

MELIOR RESOURCES INC.

as Borrower

and

PALA INVESTMENTS LIMITED

as Administrative Agent

and

MELIOR AUSTRALIA PTY. LTD.

as Guarantor

and

GOONDICUM RESOURCES PTY. LTD.

as Guarantor

and

the Lenders party hereto from time to time

as Lenders

**FOURTH AMENDED AND RESTATED LOAN AGREEMENT
TOTAL COMMITMENT - US\$22,900,662**

August 21, 2019

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FOURTH AMENDED AND RESTATED LOAN AGREEMENT

THIS FOURTH AMENDED AND RESTATED LOAN AGREEMENT (the “**Agreement**”), made as of August 21, 2019 by and between Melior Resources Inc., a corporation organized under the laws of British Columbia together with its successors and permitted assigns (“**Borrower**”), Melior Australia Pty. Ltd, a company formed under the laws of Australia together with its successors and permitted assigns (“**Melior Australia**”), Goondicum Resources Pty. Ltd., a company formed under the laws of Australia together with its successors and permitted assigns (“**Goondicum**”, and together with Melior Australia, the “**Guarantors**”) and Pala Investments Limited, a company incorporated in Jersey together with its successors and assigns, as administrative agent (the “**Agent**”) and Pala Investments Limited as initial lender and the other lenders party hereto from time to time (collectively, the “**Lenders**”).

WHEREAS:

A. Borrower, indirectly through its wholly owned subsidiary, Goondicum, has the right to operate and mine the Goondicum Ilmenite Project in Queensland, Australia (the “**Project**”).

B. The parties hereto entered into a loan agreement dated as of April 10, 2018 (the “**Original Loan Agreement**”).

C. The parties hereto agreed to amend and restate, without novation, the Original Loan Agreement upon the terms and subject to the conditions set out in an amended and restated loan agreement dated as of August 9, 2018, as amended by an amending agreement dated as of November 16, 2018 (the “**First A&R Loan Agreement**”).

D. The parties hereto agreed to amend and restate, without novation, the First A&R Loan Agreement upon the terms and subject to the conditions set out in a second amended and restated loan agreement dated as of February 4, 2019 (the “**Second A&R Loan Agreement**”).

E. The parties hereto agreed to amend and restate, without novation, the Second A&R Loan Agreement upon the terms and subject to the conditions set out in a third amended and restated loan agreement dated as of June 6, 2019 (the “**Existing Loan Agreement**”).

F. The parties hereto have agreed to further amend and restate, without novation, the Existing Loan Agreement for the purposes set out herein, upon the terms and subject to the conditions set forth in this Agreement and the other Finance Documents.

G. Each of Borrower and the Guarantors will, pursuant to the Finance Documents to which it is a party, grant a security interest in favour of the Agent for and on behalf of itself and the Lenders over the collateral set forth in the applicable Finance Documents as security for the payment and performance of the obligations of Borrower and Guarantors pursuant to this Agreement and the other Finance Documents.

NOW THEREFORE, in consideration of the mutual covenants and agreements herein contained, the parties hereto covenant and agree as follows:

ARTICLE 1 DEFINITIONS

Section 1.1 Certain Defined Terms.

As used in this Agreement (including in the recitals hereof), the following terms shall have the following meanings:

“**Abandonment**” shall occur if Goondicum (acting alone, or through any other Borrower Group Member) ceases commercial production from the Project without the consent of the Majority Lenders, such consent not to be unreasonably withheld, for reasons other than a Force Majeure, and such condition continues without interruption for 30 days.

“**Affiliate**” in relation to any Person (in this definition, the “**relevant party**”) means any other Person that directly or indirectly, Controls, is Controlled by or is under common Control with, the relevant party.

“**Agreement**” has the meaning set forth in the Preamble.

“**AML Legislation**” means the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada), the USA Patriot Act, the Swiss Federal Act on the Combat of Money Laundering and Terrorism Financing of 10 October 1997 (SR.955.9) and other applicable anti-money laundering, anti-terrorist financing, government sanction and “know your client” Applicable Laws, whether within Canada, in the United States, Australia or, to the extent applicable to the Borrower or any Guarantor, elsewhere, including any regulations, guidelines or orders thereunder.

“**Anti-Corruption Laws**” means the *Corruption of Foreign Public Officials Act* (Canada) and the United States Foreign Corrupt Practices Act of 1977 and all other laws, rules, and regulations of any jurisdiction applicable to any Borrower Group Member from time to time concerning or relating to bribery or corruption.

“**Anti-Corruption Policy**” means the anti-bribery and anti-corruption policy of the Borrower Group Members adopted by the board of directors of the Borrower, as the same may be amended, revised, supplemented or replaced from time to time in accordance with this Agreement.

“**Applicable Law**” means any law (including common law and equity), any international or other treaty, any domestic or foreign constitution or any multinational, federal, provincial, territorial, state, municipal, country or local statute, law, ordinance, code, rule, regulation, Order (including any securities laws or requirements of stock exchanges and any consent decree or administrative Order), or Authorization of a Governmental Body applicable to any specified Person, property, transaction or event, or any such Person’s Business Assets.

“Applicable Percentage” with respect to Tranche 1, Tranche 2, Tranche 3, Tranche 4, Tranche 5 and Tranche 6, means, with respect to any Lender, the percentage of the total Loan under such Tranche 1, Tranche 2, Tranche 3, Tranche 4, Tranche 5 or Tranche 6, as applicable, advanced by such Lender.

“Approved Plan and Budget” Goondicum’s construction, commissioning and production plan and budget.

“Authorization” means any authorization, approval, consent, concession, exemption, license, lease, grant, permit, franchise, right, privilege or no-action letter from any Governmental Body having jurisdiction with respect to any specified Person, property, transaction or event, or with respect to any of such Person’s Business Affairs (including any zoning approval, mining permit, development permit and building permit) or from any Person in connection with any easements or contractual rights.

“Authorized Officer” means, with respect to any Person, the chief executive officer, the president, the chief financial officer or the treasurer of such Person, or any other senior officer of such Person having substantially the same authority and responsibility.

“Average Liquidity” means for a period, means, the average daily Liquidity in such period.

“Bankruptcy Code” means any of the *Bankruptcy and Insolvency Act* (Canada), the *Companies Creditors Arrangement Act* (Canada), the *Winding-up and Restructuring Act* (Canada) and the *Corporations Act, 2001* (Commonwealth of Australia), or any other like, equivalent or analogous legislation in any other applicable jurisdiction, and each as amended or recodified from time to time, including (unless the context otherwise requires) any rules or regulations promulgated thereunder, and including any plan of arrangement provisions of any applicable corporations statute under which a corporation may propose a compromise or an arrangement with respect to its creditors or any class or the claims of any class of creditors of the corporation.

“Bonus Shares” has the meaning set forth in Section 3.6.

“Borrower” has the meaning set forth in the Preamble.

“Borrower Business” means the business engaged in by Borrower through Goondicum in connection with the Goondicum Property and Assets.

“Borrower Collateral” means (a) all of Borrower’s property and rights in and to its property (real and personal) and undertaking, including all accounts, instruments, chattel paper, deposit accounts, documents, general intangibles, goods (including inventory, equipment and fixtures), money, letter of credit rights, supporting obligations and investment property; (b) all products, proceeds, rents and profits of the foregoing; (c) all of Borrower’s books and records related

to any of the foregoing; and (d) all of the foregoing, whether now owned or existing or hereafter acquired or arising or in which Borrower now has or hereafter acquires any rights.

“Borrower Group Member” means Borrower, Melior Australia and Goondicum, or any of them, and any other Guarantor from time to time.

“Borrower Pledge” means the securities pledge agreement executed by Borrower in favour of the Agent, pursuant to which Borrower pledges in favour of the Agent the entirety of its current and future legal and beneficial interest in Melior Australia and any other directly held interest in any other Person from time to time, whether comprised of Capital Stock or otherwise.

“Borrower Security Agreement” means the general security agreement from Borrower in favour of the Agent constituting a second priority security interest in respect of the Borrower Collateral, subject only to Permitted Liens; provided that in the event that the security interest related to the Pala C&M Loan is discharged in full, such security interest shall be first priority in respect to the Borrower Collateral.

“Borrower Subsidiary” means any Subsidiary of Borrower now existing or any Person that becomes a Subsidiary of Borrower in accordance with the terms and provisions hereof.

“Business Affairs” means the Business Assets, affairs, liabilities, condition (financial or otherwise), and results of operations of a specified Person or Persons.

“Business Assets” means the business, operations, undertaking, property and assets of a specified Person or Persons (including interests held in the Capital Stock of another Person).

“Business Day” means a day (other than a Saturday or a Sunday) on which banks are open for business in Switzerland (or, if Pala Investments Limited is no longer the Agent, such other jurisdiction from which the Agent performs its duties and obligations hereunder) and Vancouver, British Columbia.

“Capital Expenditure” means any expenditure or obligation in respect of expenditure which, in accordance with IFRS, is treated as capital expenditure.

“Capital Lease” means, as to any Person, any lease of property by such Person as lessee to the extent the obligations of such Person thereunder are required to be classified and accounted for as capital lease obligations or finance lease obligations on a balance sheet of such Person in accordance with IFRS.

“Capital Reorganization” has the meaning set forth in Section 2.11(2)(c).

“Capital Stock” means:

- (a) common shares, preferred shares or other equivalent equity interests (howsoever designated) of capital stock of a corporation;
- (b) units, membership interests, limited liability company interests or other equity interests, preferred, common or otherwise, in a limited liability company;
- (c) member or shareholder interests in an unlimited company or unlimited liability company;
- (d) limited or general partnership interests in a partnership;
- (e) any other interest that confers the right to receive a share of the profits and/or losses of, or the distribution of assets of, any Person; and
- (f) any other interest equivalent to any of the interests referred to in any of clauses (a), (b), (c), (d) and (e) of this definition.

“Change of Control” means, with respect to any Person, an event or series of events by which any one of the following occur:

- (a) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of any Borrower Group Member;
- (b) any Person, or two or more Persons acting in concert, become(s) the beneficial owner(s), directly or indirectly, of 50% or more of the Capital Stock of such Person entitled to vote for members of the board of directors or equivalent governing body of such Person on a fully-diluted basis (and taking into account all such Capital Stock that such Person or group has the right to acquire pursuant to any acquisition right);
- (c) during any period of 12 consecutive months following the Effective Date, a majority of the members of the board of directors or other equivalent governing body of such Person cease to be composed of individuals who were members of that board or equivalent governing body on the first day of such period or nominees of any such members; or
- (d) any Person, or two or more Persons acting in concert, shall have acquired by contract or otherwise, or shall have entered into a contract or arrangement that, upon consummation thereof, will result in its or their acquisition of the power to exercise, directly or indirectly, a controlling influence over the management or policies of a Person, or control over the Capital Stock of such Person entitled to vote for members of the board of directors or equivalent governing body of such Person on a fully-diluted basis (and taking into account all such Capital Stock that such acquiring Person or group has the right to acquire pursuant to any option right)

representing 50% or more of the combined voting power of such Capital Stock;

provided that a Change of Control shall not include any event or circumstance relating to a sale of common shares of Borrower by Pala Investments Limited or its Affiliates unless such sale is a bona fide sale to an arm's length third party. For the purposes of this definition, an arm's length third party shall include any Person in which Pala Investments Limited or any of its Affiliates owns, directly or indirectly, less than 50% of the Capital Stock of such Person.

"Collateral" means, collectively, the Borrower Collateral and the Guarantor Collateral.

"Collateral Documents" means the Borrower Security Agreement, the Borrower Pledge, the Melior Australia Pledge, the Goondicum Security Agreement, the Melior Australia Guarantee, the Goondicum Guarantee and any other agreement pursuant to which Borrower or a Guarantor provides a Lien on its assets in favour of the Agent securing the payment and performance of the Obligations, and all filings, documents and instruments made or delivered pursuant thereto.

"Commissioning Completion Date" means the projected date for completion of the commissioning of the Project, as set out in the Approved Plan and Budget.

"Common Shares" means the common shares in the capital of the Borrower.

"Confidential Information" has the meaning set forth in Section 8.13(a).

"Construction Completion Date" means the projected date for completion of the construction of the Project, as set out in the Approved Plan and Budget.

"Contaminant" means any solid, liquid, gas, odor, heat, sound, vibration, radiation or combination of any of them that is reasonably expected to:

- (a) materially impair the quality of the Environment for any use that can be made of it;
- (b) materially injure or damage property or plant or animal life;
- (c) materially and adversely affect the health of any individual;
- (d) materially impair the safety of any individual;
- (e) materially render any plant or animal life unfit for use by man; or
- (f) create a liability under any Environmental Law; and includes any **"contaminant"** within the meaning assigned to such term in any Environmental Law.

“Contingent Obligation” means, as applied to any Person, any direct or indirect liability, contingent or otherwise, of such Person with respect to any Indebtedness or contractual obligation of another Person, if the purpose or intent of such Person in incurring the Contingent Obligation is to provide assurance to the obligee of such Indebtedness or contractual obligation that such Indebtedness or contractual obligation will be paid or discharged, or that any agreement entered into by such other Person relating to such Indebtedness or contractual obligation will be complied with, or that any holder of such Indebtedness or contractual obligation will be protected against loss in respect thereof. Contingent Obligations of a Person include (a) the direct or indirect guarantee, endorsement (other than for collection or deposit in the ordinary course of business), co-making, discounting with recourse or sale with recourse by such Person of an obligation of another Person, and (b) any liability of such Person for an obligation of another Person through any agreement (contingent or otherwise) (i) to purchase, repurchase or otherwise acquire such obligation or any security therefor, or to provide funds for the payment or discharge of such obligation (whether in the form of a loan, advance, stock purchase, capital contribution or otherwise), (ii) to maintain the Solvency, any balance sheet item, level of income or financial condition of another Person, (iii) to make take-or-pay or similar payments, if required, regardless of non-performance by any other party or parties to an agreement, (iv) to purchase, sell or lease (as lessor or lessee) property, or to purchase or sell services, primarily for the purpose of enabling the debtor to make payment of such obligation or to assure the holder of such obligation against loss, or (v) to supply funds to or in any other manner invest in such other Person (including to pay for property or services irrespective of whether such property is received or such services are rendered), if in the case of any agreement or liability described under subclauses (i) through (v) of this sentence the primary purpose or intent thereof is as described in the preceding sentence. The amount of any Contingent Obligation shall be equal to the lesser of (A) the amount payable under such Contingent Obligation (if quantifiable) or (B) the portion of the obligation so guaranteed or otherwise supported.

“Control”, “Controls” and “Controlled” when used with respect to any Person means possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person (whether through ownership of Voting Capital Stock, by contract or otherwise); provided that, in any event and without limitation, any Person or combination of Persons acting jointly or in concert which owns or own, directly or indirectly, more than 50% of the Voting Capital Stock having ordinary voting power for the election of the directors of, or Persons performing similar functions for, such Person will be deemed to Control such Person (irrespective of whether at the time any other Capital Stock of such Person of any other class shall or might have voting power upon the occurrence of any contingency).

“Conversion Date” has the meaning set forth in Section 2.11(1)(b).

“Conversion Price” has the meaning set forth in Section 2.11(1)(a).

“Conversion Right” has the meaning set forth in Section 2.11(1)(a).

“Conversion Shares” has the meaning set forth in Section 2.11(1)(a).

“Converted Loan Amount” has the meaning set forth in Section 2.11(1)(a).

“Current Market Price” of any Common Share at any given date means: (i) the greater of (A) the maximum allowable Discounted Market Price (as defined under Policy 1.1 of the TSXV) and (B) the weighted average price at which the Common Shares have traded during the last five (5) trading days that trading of the Common Shares occurred on the TSXV ending the trading day immediately prior to such date on the TSXV (the weighted average price per share being determined by dividing the aggregate sale price of all such shares sold on such exchange during such five (5) trading days that trading of the Common Shares occurred on the TSXV by the total number of such shares so sold), or (ii) the weighted average price at which the Common Shares have traded during the last five (5) trading days that trading of the Common Shares occurred immediately prior to such date on such other principal stock exchange upon which the Common Shares are then listed, or, if the Common Shares are not listed on any stock exchange, then on such over-the-counter market as the Common Shares may then trade, and, in the event the Common Shares do not trade on any over-the-counter market, then such value as mutually agreed by the Lender and Borrower, each acting reasonably.

“Debt” of any Person means, without duplication, (A) all Indebtedness of such Person referred to in clauses (a), (b), (c), (d), (e), and (g) of the definition of **“Indebtedness”** and (B) all Contingent Obligations of such Person in respect of Indebtedness of any Person of the type described in such clauses of the definition of **“Indebtedness.”** For purposes of determining the amount of Debt in a circumstance when the creditor has recourse only to specified assets, the amount shall be the lesser of (1) the amount of such obligation or (2) the fair market value of such assets.

“Default” means (a) an Event of Default, or (b) an event or condition that with the giving of notice or the passage of time, or both, would constitute an Event of Default.

“Depreciation Expense” means, with respect to any period, the collective depreciation, depletion, impairment and amortization expense of the Borrower for such period.

“Disposition” means any sale, assignment, transfer, conveyance, lease or other disposition of any asset of any Borrower Group Member in a single transaction or a series of related transactions.

“Dollars” and the symbols **“\$”** and **“US\$”** each mean lawful money of the United States of America.

“EBITDA” of the Borrower for any period means an amount equal to net income of the Borrower for such period,

minus, to the extent included in such net income (but without duplication):

- (a) any non-cash income and gains; and
- (b) any extraordinary or non-recurring income and gains;

plus, to the extent deducted from such Net Income (but without duplication):

- (c) interest expense;
- (d) income tax expense;
- (e) Depreciation Expense;
- (f) any non-cash expenses and losses; and
- (g) any extraordinary or non-recurring charges, expenses or losses,

all determined on a consolidated basis.

“Effective Date” means August 21, 2019, being the date on which this Agreement is executed and delivered by the parties hereto and the conditions set forth in Section 3.1 are satisfied or waived by the Lenders.

“Environment” means the ambient air, all layers of the atmosphere, surface water, underground water, all land, all living organisms and the interacting natural systems that include components of air, land, water, organic and inorganic matter and living organisms, and includes indoor spaces.

“Environmental Laws” means any Applicable Law which applies to the Business Affairs of any particular Person relating to the Environment, occupational health or safety, industrial hygiene, product liability or any past, present or future activity, event or circumstance in respect of any Hazardous Materials (including the use, handling, transportation, production, disposal, discharge or storage thereof or the terms of any Authorization issued therefore) or the environmental conditions on, under or about any real property of any particular Person (including soil, groundwater and indoor and ambient air conditions).

“Event of Default” has the meaning set forth in Section 6.1.

“Excess Cash Flow” for any period of the Borrower, means the EBITDA of the Borrower for such period,

- (i) plus interest income for such period,

(ii) plus or minus any increase or decrease in working capital in such period over the previous Quarter,

(iii) minus any scheduled principal payments in respect of Debt made in such period,

(iv) minus any unfunded development capital expenditures made in such period,

(v) minus interest paid in cash in such period,

(vi) minus taxes paid in cash in such period,

all calculated on a consolidated basis in accordance with IFRS.

“Excluded Taxes” means any Taxes imposed on or measured by net income (however denominated), franchise taxes or branch profits taxes, in each case, imposed (i) as a result of a Lender being organized under the laws of, or having its principal office or lending office in the jurisdiction imposing such Tax (or any political subdivision thereof), or (ii) as a result of a present or former connection between a Lender and the jurisdiction imposing such Tax (other than connections arising from a Lender having executed, delivered, become a party to or performed its obligations under a Finance Document).

“Existing Loan Agreement” has the meaning set forth in the Preamble.

“Finance Documents” means, collectively, this Agreement, the Collateral Documents, and each other agreement, document, instrument or certificate delivered for the benefit of the Agent or the Lenders as a Finance Document pursuant to or otherwise in connection with any of this Agreement and the Collateral Documents.

“Force Majeure” means any event or circumstance, whether foreseeable or unforeseeable, suffered by any Borrower Group Member which is not within its reasonable control, and includes, without limitation:

- (a) acts of God, nature, or the elements, including wind, ice and other storms, lightning, floods, earthquakes, volcanic eruptions, landslides, explosions and fires, sink holes, drought or other adverse weather condition;
- (b) strikes, lockouts, labor disputes and other industrial disturbances, including unavailability of power, water and other items necessary for production, (however arising and whether or not employee demands are reasonable or within the power of the applicable Borrower Group Member to grant), it being acknowledged that the settlement of strikes, lockouts, and other labor disturbances depends upon the agreement of employees and other third parties and therefore is not wholly within the discretion of the applicable Borrower Group Member; and

- (c) war or the consequence thereof, acts or serious threats of sabotage or terrorism, riot, civil war, blockade, insurrection, acts of public enemies, invasion, civil strife or mob violence, trade sanctions, revolution, embargo, prohibition of import or export, expropriation, nationalization or other act of eminent domain.

“Goondicum Guarantee” means the unconditional guarantee agreement, executed by Goondicum in favour of the Agent pursuant to which Goondicum guarantees payment and performance of all of the Obligations of Borrower and grants the Agent a security interest in all of its Guarantor Collateral.

“Goondicum Property and Assets” means substantially all of the assets, tangible and intangible, fixed or moveable, that are located at the Goondicum mine located in Central Queensland, Australia, 30km east of the township of Monto, including: the mining rights associated with the Goondicum mine; all previous operating and environmental permits; and all data owned by or lawfully possessed by Goondicum.

“Goondicum Security Agreement” means the general security agreement from Goondicum in favour of the Agent constituting a second priority security interest in all of its Guarantor Collateral, subject only to Permitted Liens; provided that in the event that the security interest related to the Pala C&M Loan is discharged in full, such security interest shall be first priority in respect of the Guarantor Collateral.

“Governmental Body” means the government of Canada, the United States of America, Australia or any other nation, or of any political subdivision thereof, whether state, provincial, territorial or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank).

“Guarantor Collateral” means (a) all of each Guarantor’s property and rights in and to its property (real and personal) and undertaking, including all accounts, instruments, chattel paper, deposit accounts, documents, general intangibles, goods (including inventory, equipment and fixtures), money, letter of credit rights, supporting obligations and investment property; (b) all products, proceeds, rents and profits of the foregoing; (c) all of each Guarantor’s books and records related to any of the foregoing; and (d) all of the foregoing, whether now owned or existing or hereafter acquired or arising or in which any Guarantor now has or hereafter acquires any rights.

“Guarantors” means, collectively, Melior Australia and Goondicum and any other Subsidiary of Borrower that may hereafter provide a guarantee in favour of the Agent, and **“Guarantor”** means any one of them.

“Hazardous Materials” means any pollutant or Contaminant, including any hazardous, dangerous, registrable or toxic chemical, material or other substance within the meaning of any Environmental Law.

“HW” means Hainan Wensheng High-Tech Materials Co. Ltd. and its successors and permitted assigns;

“HW Loan” means the loan agreement entered into between HW and Goondicum dated as of April 3, 2018, which is subject to the priorities set out in the HW Subordination Agreement.

“HW Subordination Agreement” means the agreement providing for, *inter alia*, the subordination and postponement of claims in favour of the Agent by HW dated as of April 10, 2018.

“IFRS” means International Financial Reporting Standards as issued by the International Accounting Standards Board, which are in effect from time to time.

“Indebtedness” of any Person means, without duplication:

- (a) all obligations of such Person for borrowed money and all obligations of such Person evidenced by bonds, debentures, notes, bills or other similar instruments;
- (b) all obligations, contingent or otherwise, relative to the face amount of all letters of credit, whether or not drawn, and banker’s acceptances issued for such Person’s account;
- (c) all obligations under any Capital Lease and the principal component or equivalent of obligations under Other Leases of such Person;
- (d) all obligations of such Person in respect of the deferred purchase price of property or services (excluding current accounts payable incurred in the ordinary course of business);
- (e) all obligations of any Person secured by a Lien on property owned or being purchased by such Person; all obligations secured by (or for which the holder of such obligations has an existing right, contingent or otherwise, to be secured by) any Lien upon or in property owned by such Person, even though such Person has not assumed or become liable for the payment of such obligations or such obligations are limited in recourse;
- (f) all liabilities of such Person as determined in accordance with IFRS;
- (g) all obligations of such Person created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (even though the rights and remedies of the seller or lender

under such agreement in the event of default are limited to repossession or sale of such property);

- (h) all Contingent Obligations of such Person; and
- (i) all obligations of such Person to purchase, redeem, retire, defease or otherwise acquire for value any Capital Stock of such Person with a mandatory repurchase or redemption date of less than ten years from the date of issuance thereof.

For purposes of determining the amount of Indebtedness in a circumstance when the creditor has recourse only to specified assets, the amount shall be the lesser of (i) the amount of such obligation or (ii) the fair market value of such assets.

“Indemnified Liabilities” has the meaning set forth in Section 8.4(c)(iii).

“Indemnified Person” has the meaning set forth in Section 8.4(c).

“Indemnified Taxes” means Taxes, other than Excluded Taxes.

“Interest Expense” for a period means the interest expense of the Borrower for such period.

“Interest Payment Date” has the meaning set forth in Section 2.3(2).

“Interest Shares” has the meaning set forth in Section 2.3(3).

“International Jurisdiction” has the meaning set forth in Section 4.2(g).

“Investment” has the meaning set forth in Section 5.3(h).

“Judgment Conversion Date” has the meaning set forth in Section 8.12(a)

“Judgment Currency” has the meaning set forth in Section 8.12(a).

“Lenders” has the meaning set forth in the Preamble.

“Lien” means any mortgage, deed of trust, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), security interest, right of set-off (to the extent constituting a security interest), priority or other security agreement or preferential arrangement of any kind or nature whatsoever, including any conditional sale or other title retention agreement or the interest of a lessor under a Capital Lease or an Other Lease.

“Liquidity” means at any time the sum of current assets (expected to be converted into cash within the next 3 months) plus any undrawn amounts under available funding facilities including both the HW Loan and this Agreement, minus current liabilities (expected to become due and payable within the next 3 months) at such time, (provided that the Pala C&M Loan shall not be included in such a calculation

regardless of whether it constitutes a current liability), determined on a consolidated basis in accordance with IFRS.

“Loans” means the initial advance made hereunder under Tranche 1, any advances made hereunder under Tranche 2, any advances made hereunder under Tranche 3, any advances made hereunder under Tranche 4, any advances made hereunder under Tranche 5, any advances made hereunder under Tranche 6 and all other amounts added to the principal balances thereof in accordance with this Agreement.

“Majority Lenders” means, at any time, one or more Lenders holding greater than 50% of the sum of the principal amount of the Loans outstanding and the portion of the Total Commitment that has not been advanced or cancelled at such time.

“Material Adverse Change” means any change, effect, event, occurrence or change in condition or state of facts, that in any such case, has, or could reasonably be expected to have, a Material Adverse Effect.

“Material Adverse Effect” means (a) a material adverse change in, or a material adverse effect upon, the Business Affairs or prospects of Borrower or the Borrower Subsidiaries taken as a whole; (b) a material impairment of the ability of a Borrower Group Member to perform its obligations under any Finance Document to which it is a party; or (c) a material adverse effect upon the legality, validity, binding effect or enforceability against Borrower or Guarantors of any Finance Document to which it is a party.

“Material Project Agreements” means each agreement material to the restart, operation or maintenance of the Project, but not including any agreement that can be replaced without significant cost or delay.

“Maturity Date” means (i) in respect of Tranche 1, Tranche 2, Tranche 3 and Tranche 4, December 31, 2021 and (ii) in respect of Tranche 5, the date that is two months following the date of advance made under Tranche 5 and (iii) in respect of Tranche 6, the date that is two months following the date of advance made under Tranche 6, provided that notwithstanding the foregoing, the Maturity Date for Tranche 5 and Tranche 6 shall not be later than December 31, 2021.

“Melior Australia Guarantee” means the unconditional guarantee agreement, executed by Melior Australia in favour of the Agent pursuant to which Melior Australia guarantees payment and performance of all of the Obligations of Borrower and grants the Agent a security interest in all of its Guarantor Collateral.

“Melior Australia Pledge” means the securities pledge agreement executed by Melior Australia in favour of the Agent, pursuant to which Melior Australia pledges in favour of the Agent the entirety of its current and future legal and beneficial interest in Goondicum, whether comprised of Capital Stock or otherwise.

“Mine Plan” means the Project’s mine plan for the life of mine (A) as updated pursuant to any Non-Material Mine Plan Amendment and otherwise (B) as updated and approved annually (i) by the board of directors of the Borrower, and (ii) the Majority Lenders.

“Monthly Project Report” means a monthly report in a form agreed with and acceptable to the Majority Lenders from time to time and addressed to the Agent relating to the construction, commissioning, operation and maintenance of the Project and reporting (on both a monthly and a cumulative basis) on the construction, commissioning and/or (as the case may be) operations during each month (including engineering, procurement and physical progress) and detailing, without limitation:

- (i) from the date of this document to and including each of the Construction Completion Date and the Commissioning Completion Date:
 - (A) the actual Project Costs incurred during that monthly period as compared to the Project Costs projected to be incurred during that monthly period (as set out in the Approved Plan and Budget) and, without prejudice to the other terms and conditions of this document, any material deviation or variances from the Approved Plan and Budget (together with a description of the causes of any such material deviation or variance);
 - (B) the date of, and time period for, completion of the different steps and phases of the construction and commissioning of the Project during that monthly period as compared to the projected date of, or time period for, completion of the equivalent steps and phases (as set out in the Approved Plan and Budget) and, without prejudice to the other terms and conditions of this document, any material deviation or variances from the Approved Plan and Budget (together with a description of the causes of any such material deviation or variance); and
 - (C) the committed Project Costs and the proposed project schedule to complete:
 - (i) the construction of the Project on or prior to the Construction Completion Date; and
 - (ii) the commissioning of the Project on or prior to the Commissioning Completion Date,

in each case, in accordance with the Approved Plan and Budget; and

- (ii) on and from the Commissioning Completion Date, details of the operational performance of the Project including, without limitation, grade of ore-mined, grade of ore fed to plant, Production, Throughput, Overall Recovery, grade of Product, stockpile levels at the Project and port, Product trucked to port, Product shipped, as well as the unit and total sales revenue, Project Costs, Capital Expenditure, and exploration costs; and
- (iii) any other information (technical, financial or otherwise) in relation to the construction, commissioning, operation and maintenance of the Project as may be requested by the Majority Lenders from time to time,

provided that any such monthly project report (and the data and calculations included within that monthly project report) are in form and substance satisfactory to the Majority Lenders (acting reasonably);

“Net Debt” of the Borrower at any time means Debt of the Borrower at such time on a consolidated basis net of cash, cash equivalents and any cash held on deposit for environmental reclamation of the Borrower on a consolidated basis.

“Non-Material Mine Plan Amendment” means an amendment to the Mine Plan which: (A) would not reasonably be expected to have a Material Adverse Effect, (B) does not reduce the design capacity of the Project or the projected production volumes of minerals from the Project (relative to the initial Mine Plan in effect as of the date of the Original Loan Agreement), (C) would not reasonably be expected to limit, restrict or impair the Borrower’s ability to meet and perform its obligations hereunder, including for certainty its ability to remain in compliance with the financial covenants, (D) would not reasonably be expected to result in a material increase in the technical, operational or design risk of the Project, and (E) does not, and could not reasonably be expected to, result in an increase to the Approved Plan and Budget last approved by the Majority Lenders of more than 10%.

“Obligation Currency” has the meaning set forth in Section 8.12(a).

“Obligations” means all of Borrower’s and Guarantors’ obligations under the Finance Documents, whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising, including all interest that accrues after the commencement of any case or proceeding by or against Borrower under the Bankruptcy Code, whether or not allowed in such case or proceeding.

“OFAC” means The Office of Foreign Assets Control of the US Department of the Treasury.

“Offtake Agreement” means the offtake agreement entered into between Goondicum and HW relating to product committed to be sold to HW as part of the HW Loan.

“Order” means any order, directive, decree, judgment, ruling, award, injunction, direction or request of any Governmental Body, arbitrator or other decision-making authority of competent jurisdiction.

“Organizational Documents” means:

- (a) in relation to any corporation, the articles or certificate of incorporation, amendment, amalgamation, continuance or association and the memorandum of association, bylaws and any unanimous shareholder agreement, as appropriate, or equivalent documents of a corporation governing the incorporation, capacity, powers and Business Affairs of that body corporate;
- (b) in relation to any limited or general partnership, limited liability company, or other Person, the partnership agreement, operating agreement, articles or certificate of organization, or equivalent document governing the formation, capacity, powers and Business Affairs of that partnership, limited liability company or other Person and, if a partner (other than a limited partner) of that limited or general partnership is a Person referred to in clause (a), (b) or (c) of this definition, the documents referred to in clause (a), (b) or (c), as applicable, of this definition in relation to that partner; and
- (c) in relation to any business, charitable or other trust, the declaration of trust, trust agreement or equivalent document governing the formation, capacity, powers and Business Affairs of that business, charitable or other trust and, if a trustee of that business, charitable or other trust is a Person referred to in clause (a), (b) or (c) of this definition, the documents referred to in clause (a), (b) or (c), as applicable, of this definition in relation to that trustee, together, in each case, with the bylaws or other equivalent documents regulating the organization, Control or internal management of the relevant Person.

“Original Loan Agreement” has the meaning set forth in the Preamble.

“Other Lease” means any lease that is not a Capital Lease, including synthetic leases, tax retention operating leases, or any lease having substantially the same economic effect as a conditional sale, title retention agreement or similar arrangement.

“Overall Recovery” means the metric designated as ‘consolidated or overall recovery’ being a combination of both ‘FPP recovery’ and ‘WCP recovery’ in any Monthly Project Report and the Approved Plan and Budget (as applicable).

“Pala C&M Loan” means the loans made to the Borrower by Pala Investments Limited pursuant to the loan agreement dated August 2, 2015 as amended, restated, supplemented or otherwise modified from time to time.

“Per Share Cost” has the meaning set forth in Section 2.11(2)(a).

“Permitted Liens” means:

- (a) Liens arising by operation of law for Taxes, assessments or governmental charges not yet due or being contested in good faith by appropriate proceedings and which are adequately reserved for in accordance with IFRS;
- (b) statutory Liens of mechanics, materialmen, shippers, warehousemen, carriers, and other similar persons for services or materials arising in the ordinary course of business for which payment is not past due;
- (c) nonconsensual Liens incurred or deposits made in the ordinary course of business in connection with workers’ compensation, unemployment insurance and other types of social security;
- (d) Liens for taxes or statutory Liens of mechanics, materialmen, shippers, warehousemen, carriers and other similar persons for services or materials that are due but are being contested in good faith and by appropriate and lawful proceedings promptly initiated and diligently conducted and for which reserves satisfactory to Lender have been established;
- (e) Liens granted in the Finance Documents;
- (f) Purchase Money Liens;
- (g) zoning restrictions, easements, rights of way, survey exceptions, encroachments, covenants, licenses, reservations, leasehold interests, restrictions on the use of real property or minor irregularities incident thereto which do not in the aggregate materially detract from the value or use of the property or assets of Borrower or impair, in any material manner, the use of such property for the purposes for which such property is held by Borrower;
- (h) the interests of lessors or lessees of property leased pursuant to leases permitted hereunder;
- (i) Liens of a depository institution arising solely by virtue of any statutory or common law provision relating to banker’s liens, rights of setoff, or similar rights and remedies as to deposit accounts or other funds maintained with such institution, provided that (A) such deposit account is not a dedicated cash collateral account and is not subject to restrictions against access by Borrower in excess of those set forth by regulations promulgated by any Governmental Body, and (B) such deposit account is not intended by Borrower to provide collateral to the depository institution;

- (j) judgment Liens to the extent the existence of such Liens is not an Event of Default under Section 6.1(i);
- (k) Liens consisting of pledges of cash or near cash assets made to secure or facilitate the provision of security for the performance of bids, trade contracts, leases, public or statutory obligations (including but not limited to environmental, reclamation or other similar obligations), or other obligations of a like nature incurred in the ordinary course of business (other than for Indebtedness);
- (l) any undetermined or inchoate Lien or privilege incidental to current operations that has not been filed pursuant to law or that relates to obligations not due or delinquent;
- (m) any right reserved to or vested in any Governmental Body by the terms of any Authorization held or acquired by such Person in the ordinary course of its business, or by any statutory provision, to terminate the Authorization acquired in the ordinary course or to purchase assets used in connection therewith or to require annual or other periodic payments as a condition of the continuance thereof;
- (n) any Lien created or assumed by such Person in favour of a public utility or Governmental Body when required by the utility or Governmental Body in connection with the operations of such Person in the ordinary course;
- (o) any reservations, limitations, provisos and conditions expressed in original grants from any Governmental Body;
- (p) any Lien arising from court or arbitral proceedings; provided that the claims secured thereby or the amount thereof do not exceed the Threshold Amount and are being contested at the time by such Person in good faith by proper legal proceedings, execution thereon has been stayed and the same is not, in the opinion of the Agent, acting reasonably, expected to result in a Material Adverse Change;
- (q) deposits of cash securities required by a court of law to be deposited in connection with any appeal, review or contestation of any security or Lien in an aggregate amount not to exceed US\$2,000,000 at any time;
- (r) any rights of expropriation, condemnation, access or user or other similar such rights conferred on or vested in a Governmental Body; provided that such rights are not exercised;
- (s) royalties or similar payments to third parties and any Liens in respect thereof;
- (t) Liens in favour of Pala Investments Limited securing the Pala C&M Loan;

- (u) Liens in favour of HW securing the HW Loan; or
- (v) such other Liens as may be approved in writing by Lenders from time to time.

“**Person**” means an individual, corporation, estate, partnership, limited liability company, joint venture, trust, other legal entity, unincorporated organization or Governmental Body or any other entity of whatever nature or authority.

“**Product**” means the present and future right, title and interest of the Borrower in and to all heavy mineral concentrates that contains the elements necessary to produce:

- (i) Ilmenite;
- (ii) Apatite; or
- (iii) Titano Magnetite

in each case, extracted and derived from the Project.

“**Production**” means, for any period, the Product which has been produced or (in the case of any period or portion thereof to occur in the future) which is scheduled to be produced at the Project during such period.

“**Project**” has the meaning set forth in Recital A.

“**Project Costs**” means, for any period, the aggregate of all costs, expenses, fees, losses or liabilities (including without limitation Capital Expenditure, construction costs and operating costs (as applicable)) scheduled to be, or, as the case may be, actually paid by or on behalf of any Borrower Group Member during such period in respect of or in connection with constructing, reinstating, equipping, installing, commissioning, completing, sustaining, operating and maintaining the Project.

“**Purchase Money Lien**” means a Lien created or incurred by a Person securing Indebtedness incurred to finance the acquisition of property (including the costs of installation thereof), provided that:

- (a) such Lien is created substantially simultaneously with the acquisition of such property;
- (b) such Lien does not at any time encumber any property other than the property financed by such Indebtedness;
- (c) the amount of Indebtedness secured thereby is not increased subsequent to such acquisition; and

- (d) the principal amount of Indebtedness secured by such Lien at no time exceeds 100% of the original purchase price of such property and the cost of installation thereof;

and, for the purposes of this definition, the term “**acquisition**” includes a Capital Lease or Other Lease.

“**Quarter**” means each fiscal quarter of Borrower ending on the last day of September, December, March or June in each fiscal year of the Borrower ending June 30.

“**Records**” means all of Borrower’s present and future records and books of account of every kind or nature, purchase and sale agreements, invoices, ledger cards, bills of lading and other shipping evidence, statements, correspondence, memoranda, credit files, electronically stored data and other data, together with the tapes, disks, diskettes, drives and other data and software storage media and devices, file cabinets or containers in or on which the foregoing are stored (including any rights of Borrower with respect to the foregoing maintained with or by any other Person).

“**Relevant Taxing Jurisdiction**” means, in respect of each Lender, the jurisdiction(s) in which it is subject to taxation on its net income or profits, including any political subdivisions thereof (including, without limitation, states, provinces, cities and counties).

“**Rights Offering**” has the meaning set forth in Section 2.11(2)(a).

“**Sales Taxes**” means sales, transfer, turnover or value added Taxes of any nature or kind.

“**Sanctioned Entity**” means (a) a country or a government of a country, (b) an agency of the government of a country, (c) an organization directly or indirectly controlled by a country or its government, or (d) a Person resident in or determined to be resident in a country, in each case, that is subject to a country Sanctions program administered and enforced by OFAC or by any Canadian or Australian Governmental Body.

“**Sanctioned Person**” means, (a) any Person listed in any sanctions-related list of designated Persons maintained by any Canadian or Australian Governmental Body, or (b) a Person named on the list of Specially Designated Nationals maintained by OFAC.

“**Sanctions**” means economic or financial sanctions or trade embargoes imposed, administered or enforced from time to time by OFAC or any Canadian or Australian Governmental Body.

“**Share Reorganization**” has the meaning set forth in Section 2.11(2)(b).

“Solvent” means, when used with respect to a Person, that:

- (a) the fair saleable value of the Business Assets of such Person is in excess of the total amount of the current value of its liabilities (including for purposes of this definition all liabilities (including loss reserves), whether or not reflected on a balance sheet prepared in accordance with IFRS and whether direct or indirect, fixed or contingent, secured or unsecured, disputed or undisputed);
- (b) such Person is able to pay its debts or obligations in the ordinary course as they mature;
- (c) in the case of any Borrower Group Member, it will not be rendered insolvent by the execution and delivery of the Finance Documents;
- (d) such Person does not intend to, nor does it believe that it will, incur debts beyond its ability to pay them as they mature;
- (e) such Person has capital sufficient to carry on its Business Affairs and all business and transactions in which it is about to engage; and
- (f) such Person is not otherwise insolvent as defined by any Applicable Law.

“Solvency” shall have a correlative meaning.

“Special Distribution” has the meaning set forth in Section 2.11(2)(d).

“Subsidiary” of any Person means any Person: (a) which is Controlled by such first Person; or (b) a majority of whose Voting Capital Stock, on a fully diluted basis, is owned beneficially or Controlled by such first Person. For greater certainty, a Person shall be deemed to be a Subsidiary of another Person if it is a Subsidiary of a Person that is that other’s Subsidiary.

“Taxes” means all taxes of any kind or nature whatsoever including corporation taxes, capital taxes, realty taxes (including utility charges which are collectible like realty taxes), business taxes, property transfer taxes, income taxes, Sales Taxes, custom duties, payroll taxes, levies, stamp taxes, royalties, duties, and all fees, deductions, compulsory loans and withholdings imposed, levied, collected, withheld or assessed as of the date hereof or at any time in the future, by any Governmental Body of any jurisdiction whatsoever having power to tax, together with penalties, fines, additions to tax and interest thereon.

“Threshold Amount” means US\$250,000.

“Throughput” means the metric designated as ‘ore processed’ in any Monthly Project Report and the Approved Plan and Budget (as applicable).

“Total Commitment” means up to an aggregate amount of US\$22,900,662.

“Tranche 1” means advances made or available to be made under, and up to the amount of, the Tranche 1 Commitment.

“Tranche 1 Advance Date” means the date that the conditions set forth herein to the making of an advance under Tranche 1 are satisfied or waived by the Lenders, provided that such date was required to be within sixty (60) days of the closing date of the Original Loan Agreement.

“Tranche 1 Arrangement Fee” has the meaning specified in Section 2.1(a)(i).

“Tranche 1 Commitment” means US\$12,915,729.

“Tranche 1 Lenders” means those Lenders who have committed to provide an advance under Tranche 1.

“Tranche 1 OID” has the meaning specified in Section 2.1(a)(ii).

“Tranche 2” means advances made or available to be made under, and up to the amount of, the Tranche 2 Commitment.

“Tranche 2 Advance Date” means the date that the conditions set forth herein to the making of an advance under Tranche 2 are satisfied or waived by the Lenders.

“Tranche 2 Arrangement Fee” has the meaning specified in Section 2.1(b)(i).

“Tranche 2 Commitment” means US\$2,000,000.

“Tranche 2 Lenders” means those Lenders who have committed to provide an advance under Tranche 2.

“Tranche 2 OID” has the meaning specified in Section 2.1(b)(ii).

“Tranche 3” means advances made or available to be made under, and up to the amount of, the Tranche 3 Commitment.

“Tranche 3 Advance Date” means the date that the conditions set forth herein to the making of an advance under Tranche 3 are satisfied or waived by the Lenders.

“Tranche 3 Arrangement Fee” has the meaning specified in Section 2.1(b)(i).

“Tranche 3 Commitment” means US\$2,000,000.

“Tranche 3 Lenders” means those Lenders who have committed to provide an advance under Tranche 3.

“Tranche 3 OID” has the meaning specified in Section 2.1(b)(ii).

“Tranche 4” means advances made or available to be made under, and up to the amount of, the Tranche 4 Commitment.

“Tranche 4 Advance Date” means the date that the conditions set forth herein to the making of an advance under Tranche 4 are satisfied or waived by the Lenders.

“Tranche 4 Arrangement Fee” has the meaning specified in Section 2.1(d)(i).

“Tranche 4 Arrangement Fee Shares” has the meaning specified in Section 2.1(d)(i).

“Tranche 4 Commitment” means US\$2,500,000.

“Tranche 4 Lenders” means those Lenders who have committed to provide an advance under Tranche 4.

“Tranche 5” means advances made or available to be made under, and up to the amount of, the Tranche 5 Commitment.

“Tranche 5 Advance Date” means the date that the conditions set forth herein to the making of an advance under Tranche 5 are satisfied or waived by the Lenders.

“Tranche 5 Arrangement Fee” has the meaning specified in Section 2.1(e)(i).

“Tranche 5 Commitment” means US\$1,000,000.

“Tranche 5 Lenders” means those Lenders who have committed to provide an advance under Tranche 5.

“Tranche 5 OID” has the meaning specified in Section 2.1(e)(ii).

“Tranche 6” means advances made or available to be made under, and up to the amount of, the Tranche 6 Commitment.

“Tranche 6 Advance Date” means the date that the conditions set forth herein to the making of an advance under Tranche 6 are satisfied or waived by the Lenders.

“Tranche 6 Arrangement Fee” has the meaning specified in Section 2.1(f)(i).

“Tranche 6 Commitment” means up to US\$1,000,000.

“Tranche 6 Lenders” means those Lenders who have committed to provide an advance under Tranche 6.

“Tranche 6 OID” has the meaning specified in Section 2.1(f)(ii).

“TSXV” means the TSX Venture Exchange.

“United States,” “U.S.” and “U.S.A.” each means the United States of America.

“Voting Capital Stock” means Capital Stock of a Person which carries voting rights or the right to Control such Person under any circumstances, provided that

Capital Stock which carries the right to vote or Control conditionally upon the happening of an event shall not be considered Voting Capital Stock until the occurrence of such event and then only during the continuance of such right to vote or Control.

“Warrant Agreement” means the warrant agreement between Borrower and the Agent dated as of August 9, 2018.

“Warrant Cancellation Agreement” means the warrant cancellation agreement between the Borrower and the Agent dated and effective as of February 4, 2019 which effected the cancellation of the Warrants that were issued pursuant to the Warrant Agreement.

“Warrants” means 3,250,000 share purchase warrants, each exercisable for one Common Share with a strike price equal to C\$0.95 per Common Share, issued to Pala Investments Limited on August 10, 2018;

Section 1.2 Accounting Principles.

All accounting terms not specifically defined in this Agreement shall be interpreted in accordance with IFRS except to the extent that Majority Lenders and Borrower may agree from time to time in writing.

Section 1.3 Interpretation.

In the Finance Documents, except to the extent the context otherwise requires:

- (a) any reference to an Article, a Section, a Schedule or an Exhibit is a reference to an article or section thereof, or a schedule or an exhibit thereto, respectively, and to a Subsection or a clause is, unless otherwise stated, a reference to a Subsection or a clause of the Section or Subsection in which the reference appears;
- (b) the words **“hereof,” “herein,” “hereto,” “hereunder”** and the like mean and refer to this Agreement or any other Finance Document as a whole and not merely to the specific Article, Section, Subsection, paragraph or clause in which the respective word appears;
- (c) the meaning of defined terms shall be equally applicable to both the singular and plural forms of the terms defined;
- (d) the words **“including,” “includes”** and **“include”** shall be deemed to be followed by the words **“without limitation”**;
- (e) references to agreements and other contractual instruments shall be deemed to include all subsequent amendments and other modifications thereto, but only to the extent such amendments and other modifications are not prohibited by the terms of the Finance Documents;

- (f) references to any Person shall include such Person's successors and, to the extent that such person assigns an interest in any Finance Document, such Person's permitted assigns;
- (g) references to statutes or regulations are to be construed as including all statutory and regulatory provisions consolidating, amending, supplementing, interpreting or replacing the statute or regulation referred to;
- (h) any table of contents, captions and headings are for convenience of reference only and shall not affect the construction of this Agreement or any other Finance Document;
- (i) in the computation of periods of time from a specified date to a later specified date, the word "**from**" means "**from and including**"; the words "**to**" and "**until**" each mean "**to but excluding**"; and the word "**through**" means "**to and including**"; and
- (j) The inclusion of reference to Permitted Liens in any Finance Document is not intended to subordinate and shall not subordinate, and shall not be interpreted as subordinating, any Lien created by any of the Finance Documents to any Permitted Lien.

ARTICLE 2 THE LOAN AND REPAYMENT

Section 2.1 The Loans.

Subject to the terms and conditions hereof, (i) the Tranche 1 Lenders agree to make an advance to Borrower in the form of a non-revolving term loan in the amount of the Tranche 1 Commitment on the Tranche 1 Advance Date, (ii) the Tranche 2 Lenders agree to make an advance to the Borrower in the form of a non-revolving term loan in the amount of up to the Tranche 2 Commitment on the Tranche 2 Advance Date, (iii) the Tranche 3 Lenders agree to make an advance to the Borrower in the form of a non-revolving term loan in the amount of up to the Tranche 3 Commitment on the Tranche 3 Advance Date, (iv) the Tranche 4 Lenders agree to make an advance to the Borrower in the form of a non-revolving term loan in the amount of up to the Tranche 4 Commitment on the Tranche 4 Advance Date, (v) the Tranche 5 Lenders agree to make an advance to the Borrower in the form of a non-revolving term loan in the amount of up to the Tranche 5 Commitment on the Tranche 5 Advance Date and (vi) the Tranche 6 Lenders agree to make an advance to the Borrower in the form of a non-revolving term loan in the amount of up to the Tranche 6 Commitment on the Tranche 6 Advance Date. No amount repaid or prepaid on the Loans may be borrowed again.

- (a) The advance of the Loan under Tranche 1 shall be made on the terms and conditions hereinafter set forth, on the Tranche 1 Advance Date, as follows:

- (i) Pala Investments Limited will be paid from the proceeds of the Loan under Tranche 1 an arrangement fee ("**Tranche 1 Arrangement Fee**") of 2% of the amount of the Loan under Tranche 1, being \$235,000;
 - (ii) the advance of the Loan under Tranche 1 will be subject to an original issue discount ("**Tranche 1 OID**") of 5% of the amount of the Loan under Tranche 1, being \$587,500, however the Borrower may at its option elect to not pay the Tranche 1 OID in cash but instead have the Tranche 1 OID added to the principal balance of the Loan under Tranche 1;
 - (iii) the Agent and Lenders will be paid an amount equal to their documented expenses in accordance with Section 8.4(a); and
 - (iv) the balance of the Loan will be advanced to the Borrower as it may direct.
- (b) The advance of the Loan under Tranche 2 shall be made on the terms and conditions hereinafter set forth, on the Tranche 2 Advance Date, as follows:
- (i) Pala Investments Limited will be paid an arrangement fee ("**Tranche 2 Arrangement Fee**") of 3% of the amount of the Loan being advanced under Tranche 2, which amount will be earned and payable upon the advance of the Loan under Tranche 2, however the Borrower may at its option elect to not pay the Tranche 2 Arrangement Fee in cash but instead have the Tranche 2 Arrangement Fee added to the principal balance of the Loan under Tranche 2;
 - (ii) the advance of the Loan under Tranche 2 will be subject to an original issue discount ("**Tranche 2 OID**") of 7% of the amount of the Loan advanced under Tranche 2, however the Borrower may at its option elect to not pay the Tranche 2 OID in cash but instead have the Tranche 2 OID added to the principal balance of the Loan under Tranche 2;
 - (iii) the Agent and Lenders will be paid an amount equal to their documented expenses in accordance with Section 8.4(a); and
 - (iv) the balance of the Loan will be advanced to the Borrower as it may direct.
- (c) The advance of the Loan under Tranche 3 shall be made on the terms and conditions hereinafter set forth, on the Tranche 3 Advance Date, as follows:
- (i) Pala Investments Limited will be paid an arrangement fee ("**Tranche 3 Arrangement Fee**") of 3% of the amount of the Loan being advanced under Tranche 3, which amount will be earned and

payable upon the advance of the Loan under Tranche 3, however the Borrower may at its option elect to not pay the Tranche 3 Arrangement Fee in cash but instead have the Tranche 3 Arrangement Fee added to the principal balance of the Loan under Tranche 3;

- (ii) the advance of the Loan under Tranche 3 will be subject to an original issue discount ("**Tranche 3 OID**") of 7% of the amount of the Loan advanced under Tranche 3, however the Borrower may at its option elect to not pay the Tranche 3 OID in cash but instead have the Tranche 3 OID added to the principal balance of the Loan under Tranche 3;
 - (iii) the Agent and Lenders will be paid an amount equal to their documented expenses in accordance with Section 8.4(a); and
 - (iv) the balance of the Loan will be advanced to the Borrower as it may direct.
- (d) The advance of the Loan under Tranche 4 shall be made on the terms and conditions hereinafter set forth, on the Tranche 4 Advance Date, as follows:
- (i) Pala Investments Limited will be paid an arrangement fee ("**Tranche 4 Arrangement Fee**") of US\$50,000, which amount will be earned and payable upon the advance of the Loan under Tranche 4 either in cash or by the Borrower creating and issuing Common Shares to the Lenders at a price per Common Share at the Current Market Price ("**Tranche 4 Arrangement Fee Shares**") with an aggregate value equal to the Tranche 4 Arrangement Fee. The Lender acknowledges that the Tranche 4 Arrangement Fee Shares will be subject to resale restrictions (and will have legends thereon as required by Applicable Laws).
 - (ii) the Agent and Lenders will be paid an amount equal to their documented expenses in accordance with Section 8.4(a); and
 - (iii) the balance of the Loan will be advanced to the Borrower as it may direct.
- (e) The advance of the Loan under Tranche 5 shall be made on the terms and conditions hereinafter set forth, as a single advance, on the Tranche 5 Advance Date, as follows:
- (i) Pala Investments Limited will be paid an arrangement fee ("**Tranche 5 Arrangement Fee**") of 3% of the amount of the Loan being advanced under Tranche 5, which amount will be earned and payable upon the advance of the Loan under Tranche 5, however the Borrower may at its option elect to not pay the Tranche 5 Arrangement Fee in cash but instead have the Tranche 5

Arrangement Fee added to the principal balance of the Loan under Tranche 5;

- (ii) the advance of the Loan under Tranche 5 will be subject to an original issue discount (“**Tranche 5 OID**”) of 7% of the amount of the Loan advanced under Tranche 5, however the Borrower may at its option elect to not pay the Tranche 5 OID in cash but instead have the Tranche 5 OID added to the principal balance of the Loan under Tranche 5;
 - (iii) the Agent and Lenders will be paid an amount equal to their documented expenses in accordance with Section 8.4(a); and
 - (iv) the balance of the Loan will be advanced to the Borrower as it may direct.
- (f) The advance of the Loan under Tranche 6 shall be made on the terms and conditions hereinafter set forth, as a single advance, on the Tranche 6 Advance Date, as follows:
- (i) Pala Investments Limited will be paid an arrangement fee (“**Tranche 6 Arrangement Fee**”) of 3% of the amount of the Loan being advanced under Tranche 6, which amount will be earned and payable upon the advance of the Loan under Tranche 6, however the Borrower may at its option elect to not pay the Tranche 6 Arrangement Fee in cash but instead have the Tranche 6 Arrangement Fee added to the principal balance of the Loan under Tranche 6;
 - (ii) the advance of the Loan under Tranche 6 will be subject to an original issue discount (“**Tranche 6 OID**”) of 7% of the amount of the Loan advanced under Tranche 6, however the Borrower may at its option elect to not pay the Tranche 6 OID in cash but instead have the Tranche 6 OID added to the principal balance of the Loan under Tranche 6;
 - (iii) the Agent and Lenders will be paid an amount equal to their documented expenses in accordance with Section 8.4(a); and
 - (iv) the balance of the Loan will be advanced to the Borrower as it may direct.

Section 2.2 Purposes of the Loans.

The net proceeds of the Tranche 1 Loan shall be used by the Borrower to repay the amount outstanding under the Pala C&M Loan, including all accrued and unpaid interest thereon, as well as any fees associated with the repayment thereof and the remainder to make payment of the items included in the Approved Plan and Budget. The net proceeds of the Tranche 2 Loan shall be used by the Borrower to make payment of the items listed

in the use of proceeds certificate delivered with the Tranche 2 Lenders on the Tranche 2 Advance Date, in the order of priority set out therein. The net proceeds of the Tranche 3 Loan shall be used by the Borrower for (i) general working capital purposes, (ii) progression of research and development, and (iii) expansion planning for the Project. The net proceeds of the Tranche 4 Loan shall be used by the Borrower for general working capital purposes. The net proceeds of the Tranche 5 Loan shall be used by the Borrower for general working capital purposes pursuant to a two-month budget and operating plan approved by the Agent in writing. The net proceeds of the Tranche 6 Loan shall be used by the Borrower for general working capital purposes pursuant to a two-month budget and operating plan approved by the Agent in writing.

Section 2.3 Interest.

- (1) The outstanding principal balance of the Loans shall bear interest from the date of advance, both before and after maturity, demand, default, or judgment and until payment in full, at the rate of 14% per annum. Interest shall accrue quarterly in arrears on the last day of each Quarter, and shall be calculated on the principal amount of the Loans outstanding during that period on the basis of the actual number of days in the relevant calendar year.
- (2) Accrued interest shall be payable on a quarterly basis in arrears (each, an “**Interest Payment Date**”) beginning on March 31, 2020, until the applicable Maturity Date.
- (3) Provided that no Default or Event of Default has occurred and is then continuing, the Borrower may elect, upon at least three (3) Business Days prior written notice to the Agent, to add the accrued interest payable on the applicable Interest Payment Date to the principal amount of the Loans.
- (4) In the event that accrued interest is not added to the principal amount of the Loans on any Interest Payment Date in accordance with paragraph (3) above, the Agent, on behalf of the Lenders, may elect to receive all accrued interest payable on the Loans (other than in respect of advances made under Tranche 5 and Tranche 6) on the applicable Interest Payment Date either (i) in cash, or (ii) in Common Shares issued by the Borrower at the Current Market Price to the Lenders (the “**Interest Shares**”) pro rata according to the Lenders’ respective share of interest owed under each Tranche, provided that ten (10) Business Days prior written notice thereof is provided to the Borrower in advance of the applicable Interest Payment Date.
- (5) Notwithstanding any provision in this Agreement to the contrary, if all or part of any of the Obligations is not paid when due and payable (whether at its stated maturity or following acceleration as the result of an Event of Default), the overdue amount shall bear interest (before as well as after judgment), payable on demand, at a rate per annum equal to 16% calculated from the date of non-payment until it is paid in full.

Section 2.4 Computation of Interest

For purposes of the *Interest Act* (Canada), (i) whenever any interest or fee under this Agreement is calculated using a rate based on a year of 360 days or 365 days, as the case may be, the rate determined pursuant to such calculation, when expressed as an annual rate, is equivalent to (x) the applicable rate based on a year of 360 days or 365 days, as the case may be, (y) multiplied by the actual number of days in the calendar year in which the period for which such interest or fee is payable (or compounded) ends, and (z) divided by 360 or 365, as the case may be, (ii) the principle of deemed reinvestment of interest does not apply to any interest calculation under this Agreement, and (iii) the rates of interest stipulated in this Agreement are intended to be nominal rates and not effective rates or yields.

The Borrower acknowledges that it fully understands and is able to calculate the rate of interest applicable to the Loan under this Agreement based on the methodology for calculating per annum rates provided for in this Section 2.4. Each Lender agrees that if requested in writing by the Borrower it will calculate the nominal and effective per annum rate of interest on the outstanding Obligations at the time of such request and provide such information to the Borrower promptly following such request; provided that any error in any such calculation, or any failure to provide such information on request, shall not relieve the Borrower of any of its obligations under this Agreement or any other Finance Document, nor result in any liability to the Lender. The Borrower hereby irrevocably agrees not to plead or assert, whether by way of defence or otherwise, in any proceeding relating to the Finance Documents, that the interest payable under the Finance Documents and the calculation thereof has not been adequately disclosed to the Borrower, whether pursuant to section 4 of the *Interest Act* (Canada) or any other applicable law or legal principle.

Section 2.5 Maximum Interest Rate.

In the event that any provision of any Finance Document would oblige a Borrower Group Member to make any payment of interest or any other payment which is construed by a court of competent jurisdiction to be interest in an amount or calculated at a rate which would be prohibited by Applicable Law or would result in a receipt by the Lenders of interest at a criminal rate (as such terms are construed under the *Criminal Code* (Canada) or other Applicable Law), then notwithstanding such provision, such amount or rate shall be deemed to have been adjusted *nunc pro tunc* to the maximum amount or rate of interest, as the case may be, as would not be so prohibited by Applicable Law or so result in a receipt by the Lenders of interest at a criminal rate, such adjustment to be effected, to the extent necessary as follows:

- (a) firstly, by reducing the amount or rate of interest required to be paid under this Agreement; and
- (b) thereafter by reducing any fees, commissions, premiums and other amounts which would constitute interest for the purposes of Section 347 of the *Criminal Code* (Canada) or other Applicable Law in such order as the Majority Lenders may decide.

If, notwithstanding the provisions of clause (a) of this Section and after giving effect to all adjustments contemplated thereby, the Lenders shall have received an amount in excess of the maximum permitted by such clause, then such excess shall be applied by the Lenders to the reduction of the principal balance outstanding and not to the payment of interest, or if such excessive interest exceeds such principal balance, such excess shall be refunded to Borrower.

Section 2.6 *Intentionally Deleted.*

Section 2.7 **Repayments of the Loans.**

(a) **Mandatory Repayments.**

- (i) The Borrower shall repay (subject to Section 6.1) each Loan in a single installment to be due and payable on the applicable Maturity Date, together with all accrued and unpaid interest thereon.
- (ii) If the Borrower or any of its Subsidiaries incurs Indebtedness other than Indebtedness permitted hereunder, the net proceeds thereof shall be paid by the Borrower (irrespective of whether a Subsidiary incurred such Indebtedness) to the Agent no later than two (2) Business Days following the incurrence of such Indebtedness and shall be applied in permanent repayment of outstanding Obligations under the Loans.
- (iii) If any Borrower Group Member makes Dispositions (other than pursuant to the Offtake Agreement), then an amount equal to net proceeds thereof shall be paid by the Borrower (irrespective as to which Borrower Group Member made the Disposition) to the Agent within five (5) Business Days after the closing of the transaction under which such Disposition occurs; provided that, if no Default or Event of Default exists, the Borrower may elect to retain such net proceeds provided that such net proceeds are invested in additional assets within 180 days after the closing of the transaction under which such Disposition occurs. If following such 180 day period or upon the occurrence of an Event of Default no Borrower Group Member has reinvested such net proceeds in additional assets, such proceeds shall immediately be paid by the Borrower to the Agent. Any proceeds so paid to the Agent shall be applied in permanent repayment of outstanding Obligations under the Loans.
- (iv) If the Borrower Group Members receive net proceeds of property insurance in an amount greater than the Threshold Amount in the aggregate in any fiscal year, an amount equal to such excess proceeds of such insurance shall be paid by the Borrower (irrespective as to which Borrower Group Member received such proceeds) to the Agent, within two (2) Business Days after the

receipt of such proceeds by a Borrower Group Member and shall be applied in permanent repayment of outstanding Obligations under the Loans; provided that a Borrower Group Member may apply such excess proceeds if no Default or Event of Default exists to replace, repair or rebuild the asset to which such proceeds relate, within 180 days following receipt thereof. If following such 180 day period no Borrower Group member has replaced, repaired or rebuilt the asset, such excess proceeds shall immediately be applied by the Agent against the Obligations under the Loans.

- (v) Commencing with the Quarter ending June 30, 2019, within 45 days of the end of each Quarter, the Borrower shall pay to the Lenders an amount equal to 70% the Excess Cash Flow for such Quarter which amount shall be applied in permanent repayment of the Obligations under the Loans. Notwithstanding the foregoing, in the event that such repayment would cause a breach of Section 5.4, the payment hereunder shall be reduced by the minimum amount to prevent such breach.
- (b) *Intentionally Deleted.*
- (c) **Prepayments.** All mandatory prepayments pursuant to this Section 2.7 shall be accompanied by all accrued and unpaid interest in respect of the amount being prepaid, and all such prepayments shall be applied pro rata to Tranche 1, Tranche 2, Tranche 3, Tranche 4, Tranche 5 and Tranche 6.

Section 2.8 Payments.

- (a) **Payments.** Borrower shall make each payment under the Finance Documents, unconditionally in full without set-off, counterclaim or, to the extent permitted by Applicable Law, other defense, and free and clear of, and without reduction for or on account of, any present and future taxes or withholdings, and all liabilities with respect thereto. Each payment shall be made not later than 12:00 noon (Eastern Time) on the day when due to Lenders in Dollars and in same day funds, or such other funds as shall be separately agreed upon by Borrower and each Lender, in accordance with each Lender's payment instructions provided to the Borrower from time to time. All payments in respect of principal amount of the Loans or interest thereon shall be made to all Lenders in accordance with their Applicable Percentages.
- (b) **Extension.** Whenever any Obligation is payable on a day other than a Business Day, such payment shall be made on the next succeeding Business Day.
- (c) **Application.** Unless otherwise specified herein, each payment of the Obligations shall be applied (i) first, to any costs, expenses and other amounts (other than principal and interest) due to the Agent and Lenders;

- (ii) second, to accrued and unpaid interest due to the Lenders; and (iii) third, to principal balance of the Loans (unless otherwise specified herein, pro rata between Tranche 1, Tranche 2, Tranche 3, Tranche 4, Tranche 5 and Tranche 6).
- (d) **Tax Documentation.** Upon the written and reasonable request of Borrower, a Lender shall provide to Borrower any reasonable certification, documentation, information or other evidence (i) concerning the nationality, residence, identity or connection with the Relevant Taxing Jurisdiction of such Lender, or (ii) to make any valid or timely declaration or similar claim or satisfy any other reporting requirement or to provide any information or forms relating to such matters, whether required or imposed by statute, treaty, regulation or administrative practice of the Relevant Taxing Jurisdiction as a precondition to exemption from, or reduction in the rate of withholding or deduction of, Taxes imposed by a Relevant Taxing Jurisdiction. If a Lender fails to comply with the requirements of the preceding sentence, then, notwithstanding any provision in this Agreement to the contrary, Borrower may deduct any resulting Taxes from the payments to such Lender. Notwithstanding anything to the contrary in the preceding two sentences, the completion, execution and submission of such documentation shall not be required if in a Lender's reasonable judgment such completion, execution or submission would subject such Lender to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of such Lender.

Section 2.9 Obligations with Respect to the Loans.

The Borrower shall indemnify and hold the Agent and the Lenders harmless from and against any claim made by any materialmen, contractors, subcontractors, workers or other Persons for work, services or materials done on or furnished to or placed on the Project, or employed in the construction, improvement, operation or equipping of the Project, or for any debts or claims accruing to any such Persons of or against Borrower or any other Person or any part thereof, in each case excluding any debt or claims (i) arising out of a Lender's gross negligence or willful misconduct, and (ii) arising from any action of the Agent or Lenders during any period after the Agent and Lenders have exercised their remedies under any Finance Document and assumed operational control of the Project.

Section 2.10 Amendment and Restatement.

- (a) This Agreement shall amend and restate the Existing Loan Agreement in its entirety and the Existing Loan Agreement as so amended and restated is hereby ratified and confirmed by the parties hereto. Nothing in this Agreement shall be construed as a substitution or novation of any existing Loans outstanding under the Existing Loan Agreement as of the date hereof which shall remain outstanding under this Agreement after the date hereof. This Agreement reflects the entire agreement as currently

constituted between the parties hereto with respect to the arrangements, terms and conditions pursuant to and upon which the Lenders shall provide the Loans. For greater certainty (i) all "Loans" outstanding under the Existing Loan Agreement as of the date hereof are, and shall be, "Loans" under this Agreement and constitute "Obligations" under this Agreement and shall be secured by the security granted under the Collateral Documents. The Lenders party to this Agreement as of the date hereof shall allocate the outstanding Obligations among the Loans to reflect the Applicable Percentages of each Lender as of the date hereof and any Loans allocated to a Lender to reflect the Total Commitments and Applicable Percentages shall be deemed purchased and assumed by such Lender and any such Loans allocated by a Lender shall be deemed sold and assigned by such Lender.

- (b) The Borrower and each Guarantor originally party thereto, acknowledge, confirm and agree that, notwithstanding the amendment and restatement of the Existing Loan Agreement, (i) all security granted by it continues in full force and effect, constitutes a legal, valid and binding obligation of the Borrower and each Guarantor, as applicable, enforceable against it in accordance with its terms (except to the extent that the enforceability thereof may be limited by applicable bankruptcy, insolvency, moratorium, reorganization and other laws of general application limiting the enforcement of creditor's rights generally and the fact that the courts may deny the granting or enforcement of equitable remedies), and secures payment and performance by the Borrower and each Guarantor of its Obligations, and (ii) the security to which it is a party is hereby ratified and confirmed.
- (c) The Agent, the Lenders, the Borrower and the Guarantors each confirm and acknowledge that this Agreement and each Finance Document is a "Transaction Document" for the purposes of the priority and subordination deed dated as of April 10, 2018 (the "Deed") between Goondicum Resources Pty Ltd, Melior Australia Pty Ltd, Melior Resources Inc., Pala Investments Limited and Hainan Wensheng High-Tech Material Co. Ltd. and the "Senior Debt" (as defined in the Deed) has not been "Finally Paid" (as defined in the Deed).

Section 2.11 Conversion

(1) Conversion Privilege

- (a) Upon and subject to the terms and conditions hereinafter set forth, the Lenders shall have the right (the "**Conversion Right**"), but not the obligation, at any time, and from time to time, up to and including the applicable Maturity Date, to notify the Borrower that it wishes to exchange or convert, for no additional consideration, any or all of the principal amount of the Loans (other than in respect of advances made under Tranche 5 and Tranche 6) and any accrued but unpaid interest due to the

Conversion Date on such Loans in integral multiples of US\$5,000,000 (the “**Converted Loan Amount**”), into fully paid and non-assessable Common Shares (the “**Conversion Shares**”), in such proportion as is elected by the applicable Lender in its sole discretion, at the following price per Common Share (the “**Conversion Price**”):

- (i) in respect of Tranche 1, US\$9,247,473.45 of Loans at a price of C\$0.39 per Common Share with the balance of such Loans at the then Current Market Price;
- (ii) in respect of Tranche 2, US\$2,000,000 of Loans at a price of C\$0.39 per Common Share with the balance of such Loans at the then Current Market Price;
- (iii) in respect of Tranche 3, US\$2,000,000 of Loans at a price of C\$0.39 per Common Share with the balance of such Loans at the then Current Market Price; and
- (iv) in respect of Tranche 4, US\$2,500,000 of Loans at a price of C\$0.39 per Common Share with the balance of such Loans at the then Current Market Price.

Set out in Schedule “A” attached hereto are the total amounts owing under the Loans as of the Effective Date.

- (b) To make such election to convert, the applicable Lender shall deliver to the Borrower a conversion notice substantially in the form of Exhibit “A” attached hereto, which such notice shall specify the date on which the conversion will occur (the “**Conversion Date**”).
 - (c) The Conversion Right shall extend only to the maximum number of whole Common Shares into which the aggregate principal amount of the Loans surrendered for conversion at any one time by the applicable Lender may be converted in accordance with this Section 2.11. Fractional interests in Common Shares shall be adjusted for in the manner provided in Section 2.11(3).
 - (d) Upon conversion of any Loans, any accrued but unpaid interest due to the Conversion Date on such Loans, which is not being converted in the manner herein provided, shall be payable by the Borrower to the applicable Lender within thirty (30) days of the Conversion Date.
 - (e) Unless permitted under applicable securities laws, the holder(s) of this Agreement must not trade the securities represented by this Agreement until the date that is four (4) months and a day from the applicable distribution date.
- (2) Adjustment of Conversion Price

(a) If and whenever at any time after the date hereof and prior to the applicable Maturity Date, the Borrower issues rights, options or warrants to holders of all or substantially all Common Shares pursuant to which such holders are entitled, during a period ending not more than 45 days after the record date as at which holders so entitled are determined, to subscribe for, purchase or otherwise acquire Common Shares or securities convertible into or exchangeable for one or more Common Shares or fractions thereof, at a price per share (the “**Per Share Cost**”) that is less than 95% of the Current Market Price on that record date (any such issuance being called a “**Rights Offering**”), then the Conversion Price will be adjusted, effective immediately after that record date, by multiplying the Conversion Price in effect immediately prior to such record date by the fraction of which:

(i) the numerator is the sum of the number of Common Shares outstanding on the record date for the Rights Offering and a number determined by dividing the product of the Per Share Cost and

(A) where the event giving rise to the application of this Section 2.11(2)(a) was the issue of rights, options or warrants to the holders of Common Shares under which such holders are entitled to subscribe for or purchase additional Common Shares, the maximum number of Common Shares that may be so subscribed for or purchased under the Rights Offering; or

(B) where the event giving rise to the application of this Section 2.11(2)(a) was the issue of rights, options or warrants to the holders of Common Shares under which such holders are entitled to subscribe for or purchase securities exchangeable for or convertible into Common Shares, the number of Common Shares for which the maximum number of securities that may be so subscribed for or purchased under the Rights Offering could have been exchanged or into which they could have been converted;

by the Current Market Price on the record date; and

(ii) the denominator is the sum of the number of Common Shares outstanding on that record date and the total number of additional Common Shares offered for subscription or purchase (or into or for which the convertible or exchangeable securities so offered are convertible or exchangeable) pursuant to the Rights Offering.

The adjustment will be made successively whenever a record date is fixed, provided that if two or more such record dates referred to in this Section 2.11(2)(a) are fixed within a period of 30 days, the adjustment will be made successively as if each of such record dates occurred on the earliest

of such record dates. To the extent that any rights, options or warrants issued pursuant to a Rights Offering are not exercised before the expiration thereof, or any convertible or exchangeable securities received upon exercise of any rights, options or warrants issued pursuant to a Rights Offering are not converted into or exchanged for Common Shares before the expiration of the right to do so, the Conversion Price will be readjusted to the Conversion Price which would then be in effect based upon the number of additional Common Shares actually delivered upon the exercise of such rights, options or warrants, or issued upon the conversion or exchange of such convertible or exchangeable securities, as the case may be, but subject to any other adjustment required hereunder by reason of any event arising after the record date for such Rights Offering.

- (b) If and whenever at any time after the date hereof and prior to the applicable Maturity Date, the Borrower shall:
- (i) subdivide or re-divide the outstanding Common Shares into a greater number of shares;
 - (ii) reduce, combine or consolidate the outstanding Common Shares into a smaller number of shares; or
 - (iii) issue Common Shares to the holders of all or substantially all of the outstanding Common Shares by way of a stock dividend (other than the issue of Common Shares to holders of Common Shares who have elected to receive dividends in the form of Common Shares in lieu of dividends paid in the ordinary course on the Common Shares) (any of such events in (i), (ii) and (iii) being called a “**Share Reorganization**”),

the applicable Conversion Price in effect on the effective date of such subdivision, re-division, reduction, combination or consolidation or on the record date for such issue of Common Shares by way of a stock dividend, as the case may be, shall in the case of any of the events referred to in (i) and (iii) above be decreased in proportion to the number of outstanding Common Shares resulting from such subdivision, re-division or dividend, or shall, in the case of any of the events referred to in (ii) above, be increased in proportion to the number of outstanding Common Shares resulting from such reduction, combination or consolidation. Such adjustment shall be made successively whenever any event referred to in this Section 2.11(2) shall occur.

- (c) If and whenever at any time after the date hereof and prior to the applicable Maturity Date, there is a reclassification of the Common Shares at any time outstanding or a change of the Common Shares into other shares or into other securities or other capital reorganization (other than as set out in this Section 2.11(2)), or a consolidation, amalgamation or merger of the Borrower with or into any other corporation or other entity (other than a

consolidation, amalgamation or merger which does not result in any reclassification of the outstanding Common Shares or a change of the Common Shares into other shares), or a transfer of the undertaking or assets of the Borrower as an entirety or substantially as an entirety to another corporation or other entity in which the holders of Common Shares are entitled to receive shares, other securities or other property (any of such events being called a “**Capital Reorganization**”), if the Lenders exercise the right to convert the Loans (or any part thereof) into Common Shares pursuant to this Agreement then held after the effective date of such Capital Reorganization, the Lenders will be entitled to receive, and each of such Lenders will accept for the same aggregate consideration in lieu of the number of Common Shares to which such Lender was previously entitled upon such conversion, the aggregate number of shares, other securities or other property which such Lender would have been entitled to receive as a result of such Capital Reorganization if, on the effective date thereof, such Lender had been the registered holder of the number of Common Shares to which such Lender was previously entitled upon conversion. The Borrower shall take all steps necessary to ensure that, on a Capital Reorganization, the applicable Lenders will receive (on conversion) the aggregate number of shares, other securities or other property to which they are entitled as a result of the Capital Reorganization.

- (d) If and whenever at any time after the date hereof and prior to the applicable Maturity Date, the Borrower issues by way of a dividend or otherwise distributes to holders of all or substantially all Common Shares:
- (i) shares of the Borrower other than Common Shares;
 - (ii) evidences of indebtedness;
 - (iii) cash or other assets; or
 - (iv) rights, options or warrants to acquire shares or other securities of the Borrower, evidences of indebtedness, cash or other assets,

and such issuance or distribution does not constitute a Share Reorganization or a Rights Offering (any of such non excluded events being herein called a “**Special Distribution**”), the Conversion Price will be adjusted, in each case effective immediately after the record date at which holders of Common Shares on which the Special Distribution is to be paid are determined, to a price determined by multiplying the Conversion Price in effect on such record date by a fraction of which:

- (i) the numerator is:
 - (A) the product of the number of Common Shares outstanding on such record date, and the Current Market Price on such record date; less

- (B) the amount by which the aggregate fair market value (as determined in good faith by the Board of Directors, subject to the prior approval of the TSXV) of such securities or property or other assets so issued or distributed in the Special Distribution exceeds the fair market value of any consideration received therefor by the Borrower from the holders of Common Shares (as determined in good faith by the Board of Directors); and
 - (ii) the denominator is the product of the number of Common Shares outstanding on such record date and the Current Market Price on such record date.
- (e) In any case in which this Section 2.11(2) shall require that an adjustment shall become effective immediately after a record date for an event referred to herein, the Borrower may defer, until the occurrence of such event, issuing to the applicable Lenders before the occurrence of such event, any additional Common Shares issuable upon such conversion by reason of the adjustment required by such event before giving effect to such adjustment, provided, however, that the Borrower shall deliver to the applicable Lenders an appropriate instrument evidencing each applicable Lender's right to receive such additional Common Shares upon the occurrence of the event requiring such adjustment and the right to receive any distributions made on such additional Common Shares declared in favour of holders of record of Common Shares on and after the Conversion Date or such later date as the applicable Lender would, but for the provisions of this Section 2.11(2)(d), have become the holder of such additional Common Shares pursuant to this Section 2.11.
- (f) The adjustments or equivalent distribution entitlements provided for in this Section 2.11 are cumulative and shall apply to successive subdivisions, redivisions, reductions, combinations, consolidations, distributions, issues or other event resulting in any adjustment or equivalent distribution entitlements under the provisions of this Section 2.11, provided that, notwithstanding any other provision of this Section, no adjustment of the applicable Conversion Price shall be required unless such adjustment would require an increase or decrease of at least 1% in the applicable Conversion Price then in effect; provided, however, that any adjustments which by reason of this Section 2.11(2)(f) are not required to be made shall be carried forward and taken into account in any subsequent adjustment.
- (g) No adjustment will be made as a result of an event described in Section 2.11(2)(a), Section 2.11(2)(b)(iii) or Section 2.11(2)(d) if the applicable Lender is entitled to participate in the event (subject to the prior approval of the TSXV or, if required, any other stock exchange on which the Common Shares are then listed) on the same terms, *mutatis mutandis*, as if it had exercised its right of conversion in respect of the entire principal

balance of the Loan and any accrued and unpaid interest immediately before the effective date of or record date for the event.

- (h) In the event of any question arising with respect to the adjustments provided in this Section 2.11, such question shall be conclusively determined by a firm of chartered accountants appointed by the Borrower (who may be the auditors of the Borrower); such accountants shall have access to all necessary records of the Borrower and any such determination shall be, in the absence of fraud or manifest error, binding upon the Borrower and the applicable Lenders. The Borrower shall be responsible for all costs and expenses associated with the engagement of any such determination.
- (i) In case the Borrower shall take any action affecting the Common Shares other than action described in this Section 2.11, which in the opinion of the directors of the Borrower would materially affect the rights of the Lenders (including, the Conversion Right hereunder), the applicable Conversion Price shall (subject to the prior approval of the TSXV or, if required, any other stock exchange on which the Common Shares are then listed) be adjusted in such manner and at such time, by action of the directors, as the directors in their sole discretion, acting reasonably and in good faith, may determine to be equitable in the circumstances. Failure of the directors to make such an adjustment shall be conclusive evidence that the directors have determined, acting reasonably and in good faith, that it is equitable to make no adjustment in the circumstances.

(3) Fractional Shares.

- (a) The Borrower shall not be required to issue fractional Common Shares upon the conversion of the Loans pursuant to this Section 2.11. If any fractional interest in a Common Share except for the provisions of this Section 2.11(3), be deliverable upon the conversion of any amount hereunder, the Borrower shall, in lieu of delivering any certificate of such fractional interest, satisfy such fractional interest by paying to the applicable Lender an amount in the lawful money of Canada equal (computed to the nearest cent) to the appropriate fraction of the applicable Conversion Price value.

(4) Common Shares Issuable upon Conversion

- (a) The Borrower covenants with the Lenders that it will at all times reserve and keep available out of its authorized Common Shares, solely for the purpose of issue upon exercise of the Conversion Right, and conditionally allot to the Lenders, such number of Common Shares as shall then be issuable upon the conversion of the Loans. The Borrower covenants with the Lenders that all Common Shares which shall be so issuable shall be duly and validly issued as fully paid and non-assessable.

- (b) The Borrower covenants with the Lenders that it will comply with all applicable securities laws and the rules of the TSXV (or any other stock exchange on which the Common Shares are then listed) relating to the issue and delivery of Common Shares upon the conversion of any amounts under this Agreement, obtain any regulatory approval in respect thereof as may be required pursuant to such laws and rules, and use commercially reasonable efforts to cause to be listed and posted for trading such Common Shares on the TSXV (or any and each other stock exchange on which the Common Shares are then listed) prior to the issuance thereof.
 - (c) The Borrower covenants with the Lenders that it will take all such reasonable steps and actions and do all such things as may be necessary to maintain the listing and posting for trading of the Common Shares on the TSXV and maintain its status as a reporting issuer or equivalent in good standing or equivalent under applicable securities laws in British Columbia, Alberta, Manitoba and Ontario.
- (5) Notwithstanding the covenants provided by the Borrower under Sections 2.11(4)(b) and 2.11(4)(c) and any other representation, covenant or obligation of the Borrower under this Agreement, the Lenders acknowledge that the exercise of a Conversion Right under this Section 2.11 may result in the Borrower being downgraded from a TSXV Tier 1 issuer to a Tier 2 issuer and may result in the Borrower being in breach of TSXV listing requirements if the Borrower is unable to meet Tier 2 listing requirements, in which case failing a remedy of such breach the Borrower would have to take steps to voluntarily delist from the TSXV.
- (6) Certificate as to Adjustment and Lenders of Record
 - (a) The Borrower shall from time to time, immediately after the occurrence of any event which requires an adjustment or readjustment as provided in Section 2.11(2), deliver an officer's certificate to the applicable Lenders specifying the nature of the event requiring the same and the amount of the adjustment necessitated thereby and setting forth in reasonable detail the method of calculation and the facts upon which such calculation is based, which certificate and the amount of the adjustment specified therein shall be verified by an opinion of a firm of chartered accountants appointed by the Borrower and acceptable to the applicable Lenders (who may be the auditors of the Borrower).
 - (b) For all purposes, on the Conversion Date the applicable Lenders shall be deemed to have become the holder of record of the Common Shares into which the Loans amount of this Agreement is converted in accordance with this Section 2.11. Notwithstanding the foregoing, if the Borrower fails to issue the aforesaid Common Shares to the applicable Lender, the Lender shall retain all rights contained under this Agreement until such Common Shares are issued.

- (7) Notwithstanding anything to the contrary herein, advances made under Tranche 5 or Tranche 6 and any accrued but unpaid interest due on such Loans are not subject to the Conversion Right.

ARTICLE 3
CONDITIONS PRECEDENT; CLOSING DELIVERABLES

Section 3.1 Conditions Precedent to the Effective Date.

On or before the Effective Date, the following conditions shall be satisfied by the Borrower to the satisfaction of the Agent and the Lenders:

- (a) **Effective Date Documentation.** The Agent and the Lenders (as applicable) shall have received, in form and substance satisfactory to them, a copy of this Agreement, duly executed by each Borrower Group Member.
- (b) **Transaction Authorizations.** The Borrower shall have delivered to the Agent's and Lenders' satisfaction evidence of the receipt of all material consents, authorizations, approvals, rulings or orders of, or registrations with, and the timely submission of any notices, filings, petitions, statements, registrations, submissions of information, application or submission of other documents under all Applicable Laws, from or to any Governmental Body or other Person required to be obtained or made by Borrower or any Borrower Subsidiary in connection with the execution, delivery and performance of this Agreement and each other Finance Document and the consummation of the transactions contemplated hereby and thereby.
- (c) **Discharges.** The Agent shall have received discharges of all Liens other than Permitted Liens as it reasonably requires, each in form and substance satisfactory to the Agent and the Lenders.
- (d) **Financial Assurance Requirements.** The Borrower Group Members will have complied in all material respects with all provincial and federal regulations regarding financial assurance requirements (including but not limited to reclamation bonding requirements).
- (e) **Financial Statements.** The Agent and Lenders shall have received the unaudited consolidated financial statements of the Borrower for the Quarter ending December 31, 2018.
- (f) **HW Loan.** The Agent shall have received an executed copy of the HW Subordination Agreement and a certified copy of the HW Loan.
- (g) **Offtake Agreement.** The Agent shall have received an executed copy of the Offtake Agreement.
- (h) **Investment Committee Approval.** The Loans shall have been approved by the investment committee of Pala Investments Limited.

- (i) **Documentation.** The Agent shall have received, in form and substance satisfactory to it, each of the following duly executed documents. For greater certainty, unless otherwise indicated herein, the parties hereto acknowledge and confirm that the documents referred to in this paragraph were satisfactorily delivered by each applicable Borrower Group Member on or about the date of the Second A&R Loan Agreement.
- (i) each Finance Document dated prior to the Effective Date to which the Borrower Group Members are a party, duly executed by the Borrower Group Members which shall be original unless otherwise specified;
 - (ii) from each Borrower Group Member, an officer's certificate: (A) resolutions of its board of directors then in full force and effect authorizing the execution, delivery and performance of each Finance Document to be executed by it; (B) its, articles, bylaws, and other constating documents, a copy of which will be attached thereto; and (C) the incumbency and signatures of those of its officers authorized to act with respect to the Finance Documents to be executed by it;
 - (iii) from each of the Guarantors, (A) from the secretary of state, registrar of companies or similar Governmental Body of such Borrower Group Member's jurisdiction of incorporation, formation or continuation, a good standing certificate or similar document and certified copy of its articles of incorporation or other such similar constating document which is required to be filed under applicable corporate laws, and (B) a certificate of registration from the secretary of state, registrar of companies or similar Governmental Body of each jurisdiction in which such Borrower Group Member is qualified to do business, in each case dated within five Business Days of the date of the Existing Agreement;
 - (iv) from the Borrower, a certificate of good standing, issued by the Registrar of Companies for the Province of British Columbia, Canada;
 - (v) evidence that all filings, registrations and recordings have been made in all appropriate governmental offices, and all other action has been taken, which shall be necessary to create, in favour of the Agent for and on behalf of itself and the Lenders, a perfected second priority Lien on all Collateral subject to this Agreement and the Collateral Documents subject only to Permitted Liens; provided that in the event that the security interest related to the Pala C&M Loan is discharged in full, such Lien shall be first priority;

- (vi) each Collateral Document to which the Borrower or a Guarantor is a party, duly executed by the Borrower or such Guarantor which shall be original unless otherwise specified;
- (vii) an opinion of British Columbia and Ontario counsel to Borrower and the Guarantors as to such matters as the Agent and Initial Lender shall reasonably require.
- (viii) an opinion of Australia counsel to Borrower and the Guarantors as to such matters as the Agent and Initial Lender shall reasonably require; and
- (ix) evidence satisfactory to the Agent and the Lenders of the Borrower's required insurance being in force and effect, with a certificate in favour of the Agent naming the Agent and the Lenders as second loss payee and additional insured.
- (j) **No MAC.** There shall have occurred no Material Adverse Change.
- (k) **No Default.** No Default or Event of Default shall have occurred and be continuing.
- (l) **Representations and Warranties.** The representations and warranties made by the Borrower Group Members in the Finance Documents shall be true and correct on the Effective Date.
- (m) **Production Plan and Budget.** The Approved Plan and Budget for the fiscal years 2018 through 2020 shall have been approved by Lenders, acting reasonably and such Approved Plan and Budget shall be certified by the chief financial officer of the Borrower as being based upon estimates and assumptions stated therein, all of which the Borrower believes to be reasonable and fair in light of conditions and facts known to the Borrower as of the date of certification and reflect the good faith, reasonable and fair estimates by the Borrower of the future consolidated financial performance of the Borrower, provided that the actual results may differ from the projections and such differences might be material. The parties hereto acknowledge and confirm that the conditions precedent in this paragraph have been satisfied as of the date of this Agreement.

Section 3.2 Conditions Precedent to the advance of the Loan under Tranche 1.

On or before the advance of the Loan under Tranche 1 in accordance with Section 2.1(a) above, the following conditions shall be satisfied by Borrower to the satisfaction of the Agent and the Lenders:

- (a) **Notice.** The Borrower shall have provided a drawdown notice to the Agent at least five (5) days prior to the date of the proposed advance under Tranche 1.

- (b) **No MAC.** There shall have occurred no Material Adverse Change.
- (c) **No Default.** No Default or Event of Default shall have occurred and be continuing, or shall result from the making of the advance under Tranche 1.
- (d) **Representations and Warranties.** The representations and warranties made by the Borrower Group Members in the Finance Documents shall be true and correct on the date of the advance as if made on such date.
- (e) **Title.** The Borrower will provide evidence satisfactory to Lenders demonstrating good record and marketable title in fee simple to, or valid leasehold, easement or contractual interests in, all real property necessary or used in the ordinary conduct of its business and possess all leasehold interests necessary for the operation of the mines currently being operated by the Borrower Group Members and further demonstrate that the rights under the leases, contracts, rights-of-way and easements necessary for the operation of such mines are in full force and effect as well as evidence satisfactory to Lenders demonstrating the Borrower possesses all licenses and permits necessary to carry out its business;
- (f) **HW Funding.** The Agent shall have received satisfactory evidence that the Borrower has received an advance of US\$2,500,000 pursuant to the HW Loan.
- (g) **Documentation.** The Agent shall have received, in form and substance satisfactory to it, each of the following duly executed:
 - (i) a certificate of an officer of the Borrower confirming items (c), (d) and (e) above;
 - (ii) from Borrower, from the appropriate Governmental Body of such Borrower Group Member's jurisdiction of incorporation, formation or continuation, a good standing certificate or similar document;
 - (iii) a funding direction, which shall include a direction to the Lenders in respect of the Tranche 1 Arrangement Fee, the Tranche 1 OID and the fees and expenses of the Agent and the Lenders;
 - (iv) an opinion of Australia, British Columbia and Ontario counsel to Borrower and the Guarantors as to such matters as the Agent and Initial Lender shall reasonably require;

Section 3.3 Conditions Precedent to the advance of the Loan under Tranche 2.

On or before the advance of the Loan under Tranche 2 in accordance with Section 2.1(b) above, the following conditions shall be satisfied by Borrower to the satisfaction of the Agent and the Lenders:

- (a) **Notice.** The Borrower shall have provided a drawdown notice to the Agent at least 10 days prior to the date of the proposed advance under Tranche 2.
- (b) **No MAC.** There shall have occurred no Material Adverse Change.
- (c) **No Default.** No Default or Event of Default shall have occurred and be continuing, or shall result from the making of the advance under Tranche 2.
- (d) **Representations and Warranties.** The representations and warranties made by the Borrower Group Members in the Finance Documents shall be true and correct on the date of the advance as if made on such date.
- (e) **Proposed Uses.** The Borrower and the Lenders shall have agreed upon a list of proposed expenses to be funded with the proceeds of the funding under Tranche 2.
- (f) **Documentation.** The Agent shall have received, in form and substance satisfactory to it, each of the following duly executed:
 - (i) a certificate of an officer of the Borrower confirming items (c), (d) and (e) above; and
 - (ii) a funding direction, which shall include a direction to the Tranche 2 Lenders in respect of the OID, the fees and expenses of the Agent and the Lenders, and the Borrower's election regarding payment of the Tranche 2 Arrangement Fee and Tranche 2 OID.

Section 3.4 Conditions Precedent to the advance of the Loan under Tranche 3.

On or before the advance of the Loan under Tranche 3 in accordance with Section 2.1(c) above, the following conditions shall be satisfied by Borrower to the satisfaction of the Agent and the Lenders:

- (a) **Notice.** The Borrower shall have provided a drawdown notice to the Agent at least five (5) Business Days prior to the date of the proposed advance under Tranche 3.
- (b) **No MAC.** There shall have occurred no Material Adverse Change.
- (c) **No Default.** No Default or Event of Default shall have occurred and be continuing, or shall result from the making of the advance under Tranche 3.
- (d) **Representations and Warranties.** The representations and warranties made by the Borrower Group Members in the Finance Documents shall be true and correct on the date of the advance as if made on such date.

- (e) **Documentation.** The Agent shall have received, in form and substance satisfactory to it, each of the following duly executed:
 - (i) a certificate of an officer of the Borrower confirming items (b), (c) and (d) above; and
 - (ii) a funding direction, which shall include a direction to the Tranche 3 Lenders in respect of the OID, the fees and expenses of the Agent and the Lenders, and the Borrower's election regarding payment of the Tranche 3 Arrangement Fee and Tranche 3 OID.

Section 3.5 Conditions Precedent to the advance of the Loan under Tranche 4.

On or before the advance of the Loan under Tranche 4 in accordance with Section 2.1(d) above, the following conditions shall be satisfied by Borrower to the satisfaction of the Agent and the Lenders:

- (a) **No MAC.** There shall have occurred no Material Adverse Change.
- (b) **No Default.** No Default or Event of Default shall have occurred and be continuing, or shall result from the making of the advance under Tranche 4.
- (c) **Representations and Warranties.** The representations and warranties made by the Borrower Group Members in the Finance Documents shall be true and correct on the date of the advance as if made on such date.
- (d) **Documentation.** The Agent shall have received, in form and substance satisfactory to it, each of the following duly executed:
 - (i) a certificate of an officer of the Borrower (1) confirming items (a), (b) and (c) above, and (2) attaching a certificated copy of a corporate resolution authorizing the execution, delivery and performance of this Agreement and any instruments or agreements required hereunder; and
 - (ii) a funding direction, which shall include a direction to the Tranche 4 Lenders in respect of the fees and expenses of the Agent and the Lenders, and the Borrower's election regarding payment of the Tranche 4 Arrangement Fee.
- (e) **Tranche 4 Arrangement Fee Shares.** Pala Investments Limited shall have been issued a certificate in form and substance satisfactory to it providing for the issuance of the Tranche 4 Arrangement Fee Shares pursuant to Section 2.1(d)(i), if applicable.
- (f) **TSXV Approval.** The transactions contemplated by this Agreement shall have been conditionally approved by the TSXV.

Section 3.6 Conditions Precedent to the advance of the Loan under Tranche 5.

On or before the advance of the Loan under Tranche 5 in accordance with Section 2.1(e) above, the following conditions shall be satisfied by Borrower to the satisfaction of the Agent and the Lenders:

- (a) **No MAC.** There shall have occurred no Material Adverse Change.
- (b) **No Default.** No Default or Event of Default shall have occurred and be continuing, or shall result from the making of the advance under Tranche 5.
- (c) **Representations and Warranties.** The representations and warranties made by the Borrower Group Members in the Finance Documents shall be true and correct on the date of the advance as if made on such date.
- (d) **Documentation.** The Agent shall have received, in form and substance satisfactory to it, each of the following duly executed:
 - (i) a certificate of an officer of the Borrower (1) confirming items (a), (b) and (c) above, and (2) attaching a certificated copy of a corporate resolution authorizing the execution, delivery and performance of this Agreement and any instruments or agreements required hereunder; and
 - (ii) a funding direction, which shall include a direction to the Tranche 5 Lenders in respect of the fees and expenses of the Agent and the Lenders, and the Borrower's election regarding payment of the Tranche 5 Arrangement Fee.
- (e) **TSXV Approval.** The transactions contemplated by this Agreement shall have been conditionally approved by the TSXV.
- (f) **Plan.** The Agent shall have received a two-month budget and operating plan, in form and substance satisfactory to the Agent, in its sole discretion, prepared by the board of directors of the Borrower to address management concerns and capabilities.

Section 3.7 Conditions Precedent to the advance of the Loan under Tranche 6.

On or before the advance of the Loan under Tranche 6 in accordance with Section 2.1(f) above, the following conditions shall be satisfied by Borrower to the satisfaction of the Agent and the Lenders:

- (a) **No MAC.** There shall have occurred no Material Adverse Change.
- (b) **No Default.** No Default or Event of Default shall have occurred and be continuing, or shall result from the making of the advance under Tranche 6.

- (c) **Representations and Warranties.** The representations and warranties made by the Borrower Group Members in the Finance Documents shall be true and correct on the date of the advance as if made on such date.
- (d) **Documentation.** The Agent shall have received, in form and substance satisfactory to it, each of the following duly executed:
 - (i) a certificate of an officer of the Borrower (1) confirming items (a), (b) and (c) above; and
 - (ii) a funding direction, which shall include a direction to the Tranche 6 Lenders in respect of the fees and expenses of the Agent and the Lenders, and the Borrower's election regarding payment of the Tranche 6 Arrangement Fee.
- (e) **Lender Approval.** The Lenders shall provide to the Borrower consent in writing to the advance the Loan under Tranche 6, such consent being in their sole and absolute discretion.

Section 3.8 Bonus Shares

As partial consideration for the Tranche 3 Lenders agreeing to make available the Tranche 3 Commitment to the Borrower pursuant to the terms hereof, as of February 4, 2019, the Borrower shall create and issue to each of the Tranche 3 Lenders (or as each Tranche 3 Lender may direct), pro rata according to their respective share of Tranche 3 Commitment, 750,000 common shares in the capital of the Borrower (the "**Bonus Shares**").

ARTICLE 4 REPRESENTATIONS AND WARRANTIES

Section 4.1 Representations and Warranties

Representations and Warranties of the Borrower Group Members. Each Borrower Group Member hereby makes the representations and warranties applicable to such Borrower Group Member to the Agent and Lenders that are set forth in this Section 4.1. No specific representation or warranty shall limit the generality or applicability of a more general representation or warranty.

- (a) **Organization and Powers.** Each Borrower Group Member is:
 - (i) duly incorporated, organized or formed, as the case may be, validly existing and in good standing under the laws of the jurisdiction of its incorporation, organization or formation, and has all requisite power and authority to execute and deliver, and perform its obligations under, the Finance Documents to which it is a party;
 - (ii) qualified to do business and is in good standing in each jurisdiction in which the nature of its business or the nature and location of its assets requires such qualification except where such failure to

qualify could not reasonably be expected to have a Material Adverse Effect; and

- (iii) has all requisite power and authority to own its assets and carry on its business.
- (b) **Authorization; No Conflict.** The execution and delivery by each Borrower Group Member of, the performance of its obligations under, and the consummation of the transactions contemplated in the Finance Documents to which it is a party have been duly authorized by all necessary corporate action of such Borrower Group Member and do not and will not:
- (i) violate the terms of the Organizational Documents of such Borrower Group Member;
 - (ii) conflict with, result in a breach of, or constitute a default or an event creating rights of acceleration, termination, modification or cancellation or a loss of rights under, any unsatisfied written or oral contract, agreement, license, concession, indenture, mortgage, debenture, note or other instrument to which such Borrower Group Member is a party, subject or otherwise bound in each case except as would not reasonably be expected to have a Material Adverse Effect;
 - (iii) violate in any material respect any Applicable Law to which such Borrower Group Member is subject or otherwise bound; or
 - (iv) except as contemplated by this Agreement, result in, or require, the creation or imposition of any Lien upon or with respect to any of the Business Assets or Business Affairs of such Borrower Group Member.
- (c) **Execution; Binding Obligation.** Each Finance Document to which a Borrower Group Member is a party has been duly and validly executed and delivered by such Borrower Group Member. The Finance Documents to which each Borrower Group Member is a party constitute, or when delivered under this Agreement will constitute, legal, valid and binding obligations of such Borrower Group Member, enforceable against such Borrower Group Member in accordance with their respective terms, except to the extent enforcement may be affected by Applicable Laws relating to bankruptcy, reorganization, insolvency and creditors' rights and by the availability of injunctive relief, specific performance and other equitable remedies.
- (d) **Consents.** No Borrower Group Member is required to give any notice to, make any filing with or obtain any authorization, consent, Order or approval of any Person in connection with the execution and delivery of any Finance Document or the consummation of the transactions

contemplated herein and therein, except for recordings or filings in connection with the perfection of the Liens on the Collateral in favour of the Agent for and on behalf of itself and the Lenders.

- (e) **No Defaults.** No event has occurred or circumstance exists that (with or without notice or lapse of time) has contravened, conflicted with or resulted in, or may contravene, conflict with or result in, a violation or breach of, or give any Borrower Group Member or any other Person the right to declare a default or exercise any remedy under, or to accelerate the maturity or performance of, or to cancel, terminate or modify, any material written contract, lease, license, concession, Authorization, agreement, indenture, mortgage, debenture, note, instrument, or Order material to the Business Affairs of any Borrower Group Member to which it is a party or by which it or its Business Assets may be bound, and, to the knowledge of Borrower, each other Person that is party thereto is in compliance in all material respects with the terms and requirements thereof, in each case, except as could not reasonably be expected to have a material impact on the Business Affairs or prospects of any Borrower Group Member.
- (f) **Maintenance.** All claim maintenance fees, mining patents, taxes, fees and other amounts have been paid when due and payable and all other actions have been taken and all other obligations as are required to maintain the Project have been complied with, except where the failure to make a payment when due or take an action or perform an obligation could not reasonably be expected to have a Material Adverse Effect.
- (g) **Authorizations.** Goondicum has obtained or been issued all Authorizations (including environmental Authorizations), rights (including surface and access rights), privileges, concessions or franchises necessary for the ongoing operation of commercial production of ilmenite from the Project. There are no facts or circumstances that might reasonably be expected to adversely affect the issuance of any such material Authorizations (including environmental Authorizations), rights (including surface and access rights), privileges, concessions or franchises.
- (h) **Compliance with Applicable Laws.** Each Borrower Group Member and the Project is in compliance in all material respects with all other material Applicable Laws. Without limiting the generality of the foregoing,
 - (i) each Borrower Group Member and the Project is in material compliance with all applicable Environmental Laws, and there are no actions, suits, claims, notices of violation, hearings, investigations or proceedings pending or, to the best of Borrower's knowledge, threatened against or affecting any Borrower Group Member with respect to the ownership, use, maintenance and operation of the Project or the Business Assets of any Borrower Group Member, relating to any applicable Environmental Laws, where any adverse determination with respect thereto or liability

imposed therein could reasonably be expected to have a Material Adverse Effect or result in liability above the Threshold Amount;

- (ii) the Borrower Group Members are in compliance with, and have not been charged under, AML Legislation;
 - (iii) the Borrower Group Members, and their respective officers, employees and, to the knowledge of the Borrower, their directors and agents, are in compliance with, and have not been charged under, Anti-Corruption Laws and applicable Sanctions and are not knowingly engaged in any activity that would reasonably be expected to result in any Borrower Group Member being designated as a Sanctioned Person or Sanctioned Entity. None of (a) the Borrower Group Members or, to the knowledge of the Borrower, any of their respective directors, officers or employees, or (b) to the knowledge of the Borrower, any agent of any of them that will act in any capacity in connection with or benefit from the Loans, (i) has used, or authorized the use of, any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expenses relating to political activity, (ii) made, or authorized the making of, any direct or indirect unlawful bribe, rebate, payoff, influence payment, kickback or other unlawful payment to any domestic or foreign government official or employee from corporate funds, or (iii) is a Sanctioned Person or a Sanctioned Entity. The Loans, use of proceeds or other transaction contemplated by this Agreement will not violate Anti-Corruption Laws or applicable Sanctions; and
 - (iv) the Borrower has complied with all Applicable Laws in connection with the issuance of the Bonus Shares, including, but not limited to, receiving approval from the TSXV in respect of the issuance and listing on the TSXV of the Bonus Shares.
- (i) **Subsidiaries; Other Ventures.** Goondicum is indirectly a wholly owned subsidiary of Borrower. No Borrower Group Member has any other Subsidiaries or any other equity interest in any Person. No Borrower Group Member is engaged in any joint purchasing arrangement, joint venture, partnership or other joint enterprise with any other Person.
 - (j) **Solvency.** Borrower is Solvent.
 - (k) **Insurance.** The Collateral and the businesses and operations of the Borrower Group Members are insured under coverage obtained by the Borrower Group Members with reputable insurance companies (not Affiliates of the Borrower) in such amounts, with such deductibles and covering such risks as is consistent with insurance carried by reasonably prudent participants in comparable businesses in the relevant jurisdictions, and such coverage is in full force and effect, and no Borrower Group

member has breached the terms and conditions of any policies in respect thereof in any material respect nor failed to promptly give any notice or present any material claim thereunder. There are no material claims by the Borrower Group Members under any such policy as to which any insurer is denying liability or defending under a reservation of rights clause. To the knowledge of the Borrower, the Borrower Group Members will be able to (a) renew existing insurance coverage as and when such policies expire or (b) obtain comparable insurance coverage from similar institutions as may be necessary or appropriate to conduct the business of the Borrower Group members and at a comparable cost.

- (l) **Bonus Shares.** The Bonus Shares were validly issued as fully paid and non-assessable securities.

Section 4.2 Representations and Warranties of the Agent and Initial Lender.

The Agent and Initial Lender each hereby makes the representations and warranties to Borrower and the Guarantors that are set forth in this Section 4.2.

- (a) **Organization and Powers.** It is duly organized, validly existing and in good standing under the laws of its jurisdiction of organization, and has all requisite power and authority to execute and deliver, and perform its obligations under, the Finance Documents to which it is a party.
- (b) **Authorization; No Conflict.** The execution and delivery by it of, the performance of its obligations under, and the consummation of the transactions contemplated in the Finance Documents to which it is a party have been duly authorized by all necessary action of it and do not and will not:
 - (i) violate the terms of its Organizational Documents, or conflict with, result in a breach of, or constitute a default or an event creating rights of acceleration, termination, modification or cancellation or a loss of rights under, any unsatisfied written or oral contract, agreement, license, concession, indenture, mortgage, debenture, note or other instrument to which it is a party, subject or otherwise bound; or
 - (ii) violate any Applicable Law to which it is subject or otherwise bound.
- (c) **Execution; Binding Obligation.** Each Finance Document to which it is a party has been duly and validly executed and delivered by it. The Finance Documents to which it is a party constitute, or when delivered under this Agreement will constitute, legal, valid and binding obligations of it, enforceable against it in accordance with their respective terms, except to the extent enforcement may be affected by Applicable Laws relating to bankruptcy, reorganization, insolvency and creditors' rights and by the

availability of injunctive relief, specific performance and other equitable remedies.

- (d) **Consents.** It is not required to give any notice to, make any filing with or obtain any authorization, consent, Order or approval of any Person in connection with the execution and delivery of any Finance Document or the consummation of the transactions contemplated herein and therein.
- (e) **Material Project Agreements.** As of the Effective Date, there is no Material Project Agreements.
- (f) **Accredited Investor Status of Tranche 3 Lenders.** Each Tranche 3 Lender is an “accredited investor”, as such term is defined in National Instrument 45-106 - Prospectus Exemptions (“**NI 45-106**”) of the Canadian Securities Administrators, and if resident in a jurisdiction outside Canada (“**International Jurisdiction**”) such Tranche 3 Lender acquired the Bonus Shares pursuant to exemptions from prospectus or registration requirements or equivalent requirements under applicable securities laws of the International Jurisdiction or, if such was not applicable, the Tranche 3 Lender was permitted to acquire the Bonus Shares under the applicable securities laws of the International Jurisdiction without the need to rely on any exemptions.
- (g) **Accredited Investor Status of Pala Investments Limited.** Pala Investments Limited and each other Lender to which Common Shares are issued or issuable on the date hereof is an “accredited investor”, as such term is defined in NI 45-106 of the Canadian Securities Administrators, and if resident in an International Jurisdiction, Pala Investments Limited and each such other Lender is acquiring Common Shares on or after the date hereof, as applicable, pursuant to exemptions from prospectus or registration requirements or equivalent requirements under applicable securities laws of the International Jurisdiction or, if such is not applicable, Pala Investments Limited and each such other Lender is permitted to acquire the Common Shares on or after the date hereof, as applicable, under the applicable securities laws of the International Jurisdiction without the need to rely on any exemptions.
- (h) **Compliance with Applicable Securities Laws.** The issuance of the Bonus Shares to each Tranche 3 Lender and the issuance of Common Shares on or after the date hereof to Pala Investments Limited and any other Lender, as applicable, complies with the requirements of all applicable securities laws in the International Jurisdiction and the applicable securities laws of the International Jurisdiction do not require the Borrower to make any filings or seek any approvals of any kind whatsoever from any securities regulator of any kind whatsoever in the International Jurisdiction in connection with the issue and sale or resale of such Tranche 3 Lender’s Bonus Shares or Pala Investment Limited’s or the other Lenders’ Common Shares issued on or after the date hereof, as applicable.

**ARTICLE 5
COVENANTS**

Section 5.1 Reporting Covenants.

So long as any of the Obligations shall remain unpaid, Borrower agrees that:

(a) Monthly Reporting

- (i) the Borrower shall, not more than 20 days after the end of each calendar month, deliver to the Agent a Monthly Project Report for such calendar month in form and substance satisfactory to the Agent (acting on the instructions of the Majority Lenders);
- (ii) each Monthly Project Report must:
 - (A) be prepared using principles, practices and reference periods consistent with those applied in the preparation of the Approved Plan and Budget; and
 - (B) include sufficient data, in form and substance as may be reasonably required by the Majority Lenders, to make an accurate comparison between the position indicated in that Monthly Project Report and the Approved Plan and Budget (as applicable); and
- (iii) the Borrower shall procure that, if reasonably requested by the Agent (acting on the instructions of the Majority Lenders), senior management of the Borrower are available for a call or a meeting with the Majority Lenders and their advisers or consultants to discuss or provide any further information in relation to the form and substance of any Monthly Project Report.

(b) Quarterly Financial Reporting.

As soon as available and in any event within 60 days after the end of each of the first, second and third Quarter of each fiscal year, the Borrower shall deliver to the Agent and Lenders a copy of the Borrower's quarterly unaudited consolidated financial statements for such Quarter (the parties agree that the making of documents publicly available on the Borrower's SEDAR profile satisfies this delivery requirement) together with a compliance certificate demonstrating compliance with the financial covenants in Section 5.4 hereof.

(c) Annual Financial Reporting.

As soon as available and in any event within 120 days after the end of each fiscal year, the Borrower shall deliver to the Agent and Lenders a copy of the Borrower's annual audited consolidated financial statements for such fiscal year (the parties agree that the making of documents publicly available on the Borrower's SEDAR profile

satisfies this delivery requirement) together with a compliance certificate demonstrating compliance with the financial covenants in Section 5.4 hereof.

- (d) **Additional Information.** Borrower shall furnish to the Agent and Lenders:
- (i) promptly after Borrower has knowledge or becomes aware thereof, notice of the occurrence of any Default or Event of Default;
 - (ii) prompt written notice of all material actions, suits and proceedings before any Governmental Body or arbitrator pending, or to the best of Borrower's knowledge, threatened in writing against or directly affecting any Borrower Group Member or the Project, including any actions, suits, claims, notices of violation, hearings, investigations or proceedings pending, or to the best of Borrower's knowledge, threatened against or affecting any Borrower Group Member, or with respect to the ownership, use, maintenance and operation of its properties, relating to Environmental Laws;
 - (iii) prompt written notice of any other condition or event which has resulted, or that could reasonably be expected to result, in a Material Adverse Effect;
 - (iv) promptly upon entering into a Material Project Agreement, a copy of such Material Project Agreement certified by an Authorized Officer of the Borrower;
 - (v) promptly after the same are released, copies of all press releases of any Borrower Group Member; and
 - (vi) such other statements, lists of property and accounts, budgets, forecasts, projections, reports, or other information respecting the operations, properties, business or condition (financial or otherwise) of any Borrower Group Member as the Agent may from time to time reasonably request.
- (e) Each notice pursuant to clauses (i) through (iii) of this Subsection (a) shall be accompanied by a written statement by an Authorized Officer of Borrower setting forth details of the occurrence referred to therein.

Section 5.2 Affirmative Covenants.

So long as any of the Obligations shall remain unpaid or unsatisfied, each of the Borrower Group Members, as applicable, shall duly perform and comply with each of the following affirmative covenants:

- (a) **Pay Obligations.** The Borrower Group Members shall duly and punctually pay the Obligations at the times and places and in the manner required by the terms of the Finance Documents.

- (b) **Preservation of Existence, etc.** Each Borrower Group Member shall maintain, in good standing and full force and effect its legal existence in its present jurisdiction of incorporation, continuance or formation and obtain, maintain and preserve the Authorizations, registrations, legal capacity, rights and qualifications necessary to carry on its Business Affairs and own its Business Assets in each jurisdiction in which it carries on its Business Affairs or any of its Business Assets are located, except where such failure to obtain, maintain or preserve could not reasonably be expected to have a Material Adverse Effect.
- (c) **Payment of Taxes and Claims.** Each Borrower Group Member shall pay or cause to be paid when due, (i) all taxes, assessments and governmental charges or levies imposed upon it or upon its income, sales, capital or profit or any other property belonging to it, and (ii) all claims which, if unpaid, might by law become a Lien upon the assets, except any such tax, assessment, charge, levy or claim which is being contested in good faith and by proper proceedings and in respect of which Borrower or the Guarantors have established adequate reserves in accordance with IFRS or which are Permitted Liens.
- (d) **Keeping of Records and Books of Account.** Each Borrower Group Member shall keep accurate Records of its financial affairs reflecting all material financial transactions of each Borrower Group Member sufficient to permit the preparation of financial statements therefrom in accordance with IFRS.
- (e) **Inspection Rights.** Each Borrower Group Member shall permit the Agent and Lenders or any of its or their agents or representatives, at any reasonable time, during normal business hours and on not less than five (5) Business Days' notice (except if an Event of Default has occurred and is continuing, in which case, no prior notice is required), and from time to time:
 - (i) to visit and inspect the Project;
 - (ii) to examine and make copies of and abstracts from the material Records of any Borrower Group Member;
 - (iii) to discuss the business affairs, finances and accounts of the Borrower Group Members with any of the senior officers of any of them; and
 - (iv) communicate directly with each Borrower Group Member's independent certified public accountants.

If an Event of Default has occurred and is continuing, Borrower will pay for the Agent and Lenders' reasonable costs and expenses to visit, inspect or audit the Project; provided that if no Event of Default has occurred and

is continuing, all other inspections shall be at the Agent's or Lenders' sole cost and expense. Each Borrower Group Member shall authorize its independent certified public accountants to disclose to the Agent and Lenders any and all financial statements and other information of any kind, including copies of any management letter, working papers or the substance of any oral information that such accountants may have with respect to the business, financial condition, results of operations or other affairs of any Borrower Group Member. Each Borrower Group Member shall execute and deliver at the request of the Agent such instruments as may be necessary for the Agent and Lenders to obtain such information concerning its Business Affairs as the Agent and Lenders may reasonably require from accountants, service bureaus or others having custody of or maintaining its records or Business Assets, provided that the foregoing shall not (and is not intended to) require any Borrower Group Member to take any action that would constitute a waiver of its attorney/client privilege with any of its attorneys.

- (f) **Compliance with Laws, etc.** Each Borrower Group Member shall (i) comply in all material respects with the requirements of all material Applicable Laws, including without limitation all environmental laws, and (ii) conduct all environmental remedial activities which a Person acting in a commercially reasonable manner and in accordance with good industry practice would perform in similar circumstances to meet its environmental responsibilities and conduct and pay for any environmental investigations, assessments or remedial activities with respect to any of the real property owned or leased by it that the Agent may reasonably request, in each case as required by environmental laws, material Authorizations or by any Governmental Body.
- (g) **Maintenance of Business Assets, etc.** Each Borrower Group Member shall maintain and preserve all of its Business Assets, including the Goondicum Property and Assets, necessary or useful in the proper conduct of its Business Affairs in full force and effect, and, as applicable, in good working order, repair and condition, ordinary wear and tear excepted, and warrant and defend the right, title and interest of the Borrower Group Members in and to any of the Collateral, and every part thereof, against the claims of any Person, subject only to Permitted Liens.
- (h) **Insurance.** The Borrower Group Members shall keep insured with financially sound and reputable insurance companies all of the Collateral in amounts and against losses or damages, including property damage and public liability, on a basis consistent with insurance obtained by reasonably prudent participants in comparable businesses in the relevant jurisdictions and cause the policies of insurance referred to above to (i) not be amended in any manner which is prejudicial to the Lenders and (ii) contain customary endorsements for the benefit of the Lenders, all in a form acceptable to the Agent acting reasonably, and include a provision that the

broker under such policies will endeavor to mail 30 days written notice to the Agent of any cancellation of such policies, and shall cause the Agent and the Lenders to be named as an additional insured with respect to public liability insurance. The Borrower shall provide the Agent promptly with such evidence of insurance as the Agent may from time to time reasonably require.

- (i) **Licenses.** Each Borrower Group Member shall obtain and maintain all material Authorizations necessary in connection with the execution, delivery and performance of the Finance Documents, the consummation of the transactions therein contemplated or the operation and conduct of its business and ownership of its properties.
- (j) **Use of Proceeds.** Borrower shall use a portion of the Tranche 1 Commitment towards the repayment of the Pala C&M Loan, including all accrued and unpaid interest thereon, and any fees associated with the repayment thereof and the remainder of the proceeds of the Loans for the Project in accordance with the Approved Plan and Budget and as otherwise set out herein including for the payment of the Agent's and Lenders' costs associated with the transactions pursuant to this Agreement.
- (k) **Contracts.** Each Borrower Group Member shall perform and observe in all material respects all the terms, covenants and conditions required to be performed and observed by it under its contractual obligations, and do all things necessary to preserve and to keep unimpaired its rights under such contractual obligations; except where such failure could not reasonably be expected to have a material adverse impact on the Business Affairs or prospects of any Borrower Group Member, provided, however, that nothing in this Section 5.2(k) shall limit or prevent any Borrower Group Member from contesting any of its contractual obligations in good faith and by appropriate and lawful proceedings diligently conducted.
- (l) **Additional Collateral.** Each Borrower Group Member shall with respect to any new Subsidiary of any Borrower Group Member:
 - (i) notify the Agent at least 10 days prior to the creation of any such new Subsidiary;
 - (ii) to the extent requested by the Agent, pledge the shares of such Subsidiary promptly upon the formation of any such new Subsidiary; and
 - (iii) to the extent requested by the Agent, promptly grant to the Agent for and on behalf of itself and the Lenders a Lien, on any Business Assets held or acquired by such Subsidiary which are not subject to a Lien in favour of the Agent for and on behalf of itself and the Lenders, acting reasonably.

- (m) **Further Assurances and Additional Acts.** Each Borrower Group Member shall, at the reasonable request of the Agent, execute, acknowledge, deliver, file, notarize and register at its own expense all such further agreements, instruments, certificates, documents and assurances and perform such acts as the Agent shall deem necessary or appropriate to evidence, perfect, maintain and enforce the security interests and the priority thereof in the Collateral and to otherwise effectuate the purposes of the Finance Documents, and promptly provide the Agent with evidence of the foregoing satisfactory in form and substance to the Agent.
- (n) **Material Project Agreements.** Each Borrower Group Member shall:
- (i) at all times be in compliance in all material respects with all of its covenants, agreements and obligations in, and diligently enforce all its material rights under, all Material Project Agreements to which it is a party;
 - (ii) not alter, amend or waive in any material respect any of its rights under or permit any termination, surrender or alteration in any material respect of any rights under any Material Project Agreement to which it is a party, except with the prior written consent of Majority Lenders, not to be unreasonably withheld; and
 - (iii) promptly provide the Agent with certified copies of any Material Project Agreement entered into after the Effective Date and all material correspondence received in relation to any of the Material Project Agreements.
- (o) **Default under Material Project Agreements.** Each Borrower Group Member shall promptly provide a copy to the Agent of any and all notices of claim of any material default or breach under any Material Project Agreement or of the occurrence of any condition entitling any party to terminate its obligations thereunder and of any material amendments made to any of the Material Project Agreements or any additions thereto.
- (p) **Conduct of Business.** Each Borrower Group Member shall (i) conduct its Business Affairs in the ordinary course and (ii) use its reasonable efforts in the ordinary course and consistent with past practice (A) to preserve its Business Affairs and the goodwill and business of the customers, advertisers, suppliers and others with whom it has business relations and (B) keep available the services and goodwill of its employees.
- (q) **Fiscal Year; Accounting Practices.** Borrower shall notify the Agent at least 30 days in advance of any action any Borrower Group Member intends to take (i) to change its fiscal year or (ii) to do any of the following in a manner in any material respect inconsistent with the financial statements previously delivered by it to Lenders: alter its method of accounting; alter any accounting practice used by it; or alter the application of IFRS.

- (r) **Notices.** Borrower shall promptly give written notice to the Agent and Lenders:
- (i) of any dispute pertaining to the Project which may exist between any Borrower Group Member and any Governmental Body or of any requirement of any Governmental Body which, in each case has resulted in or could have a Material Adverse Effect on or the Project;
 - (ii) of any labor controversy which has resulted in or could have a Material Adverse Effect on the construction or operation of the Project;
 - (iii) of any other matter which has resulted in or could result in a Material Adverse Change to the construction or operation of the Project or which materially and adversely affects the Business Affairs or Business Assets of any Borrower Group Member;
 - (iv) of any instrument of which Borrower has notice or is aware that is registered against title to the Collateral other than Permitted Liens, and provide to the Agent a true copy of such instrument to the extent available to the Borrower;
 - (v) of any notice of expropriation with respect to the Project or any part thereof, such notice to be delivered forthwith upon Borrower's receipt of notice of such proceedings and Borrower hereby covenants and agrees that no claim in respect of any such expropriation shall be compromised or settled by any Borrower Group Member or any of their respective Affiliates without the prior written consent of Majority Lenders;
 - (vi) of any sanctions applied by any Governmental Body against any Borrower Group Member;
 - (vii) the occurrence of any Default or Event of Default;
 - (viii) any material claim, complaint, notice or order under any Environmental Laws affecting the Borrower Group Members or the Project;
 - (ix) learning of the existence of Hazardous Materials located on, above or below the surface of any land which the any Borrower Group Member occupies or controls, except those being stored, used or otherwise handled in compliance with Environmental Laws, or contained in the soil or water constituting such land, in each case which could reasonably be expected to have a material impact on the Borrower Group Member's ability to carry on its business and to develop or operate the Project;

- (x) the occurrence of any reportable release, spill, leak, emission, discharge, leaching, dumping or disposal of Hazardous Materials that has occurred on or from such land which could reasonably be expected to have a material impact on the Borrower Group Members' ability to carry on their Business Affairs and to develop or operate the Project;
 - (xi) the occurrence of any change in business activity conducted by it which involves the storage, use or handling of Hazardous Materials or wastes or increases its environmental liability in any material manner; and
 - (xii) of such other information respecting the Business Affairs or Business Assets of any Borrower Group Member as the Agent or Lenders may from time to time reasonably request in order to determine compliance with or otherwise in connection with the administration or enforcement of this Agreement or any Finance Document.
- (s) The Borrower shall, and the Borrower shall cause all of the Borrower Group Members to, at all times comply with the Anti-Corruption Policy, and shall immediately notify the Agent upon becoming aware of any breach or suspected breach of the Anti-Corruption Policy. The Borrower shall not, without the prior written consent of the Agent, acting reasonably, amend, terminate, replace or otherwise vary the Anti-Corruption Policy.
- (t) The Borrower shall use commercially reasonable efforts to obtain the conditional approval of the TSXV for the transactions contemplated by this Agreement.

Section 5.3 Negative Covenants.

So long as any of the Obligations shall remain unpaid or unsatisfied, each Borrower Group Member shall duly perform and comply with each of the following negative covenants:

- (a) **Liens; Negative Pledges.** No Borrower Group Member shall:
- (i) create, incur, assume or suffer to exist any Lien upon or with respect to any of its Business Assets, whether now owned or hereafter acquired, other than Permitted Liens;
 - (ii) enter into any agreement prohibiting the creation or assumption of any Lien upon any of its revenues or Business Assets, whether now owned or hereafter acquired; or

- (iii) allow the Permitted Liens, whether individually or in aggregate, to secure an aggregate value when due which could constitute a Material Adverse Effect.
- (b) **Change in Nature of Business.** No Borrower Group Member shall, directly or indirectly:
 - (i) change the nature of the Borrower Business;
 - (ii) cease to carry on the Borrower Business, or any substantial part thereof; or
 - (iii) engage in any new business that is not the Borrower Business.
- (c) **Restrictions on Fundamental Changes.** No Borrower Group Member shall, whether in one transaction or a series of transactions:
 - (i) to the extent that any such transaction would in the reasonable opinion of Majority Lenders materially adversely affect the ability such Borrower Group Member to meet its obligations under this Agreement, (A) amalgamate, merge or consolidate with any Person; provided, however, that any Borrower Group Member may liquidate or dissolve voluntarily into, and may amalgamate, merge with and into, or have its stock otherwise acquired by any other Borrower Group Member; (B) acquire all or substantially all of (1) the Capital Stock or assets of any Person or (2) the assets constituting the business of a division, branch or other unit operation of any Person, provided, however, that any Borrower Group Member may acquire all or substantially all of the assets of (or the assets constituting the business of a division, branch or other unit operation of) any other Borrower Group Member; or
 - (ii) sell, convey, transfer, lease or otherwise dispose of any of its material assets or any interest therein to any Person, or any material interest in the Project or Project assets, or permit or suffer any other Person to acquire any material interest in any of its assets, except (A) Permitted Liens, (B) as otherwise permitted under item (i) above, (C) the sale or disposition of inventory in the ordinary course of business and/or assets which have become obsolete, unneeded or are replaced in the ordinary course of business, or (D) the sale or other disposition of equipment that Borrower determines is no longer useful in its business.
- (d) **Distributions.** No Borrower Group Member shall without the prior written consent of the Majority Lenders:
 - (i) declare or make any dividend payment or other distribution of assets, properties, cash, rights, obligations or securities on account

or in respect of any of its Capital Stock, except dividends and distributions on account of its Capital Stock exclusively paid to any Borrower Group Member;

- (ii) purchase, redeem or otherwise acquire for value any of Borrower's Capital Stock;
 - (iii) except as otherwise permitted in this Agreement, prepay or redeem any Debt that is subordinated to the Obligations or make any payment in respect of such Debt at any time that a Default is continuing or would be caused by such payment; or
 - (iv) grant or otherwise agree to or suffer to exist any consensual restrictions on the ability of any Borrower Group Member to pay dividends and make other distributions to any other Borrower Group Member, or to pay any Debt owed to any other Borrower Group Member or transfer properties and assets to any other Borrower Group Member.
- (e) **Other Financings.** Except as otherwise consented to by the Majority Lenders, the Borrower Group Members shall not make any payment of royalties in respect of minerals from the Project, or enter into any royalty, stream financing or similar agreement with any other Person in relation to the Project.
- (f) **Budget.** The Borrower Group Members shall not make any expenditure (including any capital expenditure) or payment (including providing any Subsidiary of the Borrower with any funds to make any expenditure or payment or otherwise providing any Subsidiary of the Borrower with pre-funding except in the ordinary course and consistent with past practice) not in accordance with the Approved Plan and Budget and Mine Plan unless otherwise permitted hereunder.
- (g) **Hedging.** The Borrower Group Members shall not enter into any hedge instrument or incur any hedge obligations unless such hedge obligations are entered into for bona fide business purposes, and not for speculative purposes, and are within the principles of the Borrower's foreign exchange and commodity risk program that have, and have been approved in advance by the Majority Lenders.
- (h) **Loans and Investments.** Except with the prior consent of the Majority Lenders, such consent not to be unreasonably withheld, Borrower Group Members shall not, directly or indirectly, make or maintain any loan or advance to any other Person or own, purchase or otherwise acquire any Capital Stock, obligations or other securities of, or otherwise invest in, any other Person (any such transaction being an "**Investment**"). Notwithstanding the above, Borrower Group Members may make:

- (i) loans and advances among the Borrower Group Members;
 - (ii) Investments in accounts, contract rights and chattel paper, notes receivable and similar items arising or acquired in the ordinary course of business consistent with any Borrower Group Member's past practice;
 - (iii) incidental advances to employees of any Borrower Group Member in the ordinary course of business;
 - (iv) Investments in direct obligations to the United States of America or Canada or any agency thereof, banker's acceptances and certificates of deposit issued by any commercial bank in the United States of America or Canada and commercial paper with the highest rating obtainable from at least two of the major rating agencies;
 - (v) Investments permitted under Section 5.3(c); and
 - (vi) letters of credit, guarantees or other forms of financial assurance provided in relation to obtaining or maintaining any permits of any Borrower Group Member.
- (i) **Transactions with Related Parties.** No Borrower Group Member shall, directly or indirectly, enter into any transaction with any Person that is an Affiliate of any Borrower Group Member (other than Borrower or any Borrower Subsidiary), or any Authorized Officer or director of any Affiliate of any Borrower Group Member, which is on terms less favourable to any Borrower Group Member than would be obtained in an arm's length transaction with a non-affiliated Person.
- (j) **Amendments of Organizational Documents; Name Change; Jurisdiction Change.** No Borrower Group Member shall, agree to or permit any amendment, modification or waiver of any Organizational Documents that would be inconsistent in any material respect with the terms of any of the Finance Documents. No Borrower Group Member shall change its name or change its jurisdiction of incorporation unless (i) such Borrower Group Member gives the Agent 30 days' prior written notice of the intended name change or change of jurisdiction of incorporation and (ii) the Borrower Group Members execute and deliver to the Agent such agreements, documents and instruments as the Agent deems reasonably necessary or desirable to protect its interests in the Collateral.
- (k) **Limitation on Indebtedness.** Except with the prior written consent of Majority Lenders, no Borrower Group Member shall create, assume, incur, guarantee, or otherwise become liable upon or suffer to exist any Indebtedness except:
- (i) the Obligations;

- (ii) the Pala C&M Loan;
 - (iii) the HW Loan;
 - (iv) Indebtedness among Borrower Group Members;
 - (v) current liabilities in respect of Taxes incurred, or liabilities for labor, materials, inventory, services, supplies and rentals incurred, or for goods or services purchased, in the ordinary course of business consistent with past practice and industry practice in respect of arm's length transactions;
 - (vi) all Indebtedness outstanding on the Effective Date and all renewals, extensions, refinancing or refunding of such Indebtedness in a principal amount that does not exceed the principal amount outstanding immediately before such refinancing, together with all prepayment fees, penalties and expenses in respect of the Indebtedness being renewed, extended, refinanced or refunded, provided each such renewal, extension, refinancing or refunding is on terms and conditions no more favourable to the creditors than the Indebtedness being renewed, extended, refinanced or refunded, except for interest rate variations in accordance with market conditions;
 - (vii) letters of credit, guarantees or other forms of financial assurance provided in relation to obtaining or maintaining any permits of any Borrower Group Member;
 - (viii) Indebtedness secured by Purchase Money Liens incurred after the Effective Date (and all refinancings of such Indebtedness so long as the principal amount of the obligations refinanced is not increased); provided that (A) the total of such Indebtedness outstanding at any time does not exceed the Threshold Amount and (B) no Default exists at the time such Debt is incurred; and
 - (ix) Indebtedness resulting from a prepayment facility of up to US\$2,000,000 from any customer or agent.
- (l) **Mine Plan.** The Borrower Group Members shall not make any amendment to the Approved Plan and Budget or the Mine Plan, other than Non-Material Mine Plan Amendments, except as approved by the Majority Lenders.
- (m) **Cancellation of Indebtedness.** No Borrower Group Member shall cancel any claim or Indebtedness owed to it, except in the ordinary course of business for legitimate business purposes in the reasonable judgment of such Borrower Group Member.

- (n) **Acquisitions.** No Borrower Group Member shall create, form or acquire any Subsidiary or all or substantially all of the assets of any Person or any division or line of business of any Person, or acquire any material assets other than for use in the Project unless approved by the Majority Lenders.
- (o) **Change in Business.** No Borrower Group member shall change the nature of its business, operations or business objectives.
- (p) **Material Project Agreements.** No Borrower Group Member shall (i) terminate any Material Project Agreement (other than any such termination by no fault of a Borrower Group Member), (ii) amend any Material Project Agreement in any material respect, or (iii) fail to comply with its obligations thereunder or fail to enforce the obligations of the counterparties thereto, in each case in all material respects.
- (q) **Corruption of Foreign Officials.** No Borrower Group Member shall (i) use, or authorize the use of, any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expenses relating to political activity; (ii) make, or authorize the making of, any direct or indirect unlawful bribe, rebate, payoff, influence payment, kickback or other unlawful payment to any domestic or foreign government official or employee from corporate funds; or (iii) violate any provision of AML Legislation, Anti-Corruption Laws or any applicable Sanctions.

Section 5.4 Financial Covenants.

- (a) **Net Debt to EBITDA.** Beginning with the Quarter ending September 30, 2019, the Borrower shall maintain a ratio of Net Debt to EBITDA for the 12-month period ending on the last day of each Quarter of no more than (i) 4.0:1.0 for the Quarters ending September 30, 2019 and December 31, 2019, (ii) 2.5:1.0 for the Quarters ending March 31, 2020 and June 30, 2020, and (iii) 1.5:1.0 for each Quarter thereafter; provided that EBITDA shall be calculated on an annualized basis until the Quarter ending September 30, 2020 using (1) the prior Quarter's quarterly EBITDA, with respect to each Quarter ending in such period, multiplied by four.
- (b) **Minimum Liquidity.** Beginning with the calendar month ending October 31, 2019, the Borrower will not permit its Average Liquidity to be less than A\$1,000,000 in any calendar month.
- (c) **EBITDA to Interest.** Beginning with the Quarter ending December 31, 2019, the Borrower shall maintain a ratio of EBITDA to Interest Expense for the three-month period ending on (i) the last day of the Quarter ending December 31, 2019 of no less than 1.5:1.00 and (ii) the last date of each Quarter thereafter of no less than 2.0:1.00.

ARTICLE 6
EVENTS OF DEFAULT

Section 6.1 Events of Default.

The occurrence of any of the following events shall constitute an “**Event of Default**”:

- (a) **Payments.** Borrower shall fail to pay when due any amount payable under any of the Finance Documents; provided, that, such failure continues for a period of three Business Days from the date of receipt of notice from the Agent in respect thereof.
- (b) **Representations and Warranties; Financial Statements; Certificates.** Any representation or warranty made, or certificate furnished to the Agent or Lenders, by any Borrower Group Member under or in connection with the Finance Documents shall prove to have been incorrect or misleading in any material respect when made or deemed made.
- (c) **Failure to Perform Certain Covenants.** A Borrower Group Member shall fail to perform, comply with or observe any term, covenant or agreement contained in Section 5.2(a) or (f) or Section 5.3.
- (d) **Failure to Perform Other Covenants.** A Borrower Group Member shall fail to perform, comply with or observe or any term, covenant or agreement contained in any Finance Document (other than those referred to above in Section 6.1(a) through (c) above) or any Material Project Agreement on its part to be performed or observed and any such failure shall remain unremedied or unresolved for a period of 30 days from the date (i) such Person obtained knowledge of the occurrence thereof, (ii) such Person should have obtained knowledge of the occurrence thereof, or (iii) such Person received written notice from the Agent of the occurrence thereof, unless such failure is not capable of remedy in which event the default shall occur immediately.
- (e) **Insolvency.** (i) a Borrower Group Member becomes insolvent, or suffers or consents to or applies for the appointment of a receiver, trustee, custodian or liquidator of itself or any of its property, or is generally unable to or fails to pay its debts as they become due, or makes a general assignment for the benefit of creditors; (ii) a Borrower Group Member files a voluntary petition in bankruptcy, or seeks to effect a plan or other arrangement with creditors or any other relief under any Bankruptcy Code, or under any Applicable Law granting relief to debtors, whether now or hereafter in effect; (iii) an involuntary petition or proceeding pursuant to any Bankruptcy Code or any other Applicable Law relating to bankruptcy, reorganization or other relief for debtors is filed or commenced against a Borrower Group Member and is not dismissed, stayed or vacated within 60 days thereafter; (iv) a Borrower Group Member files an answer

admitting the jurisdiction of the court and the material allegations of any involuntary petition; (v) a Borrower Group Member is adjudicated bankrupt, or an order for relief is entered by any court of competent jurisdiction under any Bankruptcy Code or any other Applicable Law relating to bankruptcy, reorganization or other relief for debtors; (vi) a Borrower Group Member voluntarily ceases to conduct its business in the ordinary course; or (vii) a Borrower Group Member takes any corporate action authorizing or in furtherance of any of the foregoing.

- (f) **Dissolution, etc.** Any Borrower Group Member liquidates, winds up or dissolves (or suffer any liquidation, wind-up or dissolution), suspends its operations other than in the ordinary course of business, or takes any action to authorize any of the foregoing.
- (g) **Production.** The Borrower Group Members shall fail to start formal production at the Project (including public announcement thereof) within 30 weeks of the date of advance of the Loan under Tranche 1.
- (h) **Default Under Other Indebtedness or Other Agreements.** Any Borrower Group Member shall:
 - (i) fail:
 - (A) to make any payment of any principal of, or interest or premium on, any Debt or Indebtedness (other than in respect of the Loans) having an aggregate principal amount of more than the Threshold Amount (or its equivalent in another currency) when due (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) and such failure shall continue after the applicable notice or grace period, if any, specified in the agreement or instrument relating to such Indebtedness as of the date of such failure; or
 - (B) to perform or observe any term, covenant or condition on its part to be performed or observed under any agreement or instrument relating to any Debt or Indebtedness (other than in respect of the Loans) having an aggregate principal amount of more than the Threshold Amount (or its equivalent in another currency), when required to be performed or observed, or any other event shall occur or condition shall exist under any such agreement or instrument, and such failure, event or condition shall continue after the applicable, notice or grace period, if any, specified in such agreement or instrument, if the effect of such failure, event or condition is to accelerate, or to permit the acceleration of, the maturity of such Indebtedness; or

- (ii) be subject to a declaration that any Indebtedness detailed in Section 6.1(h)(i) above is due and payable, or required to be prepaid (other than by a regularly scheduled required prepayment), prior to the stated maturity thereof; or
 - (iii) be subject to any facility or commitment available to it relating to Indebtedness in an aggregate amount at any one time of not less than the Threshold Amount (or its equivalent in any other currency) being withdrawn, suspended or cancelled by reason of any default (however described) of any Borrower Group Member; or
 - (iv) fail to comply with the terms of any Finance Document.
- (i) **Judgments.** Either:
- (i) a final Order for the payment of money in excess of the Threshold Amount (or its equivalent in another currency) which is not fully covered by third-party insurance shall be rendered against any Borrower Group Member; or
 - (ii) any non-monetary judgment or order shall be rendered against any Borrower Group Member which has or would reasonably be expected to have a Material Adverse Effect;

and in each case there shall be any period of 20 consecutive days during which such judgment continues unsatisfied or during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect.

- (j) **Material Adverse Effect.** A Material Adverse Effect in the Business Affairs or Business Assets of any Borrower Group Member shall have occurred which gives grounds to conclude, in the reasonable judgment of Lender, that any Borrower Group Member will be unable to perform or observe its obligations under the Finance Documents.

(k) **Collateral Documents.**

- (i) Borrower or Guarantor shall:
 - (A) contest in any manner the validity or enforceability of any of the Collateral Documents; or
 - (B) deny that it has any further liability or obligation under any of the Collateral Documents; or
- (ii) Any of the Collateral Documents:

- (A) for any reason, except to the extent permitted by the terms thereof, shall cease to create a valid Lien or the Lien created thereby fails to rank in priority in the manner contemplated in the Collateral Documents (other than by a direct act or omission of the Lender) subject only to Permitted Liens, in any of the Collateral purported to be covered thereby; or
 - (B) after delivery shall for any reason be revoked or invalidated, or otherwise cease to be in full force and effect.
- (l) **Consents, etc.** If any Authorization is withdrawn or becomes ineffective and the absence thereof would have a Material Adverse Effect, unless such withdrawal or ineffectiveness is being contested in good faith by appropriate proceedings or Majority Lenders are satisfied that the position of the Agent and the Lenders is not adversely affected.
- (m) **Abandonment.** Abandonment of the Project shall have occurred.
- (n) **Expropriation.** Any Governmental Body condemns, expropriates, seizes or appropriates any property which relates to or forms part of the Project and would have a Material Adverse Effect.
- (o) **Agreements Unenforceable; Illegality.** This Agreement or any other Finance Document is (i) expressly repudiated by any party thereto or (ii) declared illegal or unenforceable against any party other than the Lender.
- (p) **Change of Control.** Upon any Change of Control with respect to any Borrower Group Member.

Section 6.2 Effect of Event of Default.

- (a) During the continuance of any Event of Default (other than an Event of Default referred to in Section 6.1(e)), the Agent may, and upon instruction by the Majority Lenders shall, by notice to Borrower, (i) declare all or any part of the Obligations to be immediately due and payable without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived by Borrower, and/or (ii) take such enforcement action as is permitted under any Finance Document. Upon the occurrence or existence of any Event of Default described in Section 6.1(e), immediately and without notice, all indebtedness of Borrower under the Finance Documents shall automatically become immediately due and payable, without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived by Borrower.
- (b) The rights and remedies of the Agent and Lenders under the Finance Documents are cumulative and are in addition to, and not in substitution for, any other rights or remedies. Nothing contained in the Finance Documents with respect to the indebtedness or liability of Borrower to the

Agent and Lenders, nor any act or omission of the Agent or any Lender with respect to the Finance Documents or shall in any way prejudice or affect the rights, remedies and powers of the Agent and the Lenders under the Finance Documents.

- (c) Borrower shall pay to the Agent and Lenders, on demand and as part of the Obligations, all reasonable costs and expenses, including court costs and costs of sale, incurred by the Agent and Lenders in exercising any of their rights or remedies hereunder.

ARTICLE 7 THE AGENT

Section 7.1 Agency.

- (a) Each Lender hereby appoints Pala Investments Ltd. as Agent to act on its behalf as Agent under this Agreement and under the other Finance Documents and authorizes the Agent in such capacity to take such actions on its behalf and to exercise such powers as are delegated to the Agent by the terms hereof or thereof, together with such actions and powers as are reasonably incidental thereto. The provisions of this Article 7 are solely for the benefit of the Lenders and neither the Borrower nor any other Borrower Group Member shall have rights as a third party beneficiary of any of such provisions.
- (b) The Agent shall not have any duties or obligations except those expressly set forth herein and in the other Finance Documents. Without limiting the generality of the foregoing, the Agent:
 - (i) shall not be subject to any fiduciary or other implied duties, regardless of whether a Default or Event of Default has occurred and is continuing;
 - (ii) shall not, except as expressly set forth herein and in the other Finance Documents, have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to any Borrower Group Member or any of its Affiliates that is communicated to or obtained by it or any of its Affiliates in any capacity.
- (c) The Agent shall not be liable for any action taken or not taken by it in such capacity in the absence of its own gross negligence or wilful misconduct.
- (d) Each Lender agrees to indemnify the Agent and hold it harmless (to the extent not reimbursed by the Borrower or Guarantors), rateably according to its Applicable Percentage (and not jointly or jointly and severally) from and against any and all losses, claims, damages, liabilities and related expenses, including the fees, charges and disbursements of any counsel, which may be incurred by or asserted against the Agent in its capacity as

such in any way relating to or arising out of the Finance Documents or the transactions therein contemplated. However, no Lender shall be liable for any portion of such losses, claims, damages, liabilities and related expenses resulting from the Agent's gross negligence or wilful misconduct.

- (e) Each Lender acknowledges that it has, independently and without reliance upon the Agent and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Agent and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any other Finance Document or any related agreement or any document furnished hereunder or thereunder.
- (f) Each of the Lenders hereby acknowledges that to the extent permitted by Applicable Law, any collateral security and the remedies provided under the Finance Documents to the Agent are for the benefit of the Lenders collectively and acting together and not severally and further acknowledges that its rights hereunder and under any collateral security are to be exercised not severally, but by the Agent upon the decision of the Majority Lenders (or such number or percentage of the Lenders as shall be expressly provided for in Section 8.1 of this Agreement). Accordingly, notwithstanding any of the provisions contained herein or in any collateral security, each of the Lenders hereby covenants and agrees that it shall not be entitled to take any action thereunder including, without limitation, any declaration of default, but that any such action shall be taken only by the Agent on the instruction of the Majority Lenders (or such number or percentage of the Lenders as shall be expressly provided for in Section 8.1 of this Agreement). Each of the Lenders hereby further covenants and agrees that upon any such written agreement being given, it shall cooperate fully with the Agent to the extent requested by the Agent.
- (g) In the event that Pala Investments Ltd. ceases to hold at least 50% of the sum of the principal amount of the Loans outstanding and the portion of the Total Commitment that has not been advanced or cancelled, the Majority Lenders may (and, if requested by the outgoing Agent, shall within thirty (30) days of such request) appoint a new administrative agent to be the Agent for the Lenders and this Agreement shall be amended or supplemented to provide for such appointment.
- (h) While no Event of Default is continuing, the Borrower shall make all payments required to be made under this Agreement directly to the Lenders pursuant to any payment instructions provided by the Lenders to the Borrower. Following an Event of Default that is continuing, provided the Agent has declared all Obligations immediately due and payable, all payments shall be made to the Agent for distribution to the Lenders according to the Applicable Percentage. If any Lender, by exercising any

right of setoff or counterclaim or otherwise (including without limitation pursuant to Section 8.3 of this Agreement), obtains any payment or other reduction that might result in such Lender receiving payment or other reduction of a proportion of the aggregate amount of its Loans and accrued interest thereon or other Obligations greater than its Applicable Percentage thereof, then the Lender receiving such payment or other reduction shall (a) notify the Agent of such fact, and (b) purchase (for cash at face value) participations in the Loans and such other Obligations of the other Lenders, or make such other adjustments as shall be equitable, so that the benefit of all such payments shall be shared by the Lenders rateably in accordance with the Applicable Percentage owing to them, provided that the provisions of this Section shall not be construed to apply to (x) any payment made in respect of an obligation that is secured by a Permitted Lien or that is otherwise entitled to priority over the Borrower's obligations under or in connection with the Finance Documents, (y) any payment to which such Lender is entitled as a result of any form of credit protection obtained by such Lender, or (z) any payment to which such Lender is entitled in its capacity as a party to any agreement other than a Finance Document.

ARTICLE 8 MISCELLANEOUS

Section 8.1 Amendments and Waivers.

No amendment or waiver of any provision of this Agreement or any other Finance Document or consent to any departure by the Borrower or any Guarantor from any provision hereof or thereof is effective unless it is in writing and signed by the Majority Lenders or the Agent upon the instructions of the Majority Lenders, the Borrower, and the relevant counterparty to such document, provided no such amendment, waiver or consent shall:

- (a) increase the amount of the Tranche 1 Commitment, Tranche 2 Commitment, Tranche 3 Commitment, Tranche 4 Commitment, Tranche 5 Commitment, Tranche 6 Commitment or Total Commitment;
- (b) extend the applicable Maturity Date of any Loan;
- (c) reduce the principal or amount of, or rate of interest on, directly or indirectly, any Loans outstanding or any fees;
- (d) postpone any date fixed for any payment of principal of, or interest on, the Loans or any fees;
- (e) change the percentage of any Lender of the Total Commitment;
- (f) alter the manner in which payments are shared under the terms of this Agreement;

- (g) permit any termination of all or any substantial part of the Collateral documents or release all or any substantial part of the guarantees or the Collateral subject to the Collateral Documents (except as otherwise permitted under this Agreement);
- (h) release the Borrower or any Guarantor from any material obligations under the Collateral Documents and other instruments contemplated by this Agreement or any other Finance Documents (except as otherwise permitted under this Agreement);
- (i) reduce the priority of the security contemplated hereunder;
- (j) reduce the priority of any payment obligation of the Borrower under this Agreement or any other Finance Document; or

amend the terms of this Section 8.1 or the definition of Majority Lenders or any other provision hereof specifying the number or percentage of Lenders required to waive, amend or modify any rights hereunder or make any determination or grant any consent hereunder,

in each case without the prior written consent of each Lender. Such amendment, waiver or consent shall be effective only in the specific instance and for the specific purpose for which it is given. The Agent shall provide the other Lenders with copies of all amendments, waivers and consents provided by the Agent with respect to any provisions of this Agreement or any other Finance Document promptly upon the execution thereof.

Section 8.2 Notices.

All notices and other communications provided for hereunder and under the other Finance Documents shall, unless otherwise stated herein or therein, be in writing (including by facsimile or email transmission) and sent or delivered to the respective parties hereto or thereto at or to their respective addresses, facsimile numbers or email addresses set forth below their names on the signature pages hereof, or at or to such other address, facsimile number or email address as shall be designated by any party in a written notice to the other party hereto. All such notices and communications shall be effective:

- (a) if delivered by hand or sent by an overnight courier service, when received; and
- (b) if sent by facsimile or email transmission, subject to evidence of a successful transmission, when sent; provided, if sent after 5:00 p.m. local time of the recipient shall be deemed to be received on the next Business Day.

Notices and communications to the Agent and Lenders shall not be effective until received.

Section 8.3 No Waiver; Cumulative Remedies.

No failure on the part of the Agent or Lenders to exercise, and no delay in exercising, any right, remedy, power or privilege under any Finance Document shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, remedy, power or privilege preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights and remedies under the Finance Documents are cumulative and not exclusive of any rights, remedies, powers and privileges that may otherwise be available to the Agent or Lenders.

Section 8.4 Costs and Expenses; Indemnity.

- (a) **Costs and Expenses.** Borrower agrees to pay on demand all reasonable expenses and costs of the Agent and Lenders, including the fees and disbursements of legal counsel (provided Borrower shall only be responsible for one set of legal counsel for the Agent and Lenders per applicable jurisdiction) and third party consultants and other service providers, in connection with:
- (i) the negotiation and settlement of the Finance Documents and due diligence;
 - (ii) the administration of the Finance Documents or any amendments, modifications or waivers of the provisions thereof (whether or not the transactions contemplated thereby shall be consummated);
 - (iii) any Default or Event of Default;
 - (iv) the enforcement or attempted enforcement of, and preservation of any rights or interests under, the Finance Documents;
 - (v) any out-of-court workout or other refinancing or restructuring or any bankruptcy or insolvency case or proceeding; and
 - (vi) the preservation of and realization upon any of the Collateral.
- (b) **Other Charges.** Borrower also agrees to indemnify the Agent and each Lender against and hold it harmless from any and all present and future stamp, transfer, documentary and other such taxes, levies, fees, assessments and other charges made by any jurisdiction by reason of the execution, delivery, performance and enforcement of the Finance Documents.
- (c) **Indemnification.** Whether or not the transactions contemplated hereby shall be consummated, Borrower hereby agrees to indemnify the Agent and each Lender and its directors, officers, employees, agents, counsel and other advisors (each an “**Indemnified Person**”) against, and hold each of them harmless from, any and all liabilities, obligations, losses, claims,

damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever, (other than Taxes, except for Taxes that represent losses, damages, claims, etc. arising from any non-Tax claim) including the reasonable fees and disbursements of counsel to an Indemnified Person, which may be imposed on or incurred by any Indemnified Person, or asserted against any Indemnified Person by any third party or by Borrower or Guarantors, in any way relating to or arising out of, in connection with, or as a result of:

- (i) the execution or delivery of this Agreement, any other Finance Document or any agreement or instrument contemplated hereby or thereby, the performance by the parties hereto of their respective obligations hereunder or thereunder or the consummation of the transactions contemplated hereby or thereby;
 - (ii) the Loans or the use or intended use of the proceeds thereof;
 - (iii) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory, whether brought by a third party or by Borrower or any Borrower Subsidiary (the “**Indemnified Liabilities**”); or
 - (iv) provided that Borrower shall not be liable to any Indemnified Person for any portion of such Indemnified Liabilities to the extent they are found by a final decision of a court of competent jurisdiction to have resulted from such Indemnified Person’s gross negligence or willful misconduct or a material breach by the Agent or a Lender of its obligations under a Finance Document. If and to the extent that the foregoing indemnification is for any reason held unenforceable, Borrower agrees to make the maximum contribution to the payment and satisfaction of each of the Indemnified Liabilities which is permissible under Applicable Law.
- (d) **Change in Law.** In the event of any change after the date of this Agreement in any Applicable Law or in the interpretation or application thereof by any court or by any Governmental Body which now or hereafter:
- (i) subjects the Agent or any Lender to any Tax or changes the basis of taxation, or increases any existing Tax, on payments of interest or fees payable by any Borrower Group Member to the Lender under any Finance Document, other than (i) in respect of which the Lender has claimed or received an Additional Amount pursuant to Section 8.4(c), or (ii) in respect of an Excluded Tax;
 - (ii) imposes, modifies or deems applicable any reserve, special deposit or similar requirements against assets held by, or deposits in or for the account of or loans by or any other acquisition of funds by, the

office of the Agent or any Lender through which the Loans are being provided and at which the Obligations are being maintained;

- (iii) imposes on the Agent or any Lender or requires there to be maintained by the Lender any capital adequacy or additional capital requirements in respect of the Loans hereunder or any other condition with respect to any Finance Document; or
 - (iv) with the result of an increase in the cost to, or a reduction in the amount of principal, interest or other amount received or receivable by, or the effective return of, the Agent or any Lender under this Agreement in respect of making, maintaining or funding the Loans, the Agent or such Lender shall determine that amount of money which shall compensate the Agent or such Lender for such increase in cost or reduction in income (in this Agreement referred to as "**Additional Compensation**").
- (e) **Payment of Additional Compensation.** Upon the Agent or a Lender having determined that it is entitled to Additional Compensation the Agent or such Lender shall promptly notify Borrower. The Agent or such Lender shall provide to Borrower a photocopy of the relevant Applicable Law, and a certificate of a duly Authorized Officer of the Agent or such Lender setting forth the Additional Compensation and the basis of calculation therefor, which shall be prima facie evidence of such Additional Compensation in the absence of manifest error. Borrower shall pay or shall cause the applicable Borrower Group Member to pay to the Agent or such Lender within 10 Business Days of the giving of such notice the Lender's Additional Compensation calculated to the date of such notification; *provided*, that if the Agent or such Lender fails to issue such notice within 60 days after it obtains actual knowledge of the event giving rise to the Additional Compensation, the Agent or such Lender shall be entitled to payment of Additional Compensation only for the period from and after 60 days prior to the date of such notice. The Agent or Lenders shall be entitled to be paid such Additional Compensation from time to time to the extent that the provisions of this Section are then applicable, notwithstanding that the Agent or any Lender has previously been paid Additional Compensation. The Agent and Lenders shall endeavour to limit the incidence of any Additional Compensation, including seeking recovery for the account of the applicable Borrower Group Member, by appealing any assessment at the expense of the applicable Borrower Group Member upon the request of Borrower and will not seek Additional Compensation from the applicable Borrower Group Member except to the extent it seeks Additional Compensation from all debtors to it, if any, similarly affected.
- (f) **Taxes.** All payments required to be made to the Agent and Lenders pursuant to the Finance Documents shall be made free and clear of, and without deduction or withholding for, or on account of, any present or

future Taxes unless such deduction or withholding is required by Applicable Law. If any Indemnified Taxes are required to be deducted or withheld by Applicable Law from any amounts payable under the Finance Documents to the Agent or any Lender (other than in respect of which the Agent or such Lender has claimed or received Additional Compensation pursuant to Section 8.4(c) or other than if the Agent or such Lender has not delivered properly completed and executed documentation with respect to withholding pursuant to Section 8.4(g)), the Borrower Group Member shall promptly pay an additional amount (“**Additional Amount**”) to the Agent or such Lender as may be necessary so that after making all required Tax deductions or withholdings (including deductions or withholdings applicable to Additional Amounts payable under this Section), the Agent or such Lender receives an amount equal to the amount that it would have received had no such deductions or withholdings been required. The applicable Borrower Group Member shall pay the full amount of all Taxes deducted or withheld under this Section to the relevant Governmental Body on a timely basis all in accordance with Applicable Law. Each Borrower Group Member shall be fully liable and responsible for and shall, promptly following receipt of a request from the Agent or any Lender, pay to the Agent or such Lender on its behalf or on behalf of the other Borrower Group Members, any and all Taxes in the nature of sales, use, and goods and services, and harmonized sales taxes payable under the laws of Canada or any Province of Canada, or payable under the laws of any other country or jurisdiction, with respect to any and all goods and services made available under the Finance Documents to any Borrower Group Member by the Agent or such Lender. Whenever any Taxes are required to be paid by a Borrower Group Member to a Governmental Body under this Section 8.4(f), the Borrower Group Member shall send or cause to be sent to the Lender, as promptly as possible thereafter, a certified copy of an original official receipt showing payment of such Taxes or other satisfactory evidence of the payment of such Taxes. If a Borrower Group Member fails to pay any Taxes deducted or withheld as required under this Section when due or if a Borrower Group Member fails to remit to the Agent or such Lender the required documentary evidence of such payment, Borrower shall indemnify and save harmless the Agent or such Lender from any Taxes or other liabilities that may become payable by the Agent or such Lender or to which the Agent or such Lender may be subjected as a result of any such failure. A certificate of the Agent or a Lender as to the amount of any such Taxes and containing reasonable details of the calculation of such Taxes shall be, absent manifest error, prima facie evidence of the amount of such Taxes.

- (g) **Tax Exemption.** If the Agent or any Lender is entitled to an exemption from or reduction of withholding tax under the laws of a jurisdiction in which a Borrower Group Member is resident or carries on business, or under any applicable tax treaty with such jurisdiction, the Agent or such Lender shall, at the request of an Borrower Group Member, deliver to the Borrower

Group Member, at the time or times reasonably requested by the Borrower Group Member, such properly completed and executed documentation as will permit payments under the Finance Documents to be made without withholding or at a reduced rate of withholding.

- (h) **Tax Refund.** If the Agent or a Lender receives a refund of any Taxes as to which it has been indemnified by a Borrower Group Member or with respect to which a Borrower Group Member has paid Additional Amounts or that, because of the payment of such Taxes, it shall pay to the Borrower Group Member, an amount equal to such refund or reduction (but only to the extent of indemnity payments made, or Additional Amounts paid, by the Borrower Group Members under this Section with respect to the Taxes giving rise to such refund or reduction), net of all reasonable documented out-of-pocket expenses of the Agent or such Lender.

Section 8.5 Survival.

All covenants, agreements, representations and warranties made in any Finance Documents shall, except to the extent otherwise provided therein, survive the execution and delivery of this Agreement, the making of the Loans, and shall continue in full force and effect so long as any portion of the Loans remain outstanding or any other Obligations remain unpaid or any obligation to perform any other act hereunder or under any other Finance Document remains unsatisfied. Without limiting the generality of the foregoing, the obligations of Borrower under Section 8.4, and all similar obligations under the other Finance Documents (including all obligations to pay costs and expenses and all indemnity obligations), shall survive the repayment of the Loans.

Section 8.6 Benefits of Agreement.

This Agreement is entered into for the sole protection and benefit of the parties hereto and their permitted successors and assigns, and no other Person (other than the Indemnified Persons referred to in Section 8.4(c)) shall be a direct or indirect beneficiary of, or shall have any direct or indirect cause of action or claim in connection with, this Agreement.

Section 8.7 Binding Effect; Assignment.

This Agreement shall become effective when it shall have been executed by Borrower, the Guarantors, the Agent and the initial Lender and thereafter shall be binding upon, inure to the benefit of and be enforceable by Borrower, the Guarantors, the Agent and the Lenders and their respective successors and assigns. Borrower and the Guarantors shall not have the right to assign its rights and obligations hereunder or under the other Finance Documents or any interest herein or therein without the prior written consent of the Agent and all of the Lenders. Each Lender shall have the right to assign its rights and obligations hereunder or under the other Finance Documents only with the prior written consent of the Agent but without the consent of Borrower. In the event of any such assignment, upon notice thereof to Borrower and the Guarantors, Borrower, Guarantors and Agent shall effect and record such assignment or transfer (including the identity and

address of the assignee or transferee) on Borrower's books and records, the assignee shall be deemed to be a "Lender" for all purposes of the Finance Documents with respect to the rights and obligations assigned to it, and the obligations of the Lender so assigned shall thereupon terminate. Borrower and the Guarantors shall, from time to time upon request of a Lender, enter into such amendments to the Finance Documents and execute and deliver such other documents as shall be necessary to effect any such grant or assignment. Borrower and Guarantors agree that in connection with any such grant or assignment, a Lender may deliver to the prospective assignee financial statements and other relevant information relating to Borrower and Guarantors. A Lender shall obtain from any such prospective assignee a confidentiality agreement in which such assignee agrees to an obligation of confidentiality.

Section 8.8 Governing Law.

This Agreement and all disputes and controversies arising hereunder shall be construed in accordance with and governed by the laws of the Province of Ontario and the federal laws of Canada applicable therein.

Section 8.9 Entire Agreement.

The Finance Documents reflect the entire agreement between Borrower, the Guarantors, the Agent and the Lenders with respect to the matters set forth herein and therein and supersede any prior agreements, commitments, drafts, communication, discussions and understandings, oral or written, with respect thereto.

Section 8.10 Setoff.

If an Event of Default is continuing, the Agent, Lenders and any Affiliate of a Lender that participates in the Loans is hereby authorized at any time and from time to time, to the fullest extent permitted by Applicable Law, to set off and apply any and all deposits (general or special, time or demand, provisional or final, in whatever currency) at any time held and other obligations (in whatever currency) at any time owing by the Agent or Lender, or such other Affiliate of a Lender that participates in the Loans to or for the credit or the account of Borrower against any and all of the obligations of Borrower now or hereafter existing under any Finance Document to such Lender, irrespective of whether or not any demand has been made under any Finance Document and although such obligations of Borrower may be contingent or unmatured or are owed to a branch or office of Lender different from the branch or office holding such deposit or obligated on such indebtedness. If an obligation is unascertained, a Lender may, in good faith, estimate the obligation and exercise its right of set-off in respect of the estimate, subject to providing Borrower with an accounting when the obligation is finally determined. Such Lender shall promptly notify Borrower after any set-off and application is made by it, provided that the failure to give notice shall not affect the validity of the set-off and application. The rights of the Agent, Lenders and any Affiliate of a Lender that participates in the Loans under this Section 8.10 are in addition to other rights and remedies (including other rights of set-off) that the Agent and Lenders or such Person may have.

Section 8.11 Severability.

Whenever possible, each provision of the Finance Documents shall be interpreted in such manner as to be effective and valid under all Applicable Laws and regulations. If, however, any provision of any of the Finance Documents shall be prohibited by or invalid under any Applicable Law in any jurisdiction, it shall, as to such jurisdiction, be deemed modified to conform to the minimum requirements of such Applicable Law, or, if for any reason it is not deemed so modified, it shall be ineffective and invalid only to the extent of such prohibition or invalidity without affecting the remaining provisions of such Finance Document, or the validity or effectiveness of such provision in any other jurisdiction.

Section 8.12 Judgment Currency.

- (a) **Conversion.** If, for the purpose of obtaining or enforcing judgment against any party in any court in any jurisdiction, it becomes necessary to convert into any other currency (such other currency being hereinafter in this Section referred to as the “**Judgment Currency**”) an amount due under this Agreement or any other Finance Document in any currency (the “**Obligation Currency**”) other than the Judgment Currency, then the conversion shall be made at the rate of exchange prevailing on the Business Day immediately preceding the date of actual payment of the amount due, in the case of any proceeding in the courts of any jurisdiction that will give effect to such conversion being made on such date, or, if the courts of the applicable jurisdiction will not give effect to such conversion being made on such date, then on the date on which the judgment is given (the applicable date as of which such conversion is made pursuant to this Section being hereinafter referred to as the “**Judgment Conversion Date**”).
- (b) **Additional Amounts.** If, in the case of any proceeding in the court of any jurisdiction referred to in paragraph (a) above, there is a change in the rate of exchange prevailing between the Judgment Conversion Date and the date of actual receipt for value of the amount due, then the party shall pay such additional amount (if any, but in any event not a lesser amount) as may be necessary to ensure that the amount actually received in the Judgment Currency, when converted at the rate of exchange prevailing on the date of payment, will produce the amount of the Obligation Currency which could have been purchased with the amount of the Judgment Currency stipulated in the judgment or judicial order at the rate of exchange prevailing on the Judgment Conversion Date. Any amount due from any party under this paragraph (b) shall be due as a separate debt and shall not be affected by judgment being obtained for any other amounts due under or in respect of any of the Finance Documents, and any such amount shall be part of the Obligations secured by the Collateral and the Liens thereon granted hereunder, under any other Finance Document.
- (c) **Rate of Exchange.** The term “**rate of exchange**” in this Section means the rate of exchange at which Bank of America, N.A. on the relevant date at or

about 1:00 p.m. (Eastern Standard Time), would be prepared to sell, in accordance with its normal course foreign currency exchange practices, the Obligation Currency against the Judgment Currency.

Section 8.13 Confidentiality and Public Statements.

- (a) Except as otherwise provided in this Section 8.13 or by Applicable Law, the terms and conditions of this Agreement, the other Finance Documents and all data, reports, records, and other information of any kind whatsoever acquired by any party hereto in connection with the Finance Documents shall be treated by the parties as confidential (hereinafter called "**Confidential Information**") and no party shall reveal or otherwise disclose such Confidential Information to third parties without the prior written consent of the other party hereto. Confidential Information that is available or that becomes available in the public domain, other than through a breach of this provision by a party hereto, shall no longer be treated as Confidential Information.
- (b) The foregoing restrictions shall not apply to the disclosure of Confidential Information to any Affiliate of either Borrower, the Agent or any Lender, to any assignee or potential assignee of the Agent's or a Lender's rights hereunder, to the lender(s) under the Pala C&M Loan, or to any public or private financing agency or institution or any other potential investor or lender in or to any Borrower Group Member, the Agent or a Lender; provided, however, that in any such case only such Confidential Information as such third party shall have a legitimate business need to know shall be disclosed and the person or company to whom disclosure is made shall first undertake in writing to protect the confidential nature of such information at least to the same extent as the parties are obligated under this Section 8.13.
- (c) In the event that a party hereto is required to disclose Confidential Information to any government, any court, agency or department thereof, or any stock exchange, to the extent required by Applicable Law, or in response to a legitimate request for such Confidential Information, the party so required shall as promptly prior to such disclosure as reasonably feasible, notify the other party hereto to which such Confidential Information relates of such requirement and the terms thereof, and the proposed form and content of the disclosure and, to the extent feasible, prior to such submission. The other party hereto to which such Confidential Information relates shall, have the right for a period of 1 Business Day to review and comment upon the form and content of the disclosure and to object to such disclosure to the court, agency, exchange or department concerned, and to seek confidential treatment of any Confidential Information to be disclosed on such terms as such party shall, in its sole discretion, determine.

- (d) No party hereto shall issue any press release relating to this Agreement or the other Finance Documents except upon giving the other party two days advance written notice of the contents thereof, and the party proposing such press release shall make any reasonable changes to such proposed press release as such changes may be timely requested by the non-issuing party, provided, however, the party proposing such press release may include in any press release without notice any information previously reported by the party proposing such press release. No party shall, without the consent of the other party hereto, issue any press release that implies or infers that the non-issuing party endorses or joins the issuing party in statements or representations contained in any press release.

Section 8.14 Eligible Financial Contract.

The parties hereto agree that this Agreement is an “**eligible financial contract**” for purposes of the *Bankruptcy and Insolvency Act (Canada)* and all other bankruptcy and insolvency legislation.

Section 8.15 No Partnership or Joint Venture.

Nothing in this Agreement shall be deemed to constitute a partnership or joint venture between the parties hereto nor constitute any party the agent of any other party for any purpose.

Section 8.16 Counterparts.

This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute but one and the same agreement. Counterparts to this Agreement may be delivered by facsimile, PDF or any other form of electronic transmission, and signatures provided on counterparts so delivered shall be considered originals for all purposes.

[Remainder of page intentionally left blank]

This document was executed and delivered as of the date given above.

PALA INVESTMENTS LIMITED

By: "Evgenij Iorich" (Signed)

Name: Evgenij Iorich

Title: Director

Address:

12 Castle Street

St. Helier Jersey

Channel Isles

JE2 3RT

United Kingdom

Attention: John Nagulendran

Fax No.: [fax number redacted
-personal information]

E-mail: [e-mail address redacted
-personal information]

IN WITNESS WHEREOF the parties have duly executed this Agreement as of the date first above written.

MELIOR RESOURCES INC.

By: "Martyn Buttenshaw" (Signed)

Name: Martyn Buttenshaw

Title: Interim Chief Executive Officer

Address:

120 Adelaide Street West

Suite 2500

Toronto, Ontario M5H 1T1

Attention: Martyn Buttenshaw

Fax No.: [fax number redacted
-personal information]

**Executed as a deed by MELIOR
AUSTRALIA PTY LTD ACN 168 683 798**

"Martyn Buttenshaw" (Signed)

Director/Sole Director/Sole Director and
Secretary

Martyn Buttenshaw

Print full name of Director/Sole Director

"Jonathan Mattiske" (Signed)

Director/Secretary (if applicable)

Jonathan Mattiske

Print full name of Director/Secretary

**Executed as a deed by GOONDICUM
RESOURCES PTY LTD ACN 058 011 368**

"Martyn Buttenshaw" (Signed)

Director/Sole Director/Sole Director and
Secretary

Martyn Buttenshaw

Print full name of Director/Sole Director

"Jonathan Mattiske" (Signed)

Director/Secretary (if applicable)

Jonathan Mattiske

Print full name of Director/Secretary

EXHIBIT "A"

CONVERSION NOTICE

TO: MELIOR RESOURCES INC.

DATE: [■]

Pursuant to the fourth amended and restated loan agreement dated as of August 21, 2019 (the "**Loan Agreement**") between, among others, Melior Resources Inc., as borrower (the "**Borrower**"), Pala Investments Limited, as administrative agent (the "**Agent**") and the lenders party thereto from time to time (the "**Lenders**"), the undersigned, being a Lender under the Loan Agreement, hereby requests that:

1. the Borrower convert US\$[■], being [the whole/a portion] of the outstanding principal amount of the Loans as of the date hereof (other than in respect of advances made under Tranche 5 and Tranche 6), into Common Shares;
2. the Borrower convert US\$[■], being quarterly accrued interest payable on the Loans at of the date hereof (other than in respect of advances made under Tranche 5 and Tranche 6), into Common Shares, convertible at a price per Common Share equal to the Current Market Price on the applicable Interest Payment Date;
3. the Borrower make the requisite notation in its share register reflecting the foregoing; and
4. the certificates representing the Common Shares to be issued be registered as follows:

Name	Address	# of
	for Delivery	Common Shares
[■]	[■]	[■]

By:[■]

Name:

Title:

SCHEDULE "A"

CONVERSION PRICE

	Tranche 1	Tranche 2	Tranche 3	Tranche 4
Maximum principal amount outstanding convertible at a price per Common Share of C\$0.39	US\$9,247,473.45	US\$2,000,000	US\$2,000,000	US\$2,500,000
Additional amount outstanding as of the Effective Date convertible at a price per Common Share equal to the Current Market Price	US\$4,490,755.32	US\$363,704.11	US\$298,728.77	Nil