

UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THIS SECURITY BEFORE THE DATE THAT IS FOUR MONTHS AND A DAY AFTER THE LATER OF (I) NOVEMBER 1, 2017, AND (II) THE DATE THE ISSUER BECAME A REPORTING ISSUER IN ANY PROVINCE OR TERRITORY.

**CANTEST FUNDING CORP.  
12% UNSECURED DEBENTURE**

THIS DEBENTURE is made as of November 1, 2017.

ISSUED TO:

[●],

resident at

[●]

(the “Holder”)

BY:

**CANTEST FUNDING CORP.**, a company incorporated under the laws of the Province of Alberta, and having an office at 1400, 350 – 7 Avenue SW, Calgary, Alberta, T2P 3N9, c/o Shea Nerland LLP

(the “Corporation”).

WHEREAS, the Holder has agreed to subscribe for a debenture with the Corporation on the terms and conditions and for the purposes herein contained (the “**Debenture**”);

NOW THEREFORE, THIS AGREEMENT WITNESSES that in consideration of the covenants and agreements herein contained and other good and valuable consideration, the parties hereby covenant and agree as follows:

**ARTICLE 1.  
DEFINITIONS AND INTERPRETATION**

1.1 **Definitions.** In and for the purposes of this Debenture:

- (a) “**Business Day**” means any day other than a Saturday, Sunday or any other day which is a legal holiday in Calgary, Alberta;
- (b) “**Cantest Loan**” means the loan from the Corporation to Cantest Solutions Inc. or its affiliates, pursuant to a loan agreement between the Corporation and Cantest Solutions Inc. dated September 26, 2017 (the “**Cantest Loan Agreement**”);
- (c) “**Debenture Indebtedness**” means the Principal Amount, interest thereon, and any and all other amounts payable by the Corporation to the Holder

hereunder;

- (d) **“Event of Default”** has the meaning assigned to that term in section 8.1;
- (e) **“Indebtedness”**, in respect of any Person, is used in its most comprehensive sense and includes any and all advances, debts, obligations, guarantees, endorsements, duties, responsibilities, undertakings and liabilities of such Person heretofore, now or hereafter made, incurred or created, whether voluntary or involuntary and however arising, whether due or not due, absolute or contingent, liquidated or unliquidated, determined or undetermined, direct or indirect, express or implied, whether such Person may be liable individually or jointly with others and whether recovery upon such Indebtedness may be or hereafter becomes barred by any statute of limitations or may be or hereafter becomes otherwise unenforceable, and irrespective of the genuineness, validity or regularity thereof or of any security therefor or of the existence or extent of such security;
- (f) **“Lending Period”** means the period commencing on the date of this Debenture and ending on the earlier of the Prepayment Date and the Maturity Date, as extended from time to time, unless, the parties hereto agree in writing to extend such period;
- (g) **“Overhead and Taxes”** means all costs, disbursements, outlays and expenditures actually paid or incurred by the Corporation in respect of its office overhead and general administrative expenses (including all professional fees and disbursements actually paid or incurred by the Corporation) and all goods and services taxes (net of input credits) and provincial sales taxes (also net of input tax credits or refunds, if applicable) actually paid or incurred by the Corporation;
- (h) **“Permitted Indebtedness”** means:
  - (i) any Indebtedness of the Corporation for Overhead and Taxes; and
  - (ii) any Debenture Indebtedness;
- (i) **“Person”** means any individual, partnership, limited partnership, joint venture, syndicate, sole proprietorship, company or corporation with or without share capital, unincorporated association, limited liability company, trust, trustee, executor, administrator or other legal personal representative, government or governmental authority or entity, however designated or constituted;
- (j) **“Principal Amount”** means the funds made available by the Holder to the Corporation through this debenture pursuant to section 2.1.

1.2 In and for the purposes of this Debenture:

- (a) **“this Debenture”** means this debenture as the same may from time to time be restated, modified, supplemented or amended and in effect;

- (b) all references in this Debenture to designated “**Articles**”, “**sections**” and other subdivisions are to the designated Articles, sections and other subdivisions of this Debenture;
- (c) the words “**herein**”, “**hereof** and “**hereunder**” and other words of similar import refer to this Debenture as a whole and not to any particular Article, section or other subdivision;
- (d) the headings are for convenience only and do not form a part of this Debenture and are not intended to interpret, define or limit the scope, extent or intent of this Debenture or any provision hereof;
- (e) the singular of any term includes the plural, and vice versa, the use of any term is generally applicable to any gender and where applicable, a body corporate, and the word “including” is not limiting (whether or not non-limiting language (such as “**without limitation**” or “**but not limited to**” or words of similar import) is used with reference thereto);
- (f) all amounts in this Debenture are stated and are to be paid in lawful currency of Canada;
- (g) any reference to a corporate entity includes and is also a reference to a corporate entity that is a successor to such corporate entity; and
- (h) except as otherwise expressly provided herein, where the time for doing an act falls or expires on a day which is not a Business Day, the time for doing such act is extended to the next Business Day.

1.3 **Interest Calculations and Payment.** Unless otherwise stated, wherever reference is made in this Debenture to a rate of interest “*per annum*” or a similar expression is used, such interest will be calculated on the basis of a calendar year of 365 or 366 days, as the case may be, and using the nominal rate method of calculation, and will not be calculated using the effective rate method. All payments of interest to be made hereunder will be made without allowance or deduction for deemed reinvestment or otherwise, both before and after maturity and both before and after any default or judgment or both, until payment thereof.

1.4 **Interest Act (Canada).** For the purposes of disclosure under the *Interest Act* (Canada), whenever interest to be paid hereunder is to be calculated on the basis of a year of 360 days or any other number of days that is less than the number of days in a calendar year, the yearly rate of interest to which the rate determined pursuant to such calculation is equivalent is the rate so determined multiplied by a fraction of which the numerator is the actual number of days in the calendar year in which the same is to be ascertained and the denominator is either 360 or such other number of days, as the case may be.

## **ARTICLE 2. PROMISE TO PAY**

2.1 **Principal Amount.** The Holder subscribes to the Corporation for the debenture in the principal amount of \$[●] Canadian Dollars (the “**Principal Amount**”).

2.2 **Debenture.** The Corporation, for the value received, hereby acknowledges itself indebted and promises to pay to the Holder on October 31, 2020 (the “**Maturity Date**”), or on such earlier date as the Principal Amount hereof may become due in accordance with the terms and conditions hereof, the Principal Amount herein stipulated, outstanding interest on the Principal Amount at twelve (12.0%) percent per annum computed from the original date of issue of this Debenture and, should the Corporation at any time make default in the payment of any principal or interest, interest on the amount in default at the same rate, and all other amounts now or hereafter payable hereunder in lawful money of Canada on presentation and surrender of this Debenture at its principal office in the City of Calgary, Province of Alberta.

2.3 **Advance.** Subject to section 2.6 and to compliance by the Corporation with the terms and conditions contained herein, the date of the Advance shall be the date on which the Principal Amount is received by the Corporation from the Holder.

2.4 **Interest.** The Corporation will pay interest in immediately available funds from and including the date of the Advance on the Principal Amount from time to time outstanding, after as well as before maturity, default and judgment, in accordance with the following provisions:

- (a) the Principal Amount from time to time outstanding will bear simple interest from the date of the Advance at the *per annum* rate of twelve per cent (12%);
- (b) interest will be due and payable quarterly in arrears on January 31, April 30, July 31, and October 31 of each year; and
- (c) the first interest payment will occur on January 31, 2018, and will include interest accrued from and including the closing date.

2.5 **Maturity Date.** Subject to section 8.1, the Debenture Indebtedness will be due and payable in full on the Maturity Date.

2.6 **Purpose.** The Principal Amount will be loaned to one or more of Cantest Solutions Inc. and its affiliates, pursuant to the terms of the Cantest Loan Agreement.

2.7 **Voluntary Prepayment.** So long as no Event of Default has occurred and is continuing, the Corporation will have the right at any time to repay the outstanding Principal Amount or any part thereof, with all accrued and unpaid interest on the amount prepaid prior to the Maturity Date as follows:

- (a) Notice of intention to prepay (the “**Prepayment Notice**”) shall be given to the Holder by or on behalf of the Corporation in the manner provided in section 9.3, not less than thirty (30) days and not more than ninety (90) days (“**Prepayment Notice Period**”) prior to the date selected by Corporation for prepayment (the “**Prepayment Date**”), and the Prepayment Notice shall specify (i) the amount of the Principal Amount to be repaid, (ii) the interest amount, if any, (iii) the Prepayment Date, and (iv) a statement that all interest on the amount repaid shall cease from and after such Prepayment Date.

**ARTICLE 3.  
RIGHT OF FIRST OFFER**

3.1 **Right of First Offer.** Subject to the terms and conditions of this section 3.1 and applicable securities laws, if the Corporation or any of its affiliates proposes to offer or sell any securities to the public, the Corporation shall first offer such securities to each Holder at a 30% discount, in accordance with the following provisions:

- (a) the Corporation shall give notice (the “**Offer Notice**”) to each Holder, stating (i) its bona fide intention to offer securities to the public, (ii) the number of such securities to be offered, and (iii) the price and terms, if any, upon which it proposes to offer such securities;
- (b) by notification to the Corporation within twenty (20) days after the Offer Notice is given, each Holder may elect to purchase or otherwise acquire, at the price and on the terms specified in the Offer Notice, up to that portion of such securities which equals the proportion that the Debentures then held by such Holder bears to the total Debentures of the Corporation then outstanding. At the expiration of such twenty (20) day period, the Corporation shall promptly notify each Holder that elects to purchase or acquire all the Debentures available to it (each, a “**Fully Exercising Holder**”) of any other Holder’s failure to do likewise. During the ten (10) day period commencing after the Corporation has given such notice, each Fully Exercising Holder may, by giving notice to the Corporation, elect to purchase or acquire, in addition to the number of shares specified above, up to that portion of the securities for which Holders were entitled to subscribe but that were not subscribed for by the Holders which is equal to the proportion that the Debentures issued and held by such Fully Exercising Holder bears to the Debentures issued and held by all Fully Exercising Holders who wish to purchase such unsubscribed shares. The closing of any sale pursuant to this section 3.1(b) shall occur within the later of ninety (90) days of the date that the Offer Notice is given and the date of the first public offering of the securities;
- (c) the right of first offer set forth in this section 3.1 shall terminate with respect to any Holder who fails to purchase, in any transaction subject to this section 3.1, all of such Holder’s pro rata amount of the securities allocated (or, if less than such Holder’s pro rata amount is offered by the Corporation, such lesser amount so offered) to such Holder pursuant to this section 3.1; and
- (d) the covenants set forth in this section 3.1 shall terminate and be of no further force or effect immediately before the consummation of the first public offering of the securities.

**ARTICLE 4.  
PAYMENTS**

4.1 **Place of Payment.** All payments of Principal Amount, interest and other amounts to be made by the Corporation to the Holder pursuant to this Debenture shall be

made to the Holder at Computershare Trust Company of Canada, 510 Burrard Street, 3<sup>rd</sup> Floor, Vancouver, BC V6C 3B9 to the credit of account number: \_\_\_\_\_ (or at such other place in Canada as may be specified by the Holder by notice in writing to the Corporation) in immediately available funds for value on the day such amount is due.

4.2 **Time of Payment.** If any payment made to the Holder hereunder is made after 2:00 p.m. (Calgary time) on any day, such payment will be deemed to have been made on the immediately following Business Day for purposes of the calculation of interest and interest will accrue due to such following Business Day.

4.3 **Application of Payments.** Except where the Corporation, so long as no Event of Default has occurred which is continuing, otherwise designates in writing to the Holder, the Holder will have the right to allocate any and all payments made to the Holder hereunder in such manner, order and priority as the Holder in its discretion may determine.

## **ARTICLE 5. REPRESENTATIONS AND WARRANTIES**

5.1 **Representations and Warranties.** The Corporation represents and warrants as follows to the Holder:

- (a) the Corporation is a corporation, duly formed and validly existing under the laws of the province of Alberta and the Corporation has all necessary power and authority to own its properties and carry on its business and is duly licensed, registered or qualified in all jurisdictions where the character of its property owned or leased or the nature of the activities conducted by it makes such licensing, registration or qualification necessary or desirable;
- (b) the Corporation has full power and authority to enter into this Debenture, and the Cantest Loan Agreement, and to observe and perform all of its obligations hereunder and thereunder;
- (c) all necessary action has been taken by the directors of the Corporation and, if required, by the terms of the articles, bylaws or any unanimous shareholders agreement of the Corporation, the shareholders of the Corporation, to authorize the execution and delivery by the Corporation of this Debenture, the Cantest Loan Agreement, and the observance and performance of each of its obligations hereunder and thereunder;
- (d) this Debenture constitutes, and will upon execution and delivery thereof constitute, a valid and legally binding obligation of the Corporation enforceable against the Corporation in accordance with the terms subject to applicable bankruptcy, insolvency and other laws of general application limiting the enforceability of creditors' rights and to the fact that specific performance is an equitable remedy available only in the discretion of the court;
- (e) neither the execution and delivery by the Corporation of this Debenture and the Cantest Loan Agreement, nor the compliance by the Corporation with the terms and conditions hereof or thereof (i) has resulted or will result in a

violation of the articles, bylaws or any unanimous shareholders agreement of the Corporation or any resolutions passed by the directors of the Corporation or any applicable law, rule, regulation, order, judgment, injunction, award or decree, (ii) has resulted or will result in a breach of, or constitute a default under, any agreement or instrument to which the Corporation is a party or by which the Corporation or any of its property is bound; and

- (f) no Event of Default has occurred and no event has occurred which constitutes or which, with the giving of notice, lapse of time or otherwise would constitute, an Event of Default.

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

**6.1 Positive Covenants.** The Corporation covenants and agrees with the Holder that the Corporation will:

- (a) duly and punctually pay to the Holder when due the Debenture Indebtedness and observe and perform all other obligations hereunder;
- (b) promptly pay and discharge all taxes, assessments and other governmental charges imposed upon it, upon its property or any part thereof, or upon its income or profits or any part thereof, except that the Corporation shall not be required to pay or cause to be paid any tax, assessment or other governmental charge not yet past due or that is being contested in good faith by appropriate proceedings and for which adequate reserves have been maintained;
- (c) preserve and maintain its existence, licenses, rights, franchises and privileges under the laws of Canada, and qualify and remain qualified to do business in each jurisdiction in which such qualification is necessary in view of its business;
- (d) as soon as practicable and in any event within five days after the occurrence thereof notify the Holder in writing of the occurrence of any Event of Default or any event which, with the giving of notice or lapse of time or otherwise, might constitute an Event of Default and at the same time inform the Holder of any action taken or proposed to be taken by the Corporation in connection therewith; and
- (e) forthwith at any time and from time to time upon request by the Holder, do, execute, acknowledge and deliver each and every further act, deed, document, instrument or assurance as the Holder may reasonably require for the better accomplishing or effectuating the intention of this Debenture.

## **ARTICLE 7. CONDITIONS PRECEDENT**

**7.1 Conditions Precedent.** Unless the Holder otherwise agrees in writing or

unless waived by the Holder in writing, the obligation of the Holder to advance the Principal Amount is subject to section 2.6 and the fulfilment of the following conditions:

- (a) the representations and warranties set forth in section 5.1 shall be true and accurate in all material respects as of the date of the advance of the Principal Amount; and
- (b) no event shall have occurred and be continuing as of the date of the advance of the Principal Amount which constitutes an Event of Default or which with the giving of notice or lapse of time or otherwise would constitute an Event of Default nor shall the advance of Principal Amount result in the occurrence of any such event.

## **ARTICLE 8. DEFAULT**

**8.1 Events of Default.** Each of the following events constitutes an “**Event of Default**” hereunder:

- (a) except as otherwise provided herein, the Corporation failing to pay to the Holder when due any Debenture Indebtedness and such failure continuing for five (5) Business Days after written notice thereof is given by the Holder to the Corporation;
- (b) except as otherwise provided herein, the Corporation committing a breach of, or defaulting in the due and prompt performance or observance of, any of its covenants or obligations hereunder, and, if such breach or default is capable of being cured by the Corporation, the same is not cured within twenty-one (21) Business Days (or, if such breach or default is capable of being cured by the Corporation but not within such period of time and the Corporation has commenced taking action to cure such breach or default within such period of time and, diligently and in good faith, continues taking such action, such greater period of time, not exceeding an additional (30) days, as may be necessary to cure such breach or default) after written notice thereof is given by the Holder to the Corporation;
- (c) any representation or warranty made by the Corporation hereunder or in any instrument delivered pursuant hereto proving to be incorrect as at the date at which it was made in any respect materially adverse to the Holder and, if the same is capable of being rectified by the Corporation, the same is not rectified within fourteen (14) Business Days (or, if the same is capable of being rectified by the Corporation but not within such period of time and the Corporation has commenced taking action to rectify such incorrect representation and warranty within such period of time and, diligently and in good faith continues taking such action, such greater period of time, not exceeding an additional thirty (30) days, as may be necessary to rectify the same) after written notice thereof is given by the Holder to the Corporation;
- (d) the Corporation carrying on a business which the articles, bylaws or any



unanimous shareholder agreement of the Corporation prohibits it from carrying on, or losing its charter by expiration, forfeiture or otherwise, or ceasing or threatening to cease to carry on business as a going concern;

- (e) an order being made, a petition being filed or a resolution being passed for the winding up, dissolution or liquidation of the Corporation or for the suspension of the operations of the Corporation;
- (f) any execution, extent or sequestration or other process of any court becoming enforceable against the Corporation or a distress or analogous process being levied against any substantial part of the property of the Corporation and such execution, extent, sequestration, distress or other process not being released, vacated or fully bonded within thirty (30) days after becoming enforceable or levied, as the case may be;
- (g) the Corporation becoming insolvent, committing an act of bankruptcy, making an assignment for the benefit of creditors or a proposal or similar action under the *Bankruptcy and Insolvency Act* (Canada) or any similar act or commencing any other proceedings relating to it under any reorganization, arrangement, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction or by any act indicating its consent to, approval of, or acquiescence in, any such proceeding; or a petition or case being filed or presented against the Corporation pursuant to the *Bankruptcy and Insolvency Act* (Canada) or any similar act and such petition or case not being dismissed within thirty (30) days of its filing or presentment; or
- (h) a custodian, liquidator, receiver, receiver and manager, receiver-manager or trustee or any other person with similar powers being appointed for the Corporation or for any substantial part of the property of the Corporation and such appointment not being terminated within thirty (30) days.

8.2 **Acceleration.** Upon the occurrence and during the continuance of any Event of Default, the Holder may do one or more of the following at any time or times and in any order that the Holder in its discretion may determine:

- (a) by notice in writing to the Corporation, terminate the obligation of the Holder to make the Principal Amount available to the Corporation;
- (b) by notice in writing to the Corporation, declare the Debenture Indebtedness to be forthwith due and payable, whereupon the same will become and be forthwith due and payable, without protest, presentment, demand or further notice of any kind, all of which are expressly waived by the Corporation;
- (c) without notice to or demand upon the Corporation, which are expressly waived by the Corporation, proceed to protect, exercise and enforce its rights and remedies under this Debenture, and such other rights and remedies as are provided at law or in equity or by statute.

8.3 **Records.** The records of the Holder as to the Debenture Indebtedness

outstanding at any time or as to the occurrence of an Event of Default or of any demand for payment having been made upon the Corporation will be *prima facie* proof of such fact.

## **ARTICLE 9. MISCELLANEOUS**

9.1           **Payment of Costs.** Each party hereto shall bear their own fees, costs and expenses in connection with the preparation, execution, delivery, administration and enforcement of this Debenture, and any matter related hereto or thereto, including the fees and disbursements of any legal counsel, independent accountant or other outside expert retained by the parties.

9.2           The person in whose name this Debenture is registered shall for all purposes be and be deemed to be the owner thereof and payment of or on account of the principal of this Debenture shall be made only to or upon the order in writing of such Holder.

9.3           **Notice.** Any demand, notice or communication required or permitted to be made or given hereunder shall be in writing and may be made or given by personal delivery or by transmittal by facsimile or other electronic means of communication addressed to the respective parties at the addresses on page 1.

To the Corporation:

Cantest Funding Corp.  
23 East Lake Crescent NE #2  
Airdrie, AB T4A 2H3

Attention: Adam Morand  
Facsimile No.: 403-912-9337

or to such other address, contact person or facsimile number as any party may from time to time notify the other in accordance with this section 9.3. Any demand, notice or communication made or given by personal delivery shall be conclusively deemed to have been given on the day of actual delivery thereof to the office of the party for whom it is intended, or, if made or given by facsimile or other electronic means of communication, on the first Business Day following the transmittal thereof to the office of the party for whom it is intended.

9.4           **No Waiver.** No consent or waiver, express or implied, by either party to or of any breach or default by the other party in the performance by the other party of its obligations hereunder will be deemed or construed to be a consent or waiver to or of any other breach or default in the performance by such party hereunder; failure on the part of either party hereto to declare such other party in default, irrespective of how long such act continues, will not constitute a waiver by such party of its rights hereunder.

9.5           **Invalidity.** If any provision of this Debenture or the application thereof to any Person or circumstance is invalid or unenforceable to any extent, the remainder of this Debenture and the application of such provision to other Persons or circumstances will not be affected thereby and will be enforceable to the greatest extent permitted by law.

9.6 **Maximum Interest.** Notwithstanding any provision to the contrary contained herein, in no event shall the aggregate "interest" (as defined in Section 347 of the *Criminal Code*, R.S.C. 1985, C. 46, as the same may be amended, replaced or re-enacted from time to time) payable hereunder exceed the effective annual rate of interest on the "credit advanced" (as defined in that section) hereunder lawfully permitted under that section and, if any payment, collection or demand pursuant to this Debenture in respect of "interest" is determined to be contrary to the provisions of that section, such payment, collection or demand shall be deemed to have been made by mutual mistake of the Corporation and the Holder and the amount of such payment or collection shall be refunded to the Corporation; for purposes hereof the effective annual rate of "interest" shall be determined in accordance with generally accepted actuarial practices and principles over the Lending Period of the Principal Amount on the basis of annual compounding of the rate lawfully permitted under that section and, in the event of dispute, a certificate of a Fellow of the Canadian Institute of Actuaries appointed by the Holder will be conclusive for the purposes of such determination.

9.7 **Replacement.** In case this Debenture shall at any time become mutilated, destroyed, stolen or lost and this Debenture, or evidence of the loss, theft or destruction thereof (together with the indemnity hereinafter referred to and such other documents or proof as may be required in the premises) shall be delivered to the Corporation, a new Debenture of like tenor and date will be issued by the Corporation in exchange for this Debenture, but, in case this Debenture has been destroyed, stolen or lost, only upon receipt of evidence satisfactory to the Corporation that this Debenture was destroyed or stolen or lost, and in any case, if required by the Corporation, upon receipt also of indemnity satisfactory to the Corporation. All expenses and reasonable charges associated with obtaining such indemnity and with the preparation, authentication and delivery of a new Debenture shall be borne by the Holder.

9.8 **Assignment.** This Debenture may not be transferred, assigned or otherwise disposed of by the Holder without the prior written consent of the Corporation.

9.9 **Governing Law.** This Debenture will be governed by, and the rights and remedies of the parties hereto determined in accordance with, the laws of the Province of Alberta and the laws of Canada applicable therein.

9.10 **Amendment.** This Debenture may be amended only by an agreement in writing signed by the Corporation and the Holder.

IN WITNESS WHEREOF, the Corporation has caused this Debenture to be signed by its duly authorized officer effective November 1, 2017.

**CANTEST FUNDING CORP.**

Per: \_\_\_\_\_  
Authorized Signatory