

CONVERTIBLE PROMISSORY NOTE

\$_____

Toronto, Ontario

For value received **WHITE HAT FINANCIAL INC.**, a corporation incorporated under the federal laws of Canada (the “**Company**”), promises to pay to _____ or its assigns (the “**Holder**”) the principal sum of \$_____ due and payable on the date and in the manner set forth below.

This convertible unsecured promissory note (the “**Note**”) is issued as part of a series of similar convertible unsecured promissory notes (collectively, the “**Notes**”) pursuant to the terms of that certain Convertible Promissory Note Purchase Agreement (the “**Purchase Agreement**”) dated June 22, 2023 to the persons and entities listed on the Schedule “A” attached to the Purchase Agreement (collectively, the “**Holders**”). No interest will accrue or be payable on the Notes. Capitalized terms used herein without definition shall have the meanings given to such terms in the Purchase Agreement.

1. Repayment. All payments of principal shall be in lawful money of Canada and shall be made pro rata among the Holders pursuant to Section 1.2 of the Purchase Agreement. The outstanding principal amount of the Loan Amount shall be due and payable on June 22, 2025 (the “**Maturity Date**”). All payments shall be applied first to any costs, expenses or charges then payable to the Holder and thereafter to principal.

2. Conversion.

(a) Qualified Financing - In the event that the Company issues and sells shares of its Equity Securities (as defined below) to investors (the “**Investors**”) on or before the date of the repayment in full of this Note in a bona fide priced-round equity financing for the principal purpose of raising capital resulting in gross proceeds to the Company of at least \$2,000,000 (excluding the conversion of the Notes and other debt) (a “**Qualified Financing**”), then the outstanding principal amount of this Note shall automatically convert in whole without any further action by the Holder into such Equity Securities at a price equal to the Conversion Price (as defined below), and otherwise on the same terms and conditions as given to the Investors; provided that if the Equity Securities issued to the Investors in such Qualified Financing are preferred shares, the Equity Securities issued to the Holder upon conversion of this Note at such Qualified Financing shall be a separate series of Equity Securities having the identical rights, privileges, restrictions and conditions as the Equity Securities being issued in connection with such Qualified Financing, other than with respect to: (i) the per share liquidation preference and the conversion price for purposes of price based anti-dilution protection, which will equal the Conversion Price; and (ii) the basis for any dividend rights, which will be based on the Conversion Price.

(b) Non-Qualified Financing - In the event that the Company completes a Non-Qualified Financing (as defined below) prior to the conversion or repayment in full of this Note, the

Company will give the Holder at least 10 days prior written notice of the anticipated closing date of such Non-Qualified Financing in order that the Holder may elect, prior to such closing date, to either (i) have its Note remain outstanding pursuant to the terms of this Note, or (ii) have its Note cancelled and converted into such Equity Securities being issued in connection with the Non-Qualified Financing at a price equal to the Conversion Price, and otherwise on the same terms and conditions as given to such investors in the Non-Qualified Financing; provided that if the Equity Securities issued to such investors in such Non-Qualified Financing are preferred shares, the Equity Securities issued to the Holder upon conversion of this Note at such Non-Qualified Financing shall be a separate series of Equity Securities having the identical rights, privileges, restrictions and conditions as the Equity Securities being issued in connection with such Non-Qualified Financing, other than with respect to: (i) the per share liquidation preference and the conversion price for purposes of price based anti-dilution protection, which will equal the Conversion Price; and (ii) the basis for any dividend rights, which will be based on the Conversion Price.

(c) **Maturity** - Unless sooner paid or converted in accordance with the terms hereof, at any time on or after the Maturity Date, at the election of the Holder, the outstanding principal amount of this Note shall convert in whole into the then most senior class of Equity Securities ("**Senior Equity Securities**") at a price equal to the Valuation Cap Price (as defined below); provided that if the Senior Equity Securities are preferred shares, the Equity Securities issued to the Holder upon conversion of this Note at the Maturity Date shall be a separate series of Equity Securities having the identical rights, privileges, restrictions and conditions as the Senior Equity Securities, other than with respect to: (i) the per share liquidation preference and the conversion price for purposes of price based anti-dilution protection, which will equal the Valuation Cap Price; and (ii) the basis for any dividend rights, which will be based on the Valuation Cap Price.

(d) **Sale of Company** - Notwithstanding any provision of this Note to the contrary, in the event that the Company consummates a Sale of the Company (as defined below) prior to the conversion or repayment in full of this Note, the Company will give the Holder at least 10 days prior written notice of the anticipated closing date of such Sale of the Company in order that the Holder may elect, prior to such closing date, to either (i) be repaid the full unpaid principal amount of the Note plus 2.5% for each completed six-month period between the Initial Closing (or, in the case of Additional Purchasers, the date of such Additional Closing) and such conversion, or (ii) have its Note cancelled and converted into Senior Equity Securities at a price equal to the Valuation Cap Price; provided that if the Senior Equity Securities are preferred shares, the Equity Securities issued to the Holder upon conversion of this Note at such Sale of the Company shall be a separate series of Equity Securities having the identical rights, privileges, restrictions and conditions as the Senior Equity Securities, other than with respect to: (i) the per share liquidation preference and the conversion price for purposes of price based anti-dilution protection, which will equal the Valuation Cap Price; and (ii) the basis for any dividend rights, which will be based on the Valuation Cap Price.

(e) **Rights Agreements Following Conversion of Notes** – The Holder hereby agrees that as a condition to the conversion of its Note into Equity Securities, the Holder will execute an adoption agreement to the Company's: (i) Voting Agreement dated January 3, 2022; (ii) Right of First Refusal and Co-Sale Agreement dated January 3, 2022, and (iii) Shareholder Rights Agreement

dated January 3, 2022 (each such agreement as may be amended, restated or replaced from time to time, collectively, the “**Shareholder Agreements**”). The Holder further agrees that as a condition to the conversion of its Note into Equity Securities, the Holder will execute, at the Company’s request, a voting trust agreement pursuant to which the Holder will agree to grant a power of attorney over its Equity Securities with respect to those matters contemplated in Section 2 of the Voting Agreement.

(f) For purposes of this Note:

(i) “**Company Capitalization**” means the sum, as of immediately prior to the Qualified Financing, Non-Qualified Financing, Maturity Date or Sale of the Company (or other applicable date), of: (A) all equity securities of the Company (on an as-converted basis) issued and outstanding, assuming exercise or conversion of all outstanding vested and unvested options, warrants and other convertible securities; and (B) all equity securities reserved and available for future grant under any equity incentive or similar plan of the Company, and/or any equity incentive or similar plan to be created or increased in connection with the Qualified Financing or Non-Qualified Financing, if applicable; but (C) excluding (1) all Notes, and (2) all other convertible debt instruments, SAFEs and other convertible securities converting in connection with such Qualified Financing, Non-Qualified Financing, Maturity Date or Sale of the Company (or other applicable event).

(ii) “**Conversion Price**” means either: (1) the Valuation Cap Price, or (2) the Discount Price, whichever calculation results in a greater number of issuable shares.

(iii) “**Discount Price**” means the price per share of the shares sold in the Qualified Financing or the Non-Qualified Financing, as the case may be, multiplied by the discount rate of 80% minus 2.5% for each completed six-month period between the Initial Closing and such conversion.

(iv) “**Equity Securities**” means the Company’s preferred shares or common shares or any securities conferring the right to purchase the Company’s preferred shares or common shares or securities convertible into, or exchangeable for (with or without additional consideration), the Company’s preferred shares or common shares, except that such defined term shall not include any security (x) granted, issued and/or sold by the Company to any employee, director or consultant in such capacity pursuant to an equity incentive plan or similar plan, or (y) issued upon the conversion or exercise of any option or warrant outstanding as of the date of this Note.

(v) “**Non-Qualified Financing**” means a bona fide priced-round equity financing of the Company that is not a Qualified Financing.

(vi) “**Requisite Holders**” means the holders of the Notes representing a majority of the aggregate principal amount of all Notes then outstanding, which must include Highline Beta Fund 2019, L.P.

(vii) “**Sale of the Company**” means (A) any consolidation or merger of the Company with or into any other corporation or other entity or person, or any other corporate

reorganization, other than any such consolidation, merger or reorganization in which the stockholders of the Company immediately prior to such consolidation, merger or reorganization, continue to hold at least a majority of the voting power of the surviving entity in substantially the same proportions (or, if the surviving entity is a wholly owned subsidiary, its parent) immediately after such consolidation, merger or reorganization; (B) any transaction or series of related transactions to which the Company is a party in which in excess of 50% of the Company's voting power is transferred; *provided, however*, that a Sale of the Company shall not include any transaction or series of transactions principally for bona fide equity financing purposes in which cash is received by the Company or any successor or indebtedness of the Company is cancelled or converted or a combination thereof; or (C) a sale, lease, exclusive license or other disposition of all or substantially all of the assets of the Company.

(viii) "Valuation Cap" means CAD \$4,500,000 minus \$112,500 (being 2.5% of \$4,500,000) for each completed six-month period between the Initial Closing and such conversion.

(ix) "Valuation Cap Price" means the price per share equal to the Valuation Cap divided by the Company Capitalization.

3. Maturity. Unless this Note has been previously converted in accordance with the terms of Section 2, the entire outstanding principal balance shall become fully due and payable on the Maturity Date.

4. Expenses. In the event of any default hereunder, the Company shall pay all reasonable legal fees and court costs incurred by the Holder in enforcing and collecting this Note.

5. Prepayment. The Company may not prepay this Note prior to the Maturity Date without the consent of the Requisite Holders. Any prepayments shall be made pro rata among the Holders of all of the Notes based on the relative outstanding principal amounts of the Notes.

6. Default. If there shall be any Event of Default hereunder, at the option and upon the declaration of the Requisite Holders and upon written notice to the Company (which election and notice shall not be required in the case of an Event of Default under Sections 6(c), 6(d) or 6(e)), this Note shall accelerate and the principal shall become due and payable. The occurrence of any one or more of the following shall constitute an "**Event of Default**":

(a) the Company fails to pay timely any of the principal amount due under this Note on the date the same becomes due and payable or other amounts due under this Note on the date the same becomes due and payable;

(b) the Company shall default in its performance of any covenant under the Purchase Agreement or any Note;

(c) if any act, matter or thing is done toward the termination of, or any action or proceeding is launched or taken to terminate the corporate existence of the Company, whether by winding-up, surrender of charter or otherwise;

(d) any representation or warranty made by the Company to Holder pursuant to the Purchase Agreement shall be false, incorrect, incomplete or misleading in any material respect when made and the Company shall fail to cure any such breach (if possible) within ten days after the Company's receipt of Holder's written notice to the Company of such breach;

(e) the Company (1) applies for or consents to the appointment of a receiver, trustee, liquidator or custodian of itself or of all or a substantial part of its property, (2) makes a general assignment for the benefit of its or any of its creditors, (3) is dissolved or liquidated in full or in part, (4) commences a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or consent to any such relief or to the appointment of or taking possession of its property by any official in an involuntary case or other proceeding commenced against it, or (5) takes any action for the purpose of effecting any of the foregoing without the prior written approval of the Holder; and

(f) proceedings for the appointment of a receiver, trustee, liquidator or custodian of the Company or of all or a substantial part of the property thereof, or an involuntary case or other proceedings seeking liquidation, reorganization or other relief with respect to the Company or the debts thereof under any bankruptcy, insolvency or other similar law now or hereafter in effect are commenced and either (1) an order for relief is entered, or (2) such proceeding is not dismissed or discharged within 60 days of commencement.

7. **Waiver.** The Company hereby waives demand, notice, presentment, protest and notice of dishonour.

8. **Governing Law.** This Note shall be governed by the laws of the Province of Ontario and the federal laws applicable therein.

9. **Parity with Other Notes.** The Company's repayment obligation to the Holder under this Note shall be on parity with the Company's obligation to repay all Notes issued pursuant to the Purchase Agreement. In the event that the Company is obligated to repay the Notes and does not have sufficient funds to repay all the Notes in full, payment shall be made to the Holders of the Notes on a *pro rata* basis. The preceding sentence shall not, however, relieve the Company of its obligations to the Holder hereunder.

10. **Modification; Waiver.** Any term of this Note may be amended or waived with the written consent of the Company and the Requisite Holders.

11. **Assignment.** This Note may be transferred only upon its surrender to the Company for registration of transfer, duly endorsed, or accompanied by a duly executed written instrument of transfer in form satisfactory to the Company. Thereupon, this Note shall be reissued to, and registered in the name of, the transferee, or a new Note for like principal amount shall be issued to, and registered in the name of, the transferee. Principal shall be paid solely to the registered holder of this Note. Such payment shall constitute full discharge of the Company's obligation to pay such principal.

[signature page follows]

WHITE HAT FINANCIAL INC.

By: _____

Name: Bruce Hodges

Title: Founder & CEO

Holder:

Principal Amount of Note: \$_____

Date of Note: _____