

Dated 02.06.2020 | 22:44:27 BST  
2020

**BID CONDUCT AGREEMENT**

Between

(1) Stillcanna Inc.

and

(2) Sativa Group Plc

## CONTENTS

1	DEFINITIONS AND INTERPRETATION .....	2
2	CONDITIONS AND COMMENCEMENT .....	7
3	ANNOUNCEMENTS AND PUBLICATIONS.....	7
4	IMPLEMENTATION OF ACQUISITION .....	7
5	SWITCH TO OFFER.....	9
6	CLEARANCES.....	9
7	DIRECTORS' AND OFFICERS' INSURANCE .....	11
8	TERMINATION .....	12
9	TARGET OPTIONS AND WARRANTS.....	13
10	WARRANTIES .....	13
11	BREAK FEE .....	13
12	CITY CODE .....	14
13	FEES AND EXPENSES.....	14
14	NOTICES .....	14
15	GENERAL.....	16
16	APPLICABLE LAW AND JURISDICTION .....	17

**DATED** 2020

**PARTIES**

- (1) **SATIVA GROUP PLC** incorporated in England and Wales with registered number 11118594 and whose registered office is at The Blue Building, Stubbs Lane, Beckington, Frome, Somerset, England BA11 6TE ("**Target**")
- (2) **STILLCANNA INC.** incorporated in Canada with registered number BC0902892 and whose registered office is at 503 - 905 West Pender Street, Vancouver, BC V6C 1L6, Canada ("**Bidder**")

**BACKGROUND**

- (A) The Bidder proposes to announce a firm intention to make a recommended acquisition of the entire issued and to be issued share capital of the Target pursuant to Rule 2.7 of the City Code.
- (B) The Acquisition will be made on the terms and subject to the conditions which shall be set out in the Press Announcement.
- (C) The parties intend that the Acquisition will be implemented by means of the Scheme, although the Bidder reserves the right, subject to the terms of this Agreement and the Press Announcement, to implement the Acquisition by way of an Offer.
- (D) The parties have agreed to take certain steps to effect completion of the Acquisition (whether by means of the Scheme or an Offer) and wish to enter into this Agreement to record their respective obligations relating to such matters.

**OPERATIVE PROVISIONS**

**1 DEFINITIONS AND INTERPRETATION**

1.1 In this Agreement (excluding Appendix 1 (*Press Announcement*)) the following terms shall have the meanings given to them in this Clause 1.1 unless the context otherwise requires. Terms and expressions used in Appendix 1 (*Press Announcement*) shall have the meanings set out therein:

"**Acceptance Condition**" means the acceptance condition to any Offer.

"**Acquisition**" means the acquisition of the Target Shares, whether implemented pursuant to the Scheme or an Offer, on substantially the terms and conditions set out in the Press Announcement.

"**Acquisition Document**" means (i) if the Scheme is (or is to be) implemented, the Scheme Document; or (ii) if the Offer is (or is to be) implemented, the Offer Document.

"**Act**" means the Companies Act 2006 (as amended).

"**Agreed Switch**" shall have the meaning set out in Clause 5.1.1.

"**Alternative Transaction**" means any of the following (and excludes the transactions contemplated by this Agreement): (a) any merger, amalgamation, arrangement, share exchange, takeover bid, tender offer, recapitalization, consolidation or other business combination directly or indirectly involving the Bidder (as bidder, target or otherwise); (b) any acquisition of all or substantially all of the assets of the Bidder (or any lease, long-term supply agreement, exchange, mortgage, pledge or other arrangement having a similar economic effect); (c) any acquisition of beneficial ownership of 50% or more the Bidder's shares in a

single transaction or a series of related transactions; (d) any acquisition by the Bidder of any assets or capital stock of another person (other than acquisitions of capital stock or assets of any other person that are not, individually or in the aggregate, material to the Bidder); or (e) any bona fide proposal to, or public announcement of an intention to, do any of the foregoing before the expiration of the Exclusivity Period.

**“Applicable Law”** means any applicable statute, law, rule, regulation, ordinance, code, order, judgment, injunction, writ, decree, directive, policy, guideline, interpretation or rule of common law issued, administered or enforced by any Relevant Authority, or any judicial or administrative interpretation thereof as from time to time amended, modified, consolidated or re-enacted.

**“AQSE”** means the Aquis Stock Exchange Growth Market.

**“Bidder Group”** means the Bidder and its respective group undertakings (as such term is defined in section 1161 of the Act).

**“Board Recommendation”** means a unanimous and unqualified recommendation from the directors of the Target to the Target Shareholders in respect of the Acquisition: (i) to vote in favour of the resolutions to be proposed at the Court Meeting and the resolutions relating to the Acquisition to be proposed at the General Meeting; or (ii) if the Bidder elects to implement the Acquisition by means of an Offer in accordance with the terms of the Offer Document, to accept the Offer; and pending the dispatch of the Scheme Document (or Offer Document, as the case may be) means the expressed intention of such board to make such unanimous and unqualified recommendation.

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

**“City Code”** means the City Code on Takeovers and Mergers in force from time to time.

**“Clearances”** means all consents, clearances, permissions and waivers as may be necessary or expedient, and all filings and waiting periods as may be strictly necessary, from or under the law, regulations or practices applied by any applicable Relevant Authority in connection with the implementation of the Acquisition.

**“Competing Proposal”** means:

- (a) an offer, exchange, tender, merger, acquisition, dual-listed structure, scheme or arrangement, reverse takeover, whitewash transaction and/or business combination (or an announcement of a firm intention to do the same) for the proposed acquisition of 30 per cent. or more of the issued ordinary share capital of the Target made by or on behalf of a Third Party (when aggregated with the shares held in the Target by any such Third Party and/or any person acting or presumed or deemed to be acting in concert with the such Third Party);
- (b) any arrangement or series of arrangements which results in a Third Party acquiring, consolidating or increasing their “control” (as such term is defined in the City Code) of the Target;
- (c) a scheme of arrangement between the Target and some or all of its members under Part 26 of the Act, the effect of which is or would be to vest “control” (as such term is defined in the City Code) of the Target in a Third Party;
- (d) any transaction whereby a Third Party seeks to acquire all or substantially all of the business of the Target Group;
- (e) the liquidation, demerger or disposal of a significant proportion (being 30 per cent. or more, calculated by reference to the Target Group’s profits, revenue or value taken as a whole) of the business, assets or undertakings of the Target Group to any Third Party; or

- (f) a joint venture with or involving a Third Party relating to a significant proportion (being 30 per cent. or more, calculated by reference to the Target Group's profits, revenue or value taken as a whole) of the business, assets or undertakings of the Target Group.

**"Conditions"** means:

- (a) for so long as the Acquisition is being implemented by means of the Scheme, the terms and conditions to the implementation of the Scheme as set out in the Press Announcement, as may be amended by the Bidder with the consent of the Panel (and, for so long as the Scheme is unanimously and unconditionally recommended by the board of directors of the Target, with the consent of the Target); and
- (b) for so long as the Acquisition is being implemented by means of an Offer, the terms and conditions referred to in (a) above, as amended by replacing the Scheme Conditions with the Acceptance Condition and as may be further amended by the Bidder with the consent of the Panel (and, in the case of an Agreed Switch and, for so long as the board of directors of the Target maintains the Board Recommendation, the consent of the Target),

and **"Condition"** shall be construed accordingly.

**"Court"** means the High Court of Justice in England and Wales.

**"Court Hearing"** means the hearing by the Court (and any adjournment of such hearing) of the petition to sanction the Scheme and to grant the Court Order.

**"Court Order"** means the order(s) of the Court sanctioning the Scheme under section 899 of the Act.

**"Court Meeting"** means the meeting of the Target Shareholders to be convened by order of the Court pursuant to Part 26 of the Act in connection with the Scheme and the Acquisition, including any adjournment thereof.

**"CSE"** means Canadian Securities Exchange.

**"Effective Date"** means if the Acquisition is effected by way of the Scheme, the date on which the Scheme becomes effective in accordance with its terms or, if the Acquisition is effected by way of the Offer, the date on which the Offer becomes or is declared wholly unconditional.

**"Exchange Agreements"** means the agreements, in a form to be agreed between the Bidder and the Target, to be entered into by the Bidder with the holders of the Target Options and Warrants pursuant to which the Bidder shall acquire the Target Options and Warrants in consideration for which it shall issue the New Bidder Options and Warrants to the holders of the Target Options and Warrants;

**"FCA"** means the Financial Conduct Authority.

**"General Meeting"** means the general meeting of the Target Shareholders to be convened in connection with the Scheme and the Acquisition, including any adjournment thereof.

**"Longstop Date"** means 31 August 2020 or such later date as may be agreed in writing between the Bidder and the Target (with the Panel's consent and (if such approval is required) as the Court may approve).

**"New Bidder Options and Warrants"** means the options and warrants to subscribe for shares in the Bidder to be issued by the Bidder to the holders of the Target Options and Warrants in accordance with Clause 9 and subject to the terms and conditions of the Exchange Agreements.

“**Offer**” means if the Bidder decides to implement the Acquisition by way of a contractual takeover offer, the offer to be made for or on behalf of the Bidder for the entire issued and to be issued share capital of the Target and including, where the context so requires, any subsequent variation, revision, extension or renewal thereof.

“**Offer Document**” means the circular to be posted to the Target Shareholders (and, as required, others) in connection with the Acquisition if the Acquisition is effected by way of an Offer.

“**Panel**” means the Panel on Takeovers and Mergers.

“**Personnel**” means in relation to any person, its board of directors, members of their immediate families, related trusts and persons connected with them, as such expressions are construed in accordance with the City Code.

“**Press Announcement**” means the announcement in the agreed form to be issued by the Bidder of a firm intention to implement the Acquisition.

“**Relevant Authority**” means any central bank, ministry, governmental, quasi-governmental, supranational (including the European Union), statutory, regulatory or investigative body, authority or tribunal (including any national or supranational anti-trust, competition or merger control authority, any sectoral ministry or regulator and foreign investment review body), national, state, municipal or local government (including any subdivision, court, tribunal, administrative agency or commission or other authority thereof), any entity owned or controlled by them, any private body exercising any regulatory, taxing, importing or other authority, trade agency, association, institution or professional or environmental body in any jurisdiction, including, without limitation, the British Columbia Securities Commission, the FCA, the UK Competition and Markets Authority and the European Commission.

“**Remedies**” means any conditions, measures, commitments, undertakings, remedies (including disposals, divestments and any pre-divestiture reorganisations by a party) or assurance (financial or otherwise) offered or required in connection with the obtaining of any Clearances, and “**Remedy**” shall be construed accordingly.

“**RNS**” means the Regulatory Notification Service of London Stock Exchange PLC.

“**Scheme**” means the proposed scheme of arrangement under Part 26 of the Act between the Target and the holders of the Scheme Shares by means of which the Acquisition is to be effected, subject to such changes as may be approved or imposed by the Court and agreed between the Target and the Bidder.

“**Scheme Conditions**” means those conditions referred to in Appendix I of the Press Announcement.

“**Scheme Document**” means the document to be posted to the Target Shareholders (and, as required, others) in connection with the Acquisition if the Acquisition is effected by way of the Scheme, containing, *inter alia*, the Scheme, the notice of the Court Meeting and the notice of the General Meeting.

“**Scheme Shares**” has the meaning given to it in the Press Announcement.

“**SEDAR**” means the System for Electronic Document Analysis and Retrieval, an electronic filing system for Canadian listed companies.

“**Stillcanna Shareholder Meeting**” means the proposed meeting of the Stillcanna Shareholders to be held in order to approve the terms of the Acquisition, as required by CSE Policy 8.

“**Stillcanna Shareholders**” means the holders of Stillcanna Shares.

“**Stillcanna Shares**” means common shares of no par value in the capital of Stillcanna.

**“Target Board Adverse Change”** means:

- (i) if the Target makes an announcement prior to the publication of the Acquisition Document that:
  - (a) the directors of the Target no longer intend to make a Board Recommendation or intend adversely to modify or qualify such recommendation;
  - (b) it will not convene the Court Meeting or the General Meeting; or
  - (c) it intends not to post the Scheme Document or (if different) the document convening the General Meeting;
- (ii) if the Target makes an announcement that it will delay the convening of, or will adjourn, the Court Meeting, the General Meeting or the Court Meeting, in each case without the consent of the Bidder, except where such delay or adjournment is for reasons outside the Target’s control;
- (iii) the Board Recommendation is not included in the Acquisition Document; or
- (iv) the director(s) of the Target withdraw, adversely modify or adversely qualify the Board Recommendation.

**“Target Group”** means the Target and its group undertakings (as such term is defined in section 1161 of the Act).

**“Target Options and Warrants”** means the options and Warrants to subscribe for the Target Shares.

**“Target Shareholders”** means holders of the Target Shares.

**“Target Shares”** means all of the ordinary shares of 0.25 pence each in the capital of the Target from time to time in issue.

**“Third Party”** means a person other than the Bidder or an associate (as defined in the City Code) of the Bidder.

1.2 Unless the context requires otherwise, words and expressions defined in or having a meaning provided by the Act at the date of this Agreement shall have the same meaning in this Agreement.

1.3 Unless the context requires otherwise, references in this Agreement to:

1.3.1 any of the masculine, feminine and neuter genders shall include other genders;

1.3.2 the singular shall include the plural and vice versa;

1.3.3 a “person” shall include a reference to any natural person, body corporate, unincorporated association, partnership and trust; and

1.3.4 a document “in agreed form” shall mean a document, the terms of which have been approved by the parties and a copy of which has been identified as such and initialled by or on behalf of each of the Bidder and the Target.

1.4 The headings in this Agreement are for convenience only and shall not affect its meaning. References to a Clause, Schedule or paragraph are (unless otherwise stated) to a Clause or a Schedule to this Agreement or to a paragraph of the relevant Schedule. The Schedules form part of this Agreement and shall have the same force and effect as if expressly set out in the body of this Agreement.

- 1.5 References to any time or date shall be construed as a reference to the time and date prevailing in England.

## 2 **CONDITIONS AND COMMENCEMENT**

- 2.1 This Clause 2 (*Conditions and commencement*), together with Clause 1 (*Definitions and interpretation*), Clause 3 (*Announcements and publications*) and Clause 10 (*Warranties*) to Clause 15 (*Applicable law and jurisdiction*) (inclusive) shall take effect on and from execution of this Agreement by the parties.
- 2.2 The obligations of the parties under this Agreement (other than the provisions of this Agreement listed in Clause 2.1) shall be conditional on the release of the Press Announcement pursuant to Clause 3.1.

## 3 **ANNOUNCEMENTS AND PUBLICATIONS**

- 3.1 The Bidder shall procure the release of the Press Announcement via RNS and via SEDAR at or before 09.00 (PST) on 3 June 2020 or such later date as the parties agree in writing (which shall, where required by the City Code, be following receipt of the approval of the Panel).
- 3.2 The parties shall, subject to the requirements of law or any court order or the rules or requirements of any regulatory body (including, without limitation, the Panel) or any stock exchange and to the extent practicable, consult with each other as to the terms of, the timing of and the manner of publication of, any other formal announcement, circular or publication which any party may make in connection with the Acquisition, the Scheme, the Offer or this Agreement or any matter referred to in the Press Announcement provided that nothing in this Clause 3.2 shall require the Target to consult with the Bidder as to the terms or the timing of, or the manner of publication of, any announcement resulting from or in connection with a Competing Proposal or require the Bidder to consult with the Target in connection with any increased price for the Acquisition.

## 4 **IMPLEMENTATION OF ACQUISITION**

### 4.1 **Scheme Document**

Where the Acquisition is implemented by way of the Scheme, the Bidder:

- 4.1.1 agrees to promptly provide the Target with all such information about itself, its directors and the Bidder Group and their respective Personnel as may reasonably be requested and which is reasonably required by the Target for inclusion in the Scheme Document (including, without limitation, any information required by the Panel or under the City Code, the Act or other Applicable Law);
- 4.1.2 agrees to promptly provide the Target with all such other assistance and access as may reasonably be required in connection with the preparation of the Scheme Document and any other document required by the Panel or under the City Code, the Act or by other Applicable Law to be published in connection with the Scheme, including access to, and ensuring the provision of reasonable assistance by, the Bidder's relevant professional advisers;
- 4.1.3 shall procure that its directors accept responsibility, in the terms required by the Panel or the City Code, for all the information (including any expressions of opinion) in the Scheme Document and any other document required by the Panel or under the City Code, the Act or by other Applicable Law to be published in connection with the Scheme relating to themselves (and members of their immediate families, related trusts and persons connected with them), the Bidder Group, any statements of the opinion, belief or expectation of the directors of the Bidder in relation to the Acquisition or the enlarged Bidder Group following the Effective Date and any other information in the Scheme Document for which an offeror is required to accept responsibility under the City Code;



- 4.1.4 agrees to promptly provide, if any supplemental circular or document is required to be published in connection with the Scheme or, subject to the prior written consent of the Bidder, any variation or amendment to the Scheme, such co-operation and information necessary to comply with all regulatory provisions as the Target may reasonably request in order to finalise such document; and
- 4.1.5 agrees to correct any information provided by it or the Bidder Group for use in the Scheme Document or any supplementary circular or document to the extent that such information is or has become false or misleading as promptly as reasonably practicable after it becomes aware that such information is or has become false or misleading.

#### 4.2 **Implementation of Scheme**

Where the Acquisition is being implemented by way of the Scheme:

- 4.2.1 the Bidder undertakes that:
    - 4.2.1.1 by no later than 6.00 p.m. on the Business Day immediately preceding the Court Hearing, it shall deliver a notice in writing to the Target confirming the satisfaction or waiver of all Conditions (other than the Scheme Conditions); or
    - 4.2.1.2 as soon as reasonably possible and in any event by no later than 6:00 p.m. on the Business Day immediately preceding the Court Hearing, it shall deliver a notice in writing to the Target confirming its intention to invoke one or more of the Conditions (if permitted by the Panel) and providing reasonable details of the event which has occurred, or circumstance that has arisen, which the Bidder reasonably considers entitles it to invoke such Condition(s) and why the Bidder considers such event or circumstance to be sufficiently material for the Panel to permit it to invoke such Condition(s); and
  - 4.2.2 where the Bidder confirms the satisfaction or waiver of all Conditions (other than the Scheme Conditions) in accordance with Clause 4.2.1.1, the Bidder agrees that the Target may proceed to take the necessary steps to procure that the Court Hearing is duly held as soon as reasonably practicable thereafter (having regard to the proposed timetable agreed between the parties and included in the Scheme Document or in any subsequent agreed announcement regarding the implementation of the Acquisition).
- 4.3 If the board of the Bidder become aware of any fact, matter or circumstance that they reasonably consider would entitle the Bidder to invoke (and the Panel would permit the Bidder to so invoke) any of the Conditions, the Bidder shall (subject to Applicable Law) inform the Target as soon as reasonably practicable, providing reasonable details.

#### 4.4 **Conditions**

The obligations of the parties to implement the Acquisition are subject to the satisfaction (or waiver) of the Conditions.

#### 4.5 **Bidder to be bound by Scheme**

Subject to the provisions of this Agreement and the satisfaction or waiver of the Conditions, the Bidder hereby agrees to be bound by the Scheme and to instruct counsel to agree on its behalf at the Court Hearing to undertake to be bound thereby and to execute, and procure the execution of all such documents, and do and procure the doing of all such acts and other things, as may be reasonably necessary or desirable to be executed and done for the purposes of giving effect to the Scheme.

## 5 SWITCH TO OFFER

- 5.1 The parties currently intend that the Acquisition will be implemented by way of the Scheme. However, the Bidder shall be entitled, with the consent of the Panel, to implement the Acquisition by way of an Offer rather than the Scheme (such election being a “Switch”) if any of the following circumstances occur:
- 5.1.1 the Target provides its prior written consent (an “Agreed Switch”), or
- 5.1.2 a Target Board Adverse Change occurs.
- 5.2 In the event of any Agreed Switch, unless otherwise agreed in writing with the Target or required by the Panel:
- 5.2.1 the Acceptance Condition shall be set at 75 per cent of the issued share capital of the Target (or such lesser percentage as may be agreed between the parties in writing after, to the extent necessary, consultation with the Panel, being in any case more than 50 per cent. of the Target Shares to which the Offer relates);
- 5.2.2 the Bidder shall not take any action which would cause the Offer not to proceed, to lapse or to be withdrawn, in each case for non-fulfilment of the Acceptance Condition, prior to the 20th Business Day after publication of the Offer Document and the Bidder shall ensure that the Offer remains open for acceptances until such time;
- 5.2.3 the Bidder shall ensure that, other than the Acceptance Condition, the only conditions to the Offer shall be the Conditions (except the Scheme Conditions);
- 5.2.4 the Bidder shall keep the Target informed, on a confidential basis and reasonably frequent basis following receipt of a written request from the Target, of the number of the Target Shareholders that have validly returned their acceptance or withdrawal forms or incorrectly completed their acceptance or withdrawal forms, the identity of such shareholders and the number of the Target Shares to which such forms relate; and
- 5.2.5 all provisions of this Agreement relating to the Scheme and its implementation shall apply to the Offer and its implementation *mutatis mutandis*.

## 6 CLEARANCES

- 6.1 The Bidder undertakes to the Target to take all reasonable steps necessary to secure the Clearances as soon as is reasonably practicable.
- 6.2 Except where otherwise required by law or a Relevant Authority, the Bidder shall in good faith:
- 6.2.1 determine, having consulted the Target in a timely manner, the strategy to be pursued for obtaining the Clearances; and
- 6.2.2 be responsible for the payment of all filing fees required in connection with the Clearances.
- 6.3 The parties shall co-operate with each other in relation to the obtaining of any necessary or expedient Clearances and, without prejudice to the generality of the foregoing, shall:
- 6.3.1 assist each other with the provision of such information and assistance as may be required for:
- 6.3.1.1 the Bidder to determine in which jurisdictions any merger control, regulatory or other filing, notification or submission with a Relevant Authority is necessary for the purposes of obtaining the Clearances;

- 6.3.1.2 the Bidder to make any filings, notifications or submissions to Relevant Authorities (and/or to respond to any requests for further information in relation thereto) as are necessary in connection with obtaining the Clearances, taking into account all applicable waiting periods; and
- 6.3.1.3 the identification, structuring and preparation of any Remedies, if it can reasonably be expected that any will be required to secure a Clearance;
- 6.3.2 assist in making such filings with any Relevant Authority, jointly or separately, as are necessary for the purposes of obtaining the Clearances;
- 6.3.3 assist in the provision, or procuring the provision of, to the other party (and/or its advisers):
  - 6.3.3.1 draft copies of all filings, notifications, submissions, material correspondence and material communications intended to be submitted, sent or communicated to any Relevant Authority in connection with obtaining any Clearance, at such time as will allow the other party (and/or its advisers) reasonable opportunity to review and comment on such filings, notifications, submissions, correspondence and communications before they are submitted, sent or communicated; and
  - 6.3.3.2 copies of all filings, notifications, submissions, material correspondence and material communications sent or submitted to any Relevant Authority in the form finally submitted, sent or communicated, including, in each case, in the case of material non-written correspondence or communications, reasonably detailed summaries of such correspondence or communications;
- 6.3.4 have regard in good faith to such comments provided by the other party in accordance with Clause 6.3.3 as are reasonable, and where it is reasonably practicable to do so within the applicable deadline or due date;
- 6.3.5 notify the other party, and provide copies (including, in the case of non-written communications, reasonably detailed summaries of material non-written communications), of any material correspondence or material communication from any Relevant Authority in relation to obtaining any Clearance;
- 6.3.6 unless prohibited by the Relevant Authority, give the other party and its advisers reasonable notice of (including providing any agendas to the extent available) any meetings, hearings or telephone calls with any Relevant Authority in connection with obtaining the Clearances and allow the other party and its advisers to attend and make reasonable oral submissions during any such material meetings, hearings or telephone calls (provided such oral submissions have been discussed by the parties in advance and to the extent permitted by the Relevant Authority);
- 6.3.7 each party shall promptly inform the other of the content of any such material meetings or calls with a Relevant Authority to the extent that party was not present;
- 6.3.8 co-operate in any dealings with any Relevant Authority (including without prejudice to the generality of the foregoing where reasonably required, jointly attending meetings and conference calls) and deal with all requests and enquiries from any such Relevant Authority in consultation with the other party;
- 6.3.9 assist in the provision to any Relevant Authority such information as may be reasonably required by such Relevant Authority in connection with any authorisations, clearances or consents required or expedient in the context of the Acquisition; and

6.3.10 if necessary, negotiate with any Relevant Authority in relation to any undertakings, orders or agreements which such Relevant Authority requires to facilitate the Acquisition (whether or not the consent of that authority is required to satisfy any Condition) provided that this Clause 6.3.10 shall not require any party to agree to any such undertakings, orders or agreements,

in each case ensuring all such information, assistance and access is supplied accurately and in a timely manner (taking into account applicable waiting periods), provided that the co-operation will be conducted in a manner reasonably designed to preserve applicable lawyer/client and lawyer work product privileges and to limit the exchange of any commercially or competitively sensitive information in accordance with the provisions of clause 6.4.

6.4 If a provision of this Clause 6 (*Clearances*) obliges a party to disclose any information to the other:

6.4.1 which the disclosing party reasonably considers to be commercially or competitively sensitive;

6.4.2 which the disclosing party is prohibited from disclosing by Applicable Law or the terms of an existing contract; or

6.4.3 where such disclosure would result in the loss of privilege that subsists in relation to it (including, without limitation, legal professional privilege),

then, unless the parties agree otherwise, the disclosing party shall (to the extent permitted by Applicable Law) disclose the relevant information to the other party:

6.4.3.1 pursuant to appropriate confidential information sharing procedures (including clean team agreements and on an external counsel only basis); and

6.4.3.2 where disclosure in a manner contemplated by Clause 6.3.2 would reasonably be expected to have a material adverse effect on the disclosing party's legitimate business interest, directly to a Relevant Authority (and in such circumstances, the disclosing party shall provide to the other party a redacted version of such information).

6.5 The Bidder undertakes to the Target that until the Clearances have been obtained, and any conditions attached to any Clearances have been fulfilled, neither it nor any other member of the Bidder Group shall enter into an agreement for, or consummate, any acquisition or other transaction that would, or might reasonably be expected to, have the effect of preventing or delaying the obtaining of the Clearances or the fulfilment of any conditions attached to any Clearances.

## 7 DIRECTORS' AND OFFICERS' INSURANCE

7.1 If and to the extent such obligations are permitted by Applicable Law, for six years after the Effective Date, the Bidder shall procure that the members of the Target Group fulfil their respective obligations (if any) existing as at the date of this Agreement to indemnify their respective directors and officers and to advance expenses, in each case with respect to matters existing or occurring at or prior to the Effective Date.

7.2 With effect from the Effective Date, the Bidder shall implement, or permit the Target to implement directors' and officers' liability insurance cover for both current and former directors and officers of the Target Group, including directors and officers who retire or whose employment is terminated as a result of the Acquisition, for acts and omissions up to and including the Effective Date, in the form of runoff cover for a period of six years following the Effective Date. Such insurance cover shall be with reputable insurers and provide cover, in terms of amount and breadth, that is substantially equivalent to that provided under, and at the

cost set out in, the Target Group's directors' and officers' liability insurance as at the date of this Agreement.

## 8 TERMINATION

8.1 Without prejudice to the parties' obligations under the City Code, and in particular, the Bidder's obligation to proceed with the Acquisition in accordance with Rule 2.7 of the City Code, or pursuant to a court order, this Agreement, other than Clause 1 (*Definitions and interpretation*), this Clause 8 (*Termination*) and Clause 13 (*Fees and expenses*) to Clause 16 (*Applicable law and jurisdiction*) (inclusive) which shall survive such termination, may be terminated as follows:

8.1.1 by the express written consent of the parties at any time prior to the Effective Date;

8.1.2 if the Press Announcement is not released in accordance with Clause 3.1;

8.1.3 if the Effective Date has not occurred on or before the Longstop Date;

8.1.4 if the Court Meeting or the General Meeting is not held on or before the 22nd day after the expected date of such meeting or hearing as set out in the Scheme Document (or such later date as may be agreed in writing between the parties with the consent of the Panel and, if required, the approval of the Court);

8.1.5 if the Target Shareholders fail to pass by the required majority the resolutions to be proposed at the Court Meeting in connection with the Acquisition and/or fail to pass by the required majority the resolutions to be proposed at the General Meeting in connection with the Acquisition;

8.1.6 if the Stillcanna Shareholders fail to pass by the required majority the resolutions to be proposed at the Stillcanna Shareholder Meeting in connection with the Acquisition;

8.1.7 if the Court refuses to sanction the Scheme;

8.1.8 if the CSE refuses to approve the Acquisition pursuant to CSE policy 8;

8.1.9 by express written notice from the Bidder to the Target if:

8.1.9.1 any of the Conditions which is capable of waiver and which has not been waived is (or becomes) incapable of satisfaction and the Bidder notifies the Target in writing that, notwithstanding it has the right to waive any such Condition, it shall not do so; or

8.1.9.2 if any of the Conditions which is incapable of waiver is not satisfied or becomes incapable of satisfaction,

provided that if the Bidder elects to implement the Acquisition by way of the Offer, then, for the purposes of this Clause 8.1.9 the Scheme Conditions shall be ignored;

8.1.10 if the Bidder determines to implement the Acquisition by way of the Offer, if the Offer lapses or is withdrawn; or

8.1.11 by express written notice from either party to the other if after the date of this Agreement:

8.1.11.1 the majority of the directors of the Target (or a majority of such of them as are independent at the relevant time) publicly recommend to the Target Shareholders a Competing Proposal, or a Competing Proposal otherwise completes, becomes effective or becomes unconditional in all respects; or

8.1.11.2 there occurs a Target Board Adverse Change.

8.2 In the event of termination under Clause 8.1, the parties agree that this Agreement shall terminate without prejudice to any rights or liabilities that have accrued prior to such termination.

## 9 TARGET OPTIONS AND WARRANTS

9.1 It is acknowledged and understood that the Target has in issue the Target Options and Warrants. Each of the parties agrees that, separate from the Scheme (but subject to the same conditions as the Scheme), the Bidder shall enter into Exchange Agreements with each of the holders of the Target Options and Warrants pursuant to which it shall acquire those Target Options and Warrants in exchange for the issuance of New the Bidder Options and Warrants.

## 10 WARRANTIES

10.1 Each party warrants to the other party on the date of this Agreement that:

10.1.1 it has the requisite power and authority to enter into and perform its obligations under this Agreement;

10.1.2 this Agreement constitutes its binding obligations in accordance with its terms; and

10.1.3 the execution and delivery of, and performance of its obligations under, this Agreement will not:

10.1.3.1 result in any breach of any provision of its constitutional documents;

10.1.3.2 result in a breach of, or constitute a default under, any instrument which is material in the context of the Acquisition to which it is a party or by which it is bound; or

10.1.3.3 result in a breach of any order, judgment, or decree of any court or governmental agency to which it is a party or by which it is bound.

10.2 The Bidder acknowledges and agrees that any information and/or assistance provided by any Target Group Personnel whether before, on or after the date of this Agreement:

10.2.1 pursuant to the obligations of the Target or any member of the Target Group under or otherwise in connection with this Agreement; or

10.2.2 in connection with the Acquisition,

shall in each case be given on the basis that the relevant Target Group Personnel shall not incur any liability, whether in contract, tort (including negligence) or otherwise, in respect of any loss or damage that any of the Bidder Group or any of their respective directors, officers, employees or advisers may suffer as a result of the provision of any such information and/or assistance (save, in each case, for loss or damage resulting from the fraudulent misrepresentation of the relevant Personnel of the Target).

10.3 No party shall have any claim against any other party pursuant to Clause 10.1 for breach of warranty after the Effective Date.

## 11 BREAK FEE

11.1 By way of compensation for any loss suffered by the Target in connection with the preparation and negotiation of the Acquisition, this Agreement and any other document relating to the Acquisition, the Bidder undertakes that in the event that this Agreement is terminated and the Acquisition is not completed other than for any reason set out in Clause 8.1 (a "Break Fee Event"), the Bidder shall pay a break fee to the Target equal to the higher of:

11.1.1 £1,000,000; and

11.1.2 in the event that the Bidder terminates this Agreement by reason of entering into an Alternative Transaction, 25% of the value paid by the Bidder or for the Bidder's securities or assets (as the case may be) in such Alternative Transaction,

(each a "**Break Fee**").

11.2 The Bidder shall pay or procure the payment of the relevant Break Fee by electronic bank transfer to a bank account designated by the Target within 30 days of a Break Fee Event occurring.

11.3 The parties acknowledge and agree that, at the date of this Agreement, it is not possible to ascertain the amount of the overall loss that the Target would incur as a result of a Break Fee Event and the Break Fee represents a genuine pre-estimate by the parties of the amount of the overall loss that the Target would incur as a result of such Break Fee Event.

11.4 The parties intend and shall use all reasonable endeavours to secure that the Break Fee is not treated for VAT purposes as consideration for a taxable supply. If, however, the Break Fee is treated by H. M. Revenue & Customs or any other tax authority, in whole or in part, as consideration for a taxable supply, then the amount of the Break Fee shall be regarded as inclusive of VAT.

## 12 CITY CODE

12.1 Nothing in this Agreement shall in any way limit the parties' obligations (or the obligations of the parties' respective Personnel) under the City Code, and any uncontested rulings of the Panel as to the application of the City Code in conflict with the terms of this Agreement shall take precedence over such terms of this Agreement.

12.2 The parties agree that, if the Panel determines that any provision of this Agreement that requires the Target to take or not to take any action, whether as a direct obligation or as a condition to any other person's obligation (however expressed), is not permitted by Rule 21.2 of the City Code, that provision shall have no effect and shall be disregarded and neither the Target nor any of its Personnel shall have any obligation to take or not take any such action.

12.3 Nothing in this Agreement shall oblige the Target or the directors of the Target to recommend an Offer or a Scheme proposed by the Bidder or any member of the Bidder Group.

12.4 Nothing in this Agreement shall be taken to restrict the Personnel of the Bidder Group or the Target Group from complying with Applicable Law, orders of court or regulations, including the City Code and the rules and regulations of the Panel and the AQSE.

## 13 FEES AND EXPENSES

Each party shall pay its own costs and expenses incurred in connection with the preparation, negotiation and completion or termination of this Agreement.

## 14 NOTICES

### 14.1 Form of Notice

Any notice, approval or other communication to be given or made under or in connection with this Agreement (each a "**Notice**" for the purposes of this Clause 14 (*Notices*)) shall be in English, in writing and signed by or on behalf of the party giving it.

### 14.2 Method of service

14.2.1 Service of a Notice must be effected by one of the following methods:

- 14.2.2 by hand to the relevant address set out in Clause 14.3 (*Address for service*) and shall be deemed served upon delivery if delivered during a Business Day, or at the start of the next Business Day if delivered at any other time; or
- 14.2.3 by prepaid first-class post to the relevant address set out in Clause 14.3 (*Address for service*) and shall be deemed served at the start of the second Business Day after the date of posting; or
- 14.2.4 by email to the relevant email address set out in Clause 14.3 (*Address for service*) and shall be deemed served at the earlier of:
- 14.2.4.1 the time a return receipt is generated automatically by the recipient's email server;
  - 14.2.4.2 the time the recipient acknowledges receipt; and
  - 14.2.4.3 24 hours after transmission (unless in each case the sender receives notification that the email has not been successfully delivered).
- 14.2.5 In Clause 14.2.2 "**during a Business Day**" means any time between 9.30 am and 5.30 pm on a Business Day based on the local time where the recipient of the Notice is located. References to "**the start of a Business Day**" and "**the end of a Business Day**" shall be construed accordingly.

#### 14.3 Address for service

Notices shall be marked as follows:

- 14.3.1 Notices for the Target shall be marked for the attention of:

Name: Anne Tew, Company Secretary  
Address: The Blue Building Stubbs Lane, Beckington, Frome, Somerset, England, BA11 6TE  
Email: [anne.tew@sativagroup.co.uk](mailto:anne.tew@sativagroup.co.uk)

- 14.3.2 Notices for the Bidder shall be marked for the attention of:

Name: Joel Leonard  
Address: c/o 409-221 West Esplanade, North Vancouver, British Columbia, Canada V7M 3J3  
Email: [Joel@stillcanna.com](mailto:Joel@stillcanna.com)

#### 14.4 Copies of Notices

Copies of all Notices sent to the Target shall also be sent or given to Guy Miller of Peterhouse Capital Limited, 80 Cheapside, London EC2V 6DZ, email address: [gm@peterhousecap.com](mailto:gm@peterhousecap.com). Copies of all notices sent to the Bidder shall also be sent or given to: (1) Bill Macdonald of Macdonald Tuskey, #409 - 221 W. Esplanade, North Vancouver BC V7M 3J3, Canada, email address: [wmacdonald@wmlaw.ca](mailto:wmacdonald@wmlaw.ca); and (2) James Clayton of Campbell Johnston Clark, 59 Mansell Street, London E1 8AN, email address: [jamesc@CJCLaw.com](mailto:jamesc@CJCLaw.com). Such copies shall be sent or given in accordance with one of the methods described in Clause 14.2.1. Failure to communicate such copies shall not invalidate such Notice.



#### 14.5 **Change of details**

A party may change its address for service provided that the new address is within the United Kingdom and that it gives the other parties not less than five Business Days' prior notice in accordance with this Clause 14 (*Notices*). Until the end of such notice period, service on either address shall remain effective.

### 15 **GENERAL**

#### 15.1 **Entire agreement**

This Agreement (together with any documents referred to herein or required to be entered into pursuant to this Agreement) contains the entire agreement and understanding of the parties and supersedes all prior agreements, understandings or arrangements (both oral and written) relating to the subject matter of this Agreement and any such document.

#### 15.2 **Variations**

No variation of this Agreement shall be effective unless made in writing signed by or on behalf of both parties and expressed to be such a variation.

#### 15.3 **Remedies and waivers**

15.3.1 Without prejudice to any other rights and remedies which any party may have, each party acknowledges and agrees that any breach by any party of this Agreement could cause the other injury for which damages may not be an adequate remedy. In the event of a breach or threatened breach by a party of any of the provisions of this Agreement, the other party shall be entitled to seek the remedies of injunction, specific performance and other equitable relief (and none of the parties shall contest the appropriateness or availability thereof) in any court of competent jurisdiction.

15.3.2 No failure or delay by either party or time or indulgence given in exercising any remedy or right under or in relation to this Agreement shall operate as a waiver of the same nor shall any single or partial exercise of any remedy or right preclude any further exercise of the same or the exercise of any other remedy or right.

15.3.3 No waiver by either party of any requirement of this Agreement, or of any remedy or right under this Agreement, shall have effect unless given in writing and signed by such party. No waiver of any particular breach of the provisions of this Agreement shall operate as a waiver of any repetition of such breach.

#### 15.4 **Assignment**

No party shall be entitled to assign, transfer or create any trust in respect of the benefit or burden of any provision of this Agreement without the prior written consent of the other parties.

#### 15.5 **Counterparts**

This Agreement may be executed as two or more counterparts and execution by each of the parties of any one of such counterparts shall constitute due execution of this Agreement.

#### 15.6 **Further assurance**

Each party shall, and shall use all reasonable endeavours to procure that any necessary third party shall, do and execute and perform all such further deeds, documents, assurances, acts and things as may reasonably be required to give effect to this Agreement.

## 15.7 Third party rights

15.7.1 Each of the directors and officers of members the Target Group who hold office at any time before the Acquisition is completed may under the Contracts (Rights of Third Parties) Act 1999 enforce the terms of Clause 7 (*Directors' and officers' insurance*). Each person who any time before the Acquisition is completed is a member of the Target Group Personnel may under the Contracts (Rights of Third Parties) Act 1999 enforce the terms of Clause 10.2. This right is subject to:

15.7.1.1 the rights of the parties, before the completion of the Acquisition, to rescind or vary this Agreement without the consent of any other person; and

15.7.1.2 the other terms and conditions of this Agreement.

15.7.2 Save set out in Clause 15.7.1, no provisions of this Agreement shall be enforceable pursuant to the Contracts (Rights of Third Parties) Act 1999 by any third party and the terms of this Agreement may be rescinded or varied at any time by the parties without the consent of any third parties.

## 16 APPLICABLE LAW AND JURISDICTION

16.1 This Agreement and any non-contractual obligations arising in connection with it (and, unless provided otherwise, any document entered into in connection with it) shall be governed by and construed in accordance with English law.

16.2 The English courts shall have exclusive jurisdiction to determine any dispute arising in connection with this Agreement (and, unless provided otherwise, any document entered into in connection with it), including disputes relating to any non-contractual obligations.

16.3 Each party irrevocably waives any objection which it may now or later have to proceedings being brought in the English courts (on the grounds that the English courts are not a convenient forum or otherwise).

**This Agreement has been executed as a deed on the date stated at the beginning of this Agreement.**

EXECUTION PAGE

Executed as a deed by **SATIVA GROUP** )  
**PLC** acting by one director in the presence )  
of: )

DocuSigned by: )  
*Phyllis Lees-Buckley* )  
45E366A85503427... )  
..... )

DocuSigned by:  
*Henry Lees-Buckley*  
DAE28F78349642F...  
.....

Sativa Director

Witness Signature

Witness Name: Phyllis Lees-Buckley

Witness Address: Delta, B.C.

Witness Occupation: retired

Executed as a deed by )  
**STILLCANNA INC.** acting by one )  
director in the presence of: )

DocuSigned by: )  
*Ilona Kiss* )  
389B98D54AE4492... )  
..... )

DocuSigned by:  
*Ilona Kiss*  
EDC6EDD78569473...  
.....

Stillcanna Director

Witness Signature

Witness Name: Ilona Kiss

Witness Address: Address

Witness Occupation: occupation