prior to such dilution. Upon receipt of such notice and the applicable subscription price, PUF shall issue such additional number of Common Shares to DOCC as soon as practicable.
- 5.8 In this Agreement, "**Equity Securities**" means Common Shares or convertible securities (including debt securities that are convertible securities) and "**convertible securities**" means any agreement, option, warrant, note, instrument, right or other security or conversion privilege issued or granted by PUF or any of its affiliates that is exercisable or convertible into, or exchangeable for, or otherwise carries the right of the holder to purchase or otherwise acquire Common Shares, including pursuant to one or more multiple exercises, conversions and/or exchanges.

6. Verification and Audit Rights

- 6.1. DOCC shall have a right to verify that its subscription proceeds are being used as described in Schedule I attached hereto, at its own cost and expense. Upon request in writing, PUF shall provide DOCC within 30 days of receipt of such request, sufficient detail of the use of such proceeds to permit such verification. DOCC shall have the right to request an audit of the use of such proceeds, which audit shall be conducted at DOCC's sole cost and expense. Should DOCC request, PUF shall make available to DOCC, during normal office hours, all documents and records in support of such use of proceeds.

7. Representations and Warranties of DOCC

- 7.1. DOCC represents and warrants, as of the date of this Agreement, as follows and acknowledges and confirms that PUF is relying on such representations and warranties in connection with the transactions contemplated by this Agreement:
- 7.1.1. Incorporation and Authority: DOCC is validly existing as a corporation under the laws of the Province of Ontario and has all requisite corporate power and authority to carry on its business as presently conducted and to perform its obligations pursuant to and in

connection with this Agreement. DOCC is in good standing with respect to the filing of annual returns.

- 7.1.2. Authorization of this Agreement: This Agreement has been duly authorized, executed and delivered by DOCC and is a valid and binding obligation of DOCC enforceable against DOCC in accordance with its terms.
- 7.1.3. Bankruptcy: DOCC is not an insolvent person within the meaning of the *Bankruptcy and Insolvency Act* (Canada) and will not become insolvent as a result of the transactions contemplated herein. No actions have been taken or authorized by any person to initiate proceedings for or in respect of the bankruptcy, insolvency, liquidation, dissolution or winding up of DOCC.
- 7.1.4. No Adverse Implications: The execution and delivery of this Agreement by DOCC and the completion and performance of the transactions hereunder will not result in:
- (i) a violation or breach of any provision of or constitute a default (or an event that with notice or lapse of time or both would become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of or under,
 - (A) the constating documents of DOCC or any resolution of its directors or shareholders,
 - (B) any applicable law, regulation, order, judgment or decree, or
 - (C) any agreement, arrangement or understanding to which DOCC is a party or by which DOCC or its assets are bound or affected that, individually or in the aggregate, would reasonably be expected to have a material adverse effect on DOCC, or
 - (D) the imposition of any encumbrance upon any of the assets of DOCC that, individually or in the aggregate, could reasonably be expected to have a material adverse effect on DOCC.
- 7.1.5. Incorporation and Authority: DOCC is validly existing as a corporation under the laws of the Province of Ontario and has all requisite corporate power and authority to carry on its business as presently conducted and to perform its obligations pursuant to and in connection with this Agreement. DOCC is in good standing with respect to the filing of annual returns.
- 7.1.6. No Material Changes: Other than as has been publicly disclosed at the date hereof, there has been no change (actual, proposed or prospective, whether financial or otherwise) in the business, affairs, operations, assets, liabilities (contingent or otherwise) or capital of DOCC that would reasonably be expected to have a material adverse effect on DOCC.
- 7.1.7. Compliance with Laws: DOCC has conducted and is conducting its business in compliance in all material respects with all applicable laws, by-laws, rules and regulations of each jurisdiction in which its business is carried on and holds all licenses, approvals, authorizations, registrations, permits, consents or qualifications (whether governmental, regulatory or otherwise) required in order to enable its business to be

carried on as now conducted and all such licenses, approvals, authorizations, registrations, permits, consents and qualifications are, to the best of the knowledge of DOCC, valid and subsisting and in good standing, except where the absence of such licenses, registrations, permits, consents and qualifications would not result in a material adverse effect to DOCC, and DOCC has not been advised of or received any notice of proceedings or other actions or steps being taken or threatened relating to the suspension, revocation or modification of any such license, approvals, authorizations, registration, permit, consent or qualifications which, if the subject of an unfavourable decision, ruling or finding, would have a material adverse effect on the conduct of the business, operations, condition (financial or otherwise) or income of DOCC.

- 7.1.8. No Actions: No actions, suits, inquiries or proceedings are pending or, to the knowledge of DOCC, are contemplated or threatened to which DOCC is a party or to which the property of DOCC is subject that would result individually or in the aggregate in any material adverse effect in the business operations, business, condition (financial or otherwise) of DOCC.
- 7.1.9. Liabilities: DOCC does not have any debts or liabilities that would have a material adverse effect on the business, operations, or condition (financial or otherwise) of DOCC, except as disclosed.
- 7.1.10. Corporate Records: The corporate records and minute books of DOCC accurately reflect all material proceedings of its directors and shareholders and include copies of all existing by-laws, up-to-date and accurate shareholder and director registers, transfer registers and any other corporate registers required to be maintained by it. All meetings of shareholders and directors were duly called and held and all resolutions, whether passed at meetings, or in writing, are valid and effective in all cases.
- 7.1.11. Guarantees/Indemnities: DOCC has not guaranteed or indemnified, or agreed to guarantee or indemnify, or agreed to any other like commitment, in respect of any debt, liability or other obligation of any person other than reflected in the most recent financial statements disclosed publicly.
- 7.1.12. Full Disclosure: This Agreement does not:
- (i) contain any untrue statement of a material fact in respect of DOCC, the affairs, operations or condition of DOCC, its assets or its business, or
 - (ii) omit any statement of a material fact necessary in order to make the statements in respect of DOCC, the affairs, operations or condition of DOCC, its assets or its business contained herein or therein not misleading in any material respect.
- 7.1.13. No Knowledge of Adverse Facts. There is no fact known to DOCC which materially and adversely affects the affairs, operations or condition of DOCC, its assets and its business which has not been set forth in this Agreement or in any ancillary agreement.
- 7.1.14. Approvals. All consents, approvals, permits, authorizations or filings as may be required to be made or obtained by DOCC under applicable Canadian Securities Laws necessary for the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby will be made or obtained prior to the Effective Date.

8. Representations and Warranties of PUF

8.1. PUF represents and warrants, as of the date of this Agreement, as follows and acknowledges and confirms that DOCC is relying on such representations and warranties in connection with the transactions contemplated by this Agreement:

8.1.1. Incorporation and Authority: PUF is validly existing as a corporation under the laws of the Province of Ontario and has all requisite corporate power and authority to carry on its business as presently conducted and to perform its obligations pursuant to and in connection with this Agreement. PUF is in good standing with respect to the filing of annual returns.

8.1.2. Authorization of this Agreement: This Agreement has been duly authorized, executed and delivered by PUF and is a valid and binding obligation of PUF enforceable against PUF in accordance with its terms.

8.1.3. Bankruptcy: PUF is not an insolvent person within the meaning of the *Bankruptcy and Insolvency Act* (Canada) and will not become insolvent as a result of the transactions contemplated herein. No actions have been taken or authorized by any person to initiate proceedings for or in respect of the bankruptcy, insolvency, liquidation, dissolution or winding up of PUF.

8.1.4. No Adverse Implications: The execution and delivery of this Agreement by PUF and the completion and performance of the transactions hereunder will not result in:

- (i) a violation or breach of any provision of or constitute a default (or an event that with notice or lapse of time or both would become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of or under,
 - (A) the constating documents of PUF or any resolution of its directors or shareholders,
 - (B) any applicable law, regulation, order, judgment or decree, or
 - (C) any agreement, arrangement or understanding to which PUF is a party or by which PUF or its assets are bound or affected that, individually or in the aggregate, would reasonably be expected to have a material adverse effect on PUF, or
 - (D) the imposition of any encumbrance upon any of the assets of PUF that, individually or in the aggregate, could reasonably be expected to have a material adverse effect on PUF.

8.1.5. Incorporation and Authority: PUF is validly existing as a corporation under the laws of the Province of Ontario and has all requisite corporate power and authority to carry on its business as presently conducted and to perform its obligations pursuant to and in connection with this Agreement. PUF is in good standing with respect to the filing of annual returns.

- 8.1.6. No Material Changes: Other than as has been publicly disclosed at the date hereof, there has been no change (actual, proposed or prospective, whether financial or otherwise) in the business, affairs, operations, assets, liabilities (contingent or otherwise) or capital of PUF that would reasonably be expected to have a material adverse effect on PUF.
- 8.1.7. Public Record. PUF's public record (meaning all information filed by or on behalf of PUF with the securities regulators, in compliance, or intended compliance, with all applicable securities laws) is accurate, current and complete in all material respects. There is no material change as of the Effective Date relating to PUF which has occurred and with respect to which the requisite material change report has not been filed with the applicable securities regulator and made publicly available on SEDAR. PUF has not filed any confidential material change report or other confidential report with any securities regulator or other governmental entity which at the date hereof remains confidential.
- 8.1.8. Compliance with Laws: PUF has conducted and is conducting its business in compliance in all material respects with all applicable laws, by-laws, rules and regulations of each jurisdiction in which its business is carried on and holds all licenses, approvals, authorizations, registrations, permits, consents or qualifications (whether governmental, regulatory or otherwise) required in order to enable its business to be carried on as now conducted and all such licenses, approvals, authorizations, registrations, permits, consents and qualifications are, to the best of the knowledge of PUF, valid and subsisting and in good standing, except where the absence of such licenses, registrations, permits, consents and qualifications would not result in a material adverse effect to PUF, and PUF has not been advised of or received any notice of proceedings or other actions or steps being taken or threatened relating to the suspension, revocation or modification of any such license, approvals, authorizations, registration, permit, consent or qualifications which, if the subject of an unfavourable decision, ruling or finding, would have a material adverse effect on the conduct of the business, operations, condition (financial or otherwise) or income of PUF.
- 8.1.9. No Actions: No actions, suits, inquiries or proceedings are pending or, to the knowledge of PUF, are contemplated or threatened to which PUF is a party or to which the property of PUF is subject that would result individually or in the aggregate in any material adverse effect in the business operations, business, condition (financial or otherwise) of PUF.
- 8.1.10. Liabilities: PUF does not have any debts or liabilities that would have a material adverse effect on the business, operations, or condition (financial or otherwise) of PUF, except:
- (i) liabilities reflected in or provided for in the most recent financial statements disclosed publicly;
 - (ii) other liabilities disclosed in this Agreement; and
 - (iii) liabilities incurred in the normal course of business from the date of the most recent financial statements publicly disclosed until the Effective Date.
- 8.1.11. Corporate Records: The corporate records and minute books of PUF accurately reflect all material proceedings of its directors and shareholders and include copies of all existing by-laws, up-to-date and accurate shareholder and director registers, transfer registers and any other corporate registers required to be maintained by it. All meetings

of shareholders and directors were duly called and held and all resolutions, whether passed at meetings, or in writing, are valid and effective in all cases.

8.1.12. Guarantees/Indemnities: PUF has not guaranteed or indemnified, or agreed to guarantee or indemnify, or agreed to any other like commitment, in respect of any debt, liability or other obligation of any person other than reflected in the most recent financial statements disclosed publicly.

8.1.13. Full Disclosure: This Agreement does not:

- (i) contain any untrue statement of a material fact in respect of PUF, the affairs, operations or condition of PUF, its assets or its business, or
- (ii) omit any statement of a material fact necessary in order to make the statements in respect of PUF, the affairs, operations or condition of PUF, its assets or its business contained herein or therein not misleading in any material respect.

8.1.14. No Knowledge of Adverse Facts. There is no fact known to PUF which materially and adversely affects the affairs, operations or condition of PUF, its assets and its business which has not been set forth in this Agreement or in any ancillary agreement.

8.1.15. Approvals. All consents, approvals, permits, authorizations or filings as may be required to be made or obtained by PUF under applicable Canadian Securities Laws necessary for the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby will be made or obtained prior to the Effective Date.

8.1.16. Reporting Issuer Status: PUF is a reporting issuer in good standing under the securities laws of British Columbia, Alberta, and Ontario, the rules, their respective regulations, prescribed forms, orders and rulings made thereunder and the policy statements and national instruments issued by the securities commissions or other applicable securities regulatory authorities thereunder (the “**Canadian Securities Laws**”).

8.1.17. Compliance with Canadian Securities Laws: The Common Shares, when issued, will be issued in compliance with all requirements of the Canadian Securities Laws and the Canadian Securities Exchange, as applicable. The Common Shares will not be subject to any resale restrictions in Canada other than those imposed by applicable Canadian Securities Laws and the Canadian Securities Exchange as applicable. Other than as contemplated in this Agreement, no other consent, approval, authorization of any court or regulatory body in Canada is required for the consummation of the transactions contemplated by this Agreement.

8.1.18. Fully Paid Shares: Upon completion of the transactions contemplated hereby, the Common Shares will have been duly and validly issued as fully paid and non-assessable PUF Shares.

9. Termination

9.1. Either party may terminate this agreement without notice or other act if,

- (a) Breach: The other party is in default in any material respect in the performance of any of its obligations under this agreement or otherwise commits any material breach of this

agreement, and such default continues after thirty (30) days' written notice from the non-defaulting party to the defaulting party stating the particulars of such default. For the purposes herein, any failure to make any payment due hereunder shall be a material default; or

- (b) Insolvency: Bankruptcy or insolvency proceedings are instituted by or against the other party, which the other party does not defend or which it is not successful in defending, or the other party is adjudicated a bankrupt, becomes insolvent, makes an assignment for the benefit of creditors or proposes or makes any arrangements for the liquidation of its debts or a receiver or receiver and manager is appointed with respect to all or any part of the assets of the other party; or
- (c) Lasting Delay: Any frustration of this agreement by the occurrence of an excusable delay of a lasting nature.

Each of Subsection 9.1(a) to (c) constitutes an “**Event of Default**”.

10. General

- (a) This Agreement supersedes and replaces all other agreements or arrangements, whether oral or written, heretofore existing between the Parties in respect of the subject matter of this Agreement, and constitutes the entire agreement between the Parties.
- (b) No consent or waiver expresses or implied, by either Party in respect of any breach or default by the other in the performance by such other of its obligations hereunder shall be deemed or construed to be a consent to or a waiver of any other breach or default.
- (c) This Agreement will be governed by and construed in accordance with the laws of Province of British Columbia and the federal laws of Canada applicable therein. The Parties submit to the exclusive jurisdiction of the courts of the Province of Ontario in respect of all matters arising out of or relating to this Agreement, its performance or subject matter.
- (d) All references herein to monetary amounts are referenced to Canadian dollars.
- (e) If any term, provision, covenant or condition of this Agreement, or any application thereof, should be held by a court of competent jurisdiction to be invalid, void or unenforceable, all provisions, covenants and conditions of this Agreement, and all applications thereof, not held invalid, void or unenforceable shall continue in full force and effect, and in no way be affected, impaired or invalidated thereby.
- (f) The Parties hereto agree to do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered all such further acts, deeds, documents, assignments, transfers, conveyances, powers of attorney and assurances as may be reasonably necessary or desirable to complete consummation of the transactions herein contemplated.
- (g) DOCC may assign any of its rights and obligations under this Agreement provided that it gives PMO written notice to PUF. This Agreement may not otherwise be amended, modified, varied or supplemented except in writing and signed by the Parties.

- (h) This Agreement shall enure to the benefit of and be binding upon the Parties and their respective successors and permitted assigns.
- (i) Time shall be of the essence in the performance of this Agreement.
- (j) This Agreement may be executed in any number of counterparts and by facsimile with the same effect as if all Parties to this Agreement had signed the same document and all counterparts will be construed together and will constitute one and the same instrument and any facsimile signature shall be taken as an original.

IN WITNESS WHEREOF the Parties have executed this Agreement as of the day first set above.

**1180782 B.C. LTD. operating as
DELTA ORGANIC CANNABIS CORP.**

Per:

“Christopher MacIntyre”
Christopher MacIntyre,
President

PUF VENTURES INC.

Per:

“Derek Ivany”
Derek Ivany,
Chief Executive Officer

**SCHEDULE I
TO EQUITY PARTICIPATION AND EARN-IN AGREEMENT**

USE OF PROCEEDS

Phase 1: \$20,000,000

The initial \$20,000,000 in proceeds received by PUF pursuant to Subsections 1.1 (a) through (c) shall be used for prepayment of the Facility lease and for capital expenditures as follows:

- Security related purchases including, fencing, camera systems, access, etc.;
- Long lead capital assets ordered from foreign jurisdictions;
- Stainless greenhouse sandwich boards
- Grow tables
- Electrical upgrades
- Labour and installation costs related to the build-out.

It is intended that Phase 1 shall encompass all construction and leasing costs to commence a test cultivation encompassing 500,000 square feet of cultivation space within the Facility.

Phase 2: \$10,000,000

Phase 2 shall include all construction, leasing, labour expenditures associated with the expansion of the cultivation capacity of the Facility to 1,700,000 square feet of the cultivation space. Accordingly, the additional \$10,000,000 in proceeds received by PUF pursuant to Subsections 1.1 (d) through (e) shall be used exclusively for this purpose.

Phase 3: \$10,000,000

Phase 3 shall include all construction, leasing, labour expenditures associated with the expansion of the cultivation capacity of the Facility of an additional 500,000 square feet of cultivation space. Accordingly, the additional \$10,000,000 in proceeds received by PUF pursuant to Subsections 1.1 (f) shall be used exclusively for this purpose.

Management Committee:

The above noted phases shall be augmented and updated with the cooperation of each Party. Immediately after signing, a Management Committee will be formed representing PUF and DOCC consisting of two representatives of each Party and at least one alternate representative of each Party. The Management Committee's mandate will be to evaluate and manage the construction of the cultivation potential of the Facility. The Management Committee shall:

- define the construction planning and programming;
- determine its phases;
- prepare the budget for each phase;
- arrange for accurate accounting of expenditures at the end of each phase;
- review the results;
- approve or disapprove of undertaking further phases as information is gathered; and
- determine any necessary disclosure of information

A quorum for any Management Committee meeting shall be present if at least one representative of each Party is present. One of the representatives of the Operator shall be the chairman of the Management Committee. The Management Committee shall make decisions by simple majority. In the case of a tie, the position of PUF will prevail.