

Date: May 4, 2022

Avalon Advanced Materials Inc.

as Company

Lind Global Fund II, LP

as Investor

Convertible Security Funding Agreement

Agreement for a private placement of CDN\$3,000,000 by way of a convertible security

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This Agreement is made the 4th day of May, 2022

Parties

- 1 **Avalon Advanced Materials Inc. of Suite 1901 – 130 Adelaide Street West, Toronto, Ontario M5H 3P5 (the *Company*)**
- 2 **Lind Global Fund II, LP of 444 Madison Ave, Fl. 41, New York, NY 10022 U.S.A. (the *Investor*)**

Recital

The Investor has agreed to invest CDN\$3,000,000 in the Company and the Company has agreed to issue the Convertible Security to the Investor, in accordance with the terms of this Agreement.

It is agreed as follows:

1 Definitions and Interpretation

1.1 Definitions

The following definitions apply unless the context requires otherwise.

1933 Act means the United States Securities Act of 1933.

2021 CSFA means the convertible security funding agreement dated January 24, 2021 between the Company and the Investor.

Affiliate has the meaning ascribed to the terms "affiliate" and "affiliated" under the *Securities Act* (Ontario).

Agreement means this agreement.

Amount Outstanding means the then-outstanding Face Value of the Convertible Security following the issuance of the Convertible Security, after:

- (a) conversion of that Convertible Security of any Conversion Amounts into Conversion Shares under clause 5.2 (if any); and
- (b) any other amounts have been repaid by the Company to the Investor in respect of the Face Value of the Convertible Security.

Business Day means any day of the year, other than a Saturday, Sunday or a statutory holiday in New York, New York or Toronto, Ontario.

Business Hours means 9:00AM to 5:00PM.

Buy-Back Amount Outstanding means the Amount Outstanding in respect of a Convertible Security.

Buy-Back Conversion Amount means the amount so specified by the Investor to the Company under a Buy Back Conversion Notice under clause 5.1(b).

Buy-Back Conversion Date has the meaning given to that term in clause 5.1(c).

Buy-Back Conversion Notice means a notice issued by the Investor to the Company as described in clause 5.1(b).

Buy-Back Conversion Option has the meaning given to that term in clause 5.1(a).

Buy-Back Conversion Shares has the meaning given to that term in clause 5.1(b).

Buy-Back Notice means a notice issued by the Company to the Investor as described in clause 5.1(a).

CDN\$ (or **C\$**) means Canadian dollars, the legal currency of Canada.

Canadian Securities Laws means all applicable securities laws in each of the Provinces of Canada where the Company has the status of a reporting issuer emanating from Governmental Authorities including the respective rules and regulations made thereunder together with applicable published national and local instruments, policy statements, notices, blanket rulings and orders of the Securities Commissions, all discretionary rulings and orders, if any, of the Securities Commissions and the TSX Rules, all as the same are in effect at the date hereof.

Cash Conversion Amount has the meaning given to that term in clause 5.4(c)(i).

Cash Conversion Notice has the meaning given to that term in clause 5.4(c)(i).

Change in Law Termination Event means:

- (i) a change in an interpretation or administration of a Law;
- (ii) compliance by the Investor or any of its Affiliates with a Law or an interpretation or administration of a Law; or
- (iii) a change after the date of this Agreement in a Law or an interpretation or administration of a Law,

which has, in the reasonable opinion of the Investor, directly or indirectly, the effect of:

- (iv) materially varying the duties, obligations or liabilities of the Company or the Investor in connection with any Transaction Document or Contemplated Transactions such that the Investor's rights, powers, benefits, remedies or economic burden (including any Tax treatment in the hands of the Investor) are materially adversely affected; or
- (v) otherwise materially adversely affecting rights, powers, benefits, remedies or the economic burden of the Investor (including by way of delay or postponement),

provided that the definition of Change in Law Termination Event excludes for this purpose any applicable Law regarding maximum permitted rates of interest, including the *Criminal Code* (Canada) regarding criminal rates of interest.

Change of Control Event means, in respect of the Company: (a) a change in the composition of the board of directors of the Company where 50.0% or more of the individuals that are directors cease to be directors during the time period beginning on the Execution Date and ending at the end of the Term; or (b) any of the individuals who are the Chief Executive Officer or Chief Financial Officer as of the Execution Date cease to hold such position; or (c) other than a shareholder that holds such a position as of Execution Date, if an individual, person or legal entity comes to have beneficial ownership, control or direction over more than 50% of the voting rights attached to any class of voting securities of the Company; or (d) the sale or other disposition by the Company or any of its Subsidiaries in a single transaction, or in a series of transactions, of all or substantially all of the assets that are held directly or indirectly by the Company. the sale or other disposition by the Company or any of its Subsidiaries in a single transaction, or in a series of transactions, of all or substantially all of their respective assets.

Closing has the meaning as defined in clause 2.1.

Closing Date has the meaning as defined in clause 2.1.

Closing Fee means an amount payable by the Company to the Investor on the Closing Date, as consideration for the Investor effecting Closing, which must be paid in the amount of CDN\$90,000 in accordance with clause 3.1 and set-off under clause 3.1.

Contemplated Transactions means the transactions contemplated in this Agreement.

Conversion means the conversion of the Convertible Security in accordance with clause 5.2.

Conversion Amount means an amount specified in a Conversion Notice in accordance with clause 5.2(c)(iv).

Conversion Date means a date specified by the Investor in a Conversion Notice.

Conversion Notice means a notice given by the Investor to the Company pursuant to clause 5.2(a).

Conversion Notice Date means the date of a Conversion Notice.

Conversion Price means the price per Share equal to 85% of the VWAP per Share (in Canadian dollars) for the five (5) consecutive Trading Days immediately prior to the Conversion Date, rounded to the nearest four decimal places.

Conversion Shares means Shares issuable or issued (as applicable) in accordance with clause 5.2.

Convertible Security has the meaning given to that term in clause 2.1.

Corporations Act means the *Canada Business Corporations Act* and the regulations thereunder.

Designated Warrant Holder means:

Lind Global Fund II, LP
c/o The Lind Partners, LLC
444 Madison Ave., FI 41
New York, NY 10022 USA

or such other Person as Investor designates in writing to Company, provided such Person is entitled to subscribe for such Warrants in compliance with prospectus and registration exemptions of applicable securities laws and the TSX Rules.

Disclosure Schedule has the meaning given to that term in clause 7.4(b).

E-mail Time has the meaning given to that term in clause 17.7(d)(i).

Environmental Laws has the meaning given to that term in clause 7.1(p).

Event of Default means an event of default as set out in clause 12.1.

Exchange Act means the United States Exchange Act of 1934.

Execution Date means the date of mutual execution of this Agreement, or where one Party executes this Agreement on a date prior to another Party, means the date upon which the second Party executes this Agreement.

Face Value means the Face Value of the Convertible Security as set out in and varied by clause 2.1.

Face Value of the Convertible Security has the meaning given to it in clause 2.1.

Foreign Private Issuer has the meaning given to it in clause 7.1(bb)(iv).

Frustration Termination Event means there comes into being an applicable Law which, or an official or reasonable interpretation of which, in the Investor's reasonable opinion, makes it illegal or impossible for the Investor or the Company to undertake any of the Contemplated Transactions, in accordance with this Agreement, or renders consummation of any of the Contemplated Transactions in accordance with this Agreement unenforceable, void, voidable or unlawful, or contrary to or inconsistent with any Law, provided that the definition of Frustration Termination Event excludes for this purpose any provisions in the *Criminal Code* (Canada) regarding criminal rates of interest.

Funded Amount has the meaning given to it in clause 2.1.

Funds Flow Request has the meaning given to it in clause 4.1(a)(iii).

Governmental Authority means any United States, Canadian or other (a) multinational, federal, provincial, state, regional, municipal, local or other government, governmental or public department, central bank, court, tribunal, arbitral body, bureau or agency, domestic or foreign, (b) any subdivision, agent, commission, board, or authority of any of the foregoing, or (c) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing, and any stock exchange or self-regulatory authority and, for greater certainty, includes the Securities Commissions, the TSX and Market Regulation Services Inc.

IFRS means the International Financial Reporting Standards as issued by the International Accounting Standards Board and are subject to Canadian auditing and auditor independence standards.

Insolvency Event means the commencement by the Company or any Subsidiary of a voluntary proceeding under applicable bankruptcy or insolvency legislation (**Bankruptcy Laws**) or the commencement by any person of involuntary proceedings under Bankruptcy Laws against the Company or any Subsidiary that are not dismissed within sixty (60) days after commencement thereof, or a receiver or administrator is appointed for or takes charge of all or substantially all of the property of the Company or any Subsidiary, or the Company or any Subsidiary commences any other proceeding under any proposal, arrangement, adjustment of debt, relief of debtors, dissolution, insolvency or liquidation or similar Law of any jurisdiction whether now or hereafter in effect relating to the Company or any Subsidiary, or the Company or any Subsidiary is adjudicated insolvent or bankrupt, or any order or relief or other order approving any such case or proceeding is entered, or the Company or any Subsidiary makes a general assignment for the benefit of creditors.

Interest Rate upon Default has the meaning given to that term in clause 14(f).

Investor Indemnified Person has the meaning given to that term in clause 16.2(a).

Investor's Shares means the Conversion Shares and the Shares issued or issuable on exercise of the Warrants or otherwise to the Investor under this Agreement.

Law means Canadian Securities Laws, US Securities Laws and all other statutes, regulations, statutory rules, orders, by-laws, codes, ordinances, decrees, the terms and conditions of any grant of approval, permission, authority or license, or any judgment, order, decision, ruling, award, policy or guideline, of any Governmental Authority, and the term **applicable** with respect to such Laws and in the context that refers to one or more persons, means that such Laws apply to such person or persons or its or their business, undertaking, property or securities and emanate from a Governmental Authority having jurisdiction over the person or persons or its or their business, undertaking, property or securities.

Lien means a lien, charge, mortgage, security interest, encumbrance, right of first refusal, or pre-emptive right.

Lock-Up Period means the period during which the Investor may not exercise any right of Conversion in respect of the Convertible Security, being the period commencing from the Execution Date and ending on the date that is four (4) months and one (1) day after the Execution Date, provided that the relevant provisions of NI 45-102 are otherwise complied with.

Losses has the meaning given to that term in clause 16.2(a).

Market Cap Event means if any of the following occur:

- (a) the Market Capitalization of the Company falls below CDN\$32,000,000; or
- (c) the Market Capitalization of the Company increases above CDN\$100,000,000.

Market Capitalization means the number of Shares outstanding as of the relevant date of determination multiplied by the VWAP of the Shares for one Trading Day calculated as at the close of trading on the TSX on such Trading Day.

Material Adverse Effect means a material adverse effect on:

- (a) the assets, liabilities, results of operations, condition (financial or otherwise), business, or prospects of the Company and its Subsidiaries taken as a whole; or
- (b) the ability of the Company to perform its obligations under this Agreement.

Materials has the meaning given to that term in clause 7.1(u)(i).

Money Laundering Laws has the meaning given to that term in clause 7.1(t).

New York Business Day means a day, other than a Saturday or Sunday, on which banks in New York, New York are open for the general transaction of business.

NI 45-102 means National Instrument 45-102 – *Resale of Securities*.

NI 45-106 means National Instrument 45-106 - *Prospectus Exemptions*.

OFAC has the meaning given to that term in clause 7.1(r).

Party means a party to this Agreement.

Proceeding has the meaning given to that term in clause 16.2(a)(v).

Prohibited Transaction means a transaction with one or more third parties in which the Company issues or sells (or arranges or agrees to issue or sell):

- (a) any debt, equity or equity-linked securities (including options or warrants) that are convertible into, exchangeable or exercisable for, or include the right to receive Shares:
 - (i) at a conversion, repayment, exercise or exchange rate or other price that is based on, and/or varies with, the trading prices of, or quotations for, the Shares; or
 - (ii) at a conversion, repayment, exercise or exchange rate or other price that is subject to being reset at some future date after the initial issuance of such debt, equity or equity-linked security or upon the occurrence of specified or contingent events (other than a Share consolidation or Share split); or
- (b) any securities in a capital or debt raising transaction or series of related transactions which grant to an investor the right to receive additional securities based upon future transactions of the Company on terms more favourable than those granted to such investor in such first transaction or series of related transactions,

and are deemed to include transactions generally referred to as equity lines of credit, "at-the-market" distributions, and stand-by equity distribution agreements, and convertible securities and loans having a similar effect. For the avoidance of doubt, rights issuances, shareholder purchase plans, employee share ownership plans, convertible securities, or equity issuances, based on the Company's trading price but each at a fixed price per Share, are not Prohibited Transactions.

Public Record means the documents filed by the Company with the Canadian securities regulatory authorities under the Company's profile on the SEDAR website (www.sedar.com).

Relevant Information has the meaning given to that term in clause 17.14(a).

Securities means each of the Investor's Shares, Convertible Security, and Warrants, and all of the Investor's Shares, the Convertible Security and the Warrants collectively.

Securities Commissions means, collectively, the securities commissions or other securities regulatory authorities in each of the provinces where the Company has the status of a reporting issuer.

Security Structure Event means any consolidation, subdivision or any payment of a special dividend in Shares of the Company or distribution of Shares of the Company to all or substantially all holders of its outstanding Shares, which for the avoidance of doubt, does not include a rights offering, private placement or public offering of Shares.

Securities Termination Event means any of the following has occurred:

- (a) trading in securities generally in Canada or the United States has been suspended or limited for a consecutive period of greater than three (3) Business Days; or
- (b) a banking moratorium has been declared by Canada, the United States or the New York State authorities and is continuing for a consecutive period of greater than three (3) Business Days.

Share means a fully paid common share in the capital of the Company and includes (where applicable) Investor's Shares.

Share Custodian means the share custodian notified by the Investor to the Company.

Share Maximum has the meaning given to this term in clause 5.4(a).

Subsidiary has the meaning given to that term in the Corporations Act.

Tax means (a) any and all taxes, duties, fees, excises, premiums, assessments, imposts, levies and other charges or assessments of any kind whatsoever imposed by any Governmental Authority, whether computed on a separate, consolidated, unitary, combined or other basis, including those levied on, or measured by, or described with respect to, income, gross receipts, profits, gains, windfalls, capital, capital stock, production, recapture, transfer, land transfer, license, gift, occupation, wealth, environment, net worth, indebtedness, surplus, sales, goods and services, harmonized sales, use, value-added, excise, special assessment, stamp, withholding, business, franchising, real or personal property, health, employee health, payroll, workers' compensation, employment or unemployment, severance, social services, social security, education, utility, surtaxes, customs, import or export, and including all license and registration fees and all employment insurance, health insurance and government pension plan premiums or contributions; (b) all interest, penalties, fines, additions to tax or other additional amounts imposed by any Governmental Authority on or in respect of amounts of the type described in clause (a) above or this clause (b); (c) any liability for the payment of any amounts of the type described in clauses (a) or (b) as a result of being a member of an affiliated, consolidated, combined or unitary group for any period; and (d) any liability for the payment of any amounts of the type described in clauses (a) or (b) as a result of any express or implied obligation to indemnify any other person or as a result of being a transferee or successor in interest to any Party.

Term means in respect of the Convertible Security, the period commencing from the Closing Date and ending on the date that is the earlier of: (i) twenty-four (24) months from the Closing Date; or (ii) thirty (30) calendar days after the date on which there is NIL Amount Outstanding for the Convertible Security due to the Amount Outstanding having been fully converted and/ or fully repaid.

Toronto Business Day means a day, other than a Saturday or Sunday, on which banks in Toronto, Ontario are open for the general transaction of business.

Total Interest Amount means the total interest amount on the Convertible Security, based on an implied interest rate of 10% per annum.

Trading Day means a day on which the TSX is open for the buying and selling of securities.

Transaction Documents means this Agreement and all Warrant certificates issued under this Agreement.

TSX means the Toronto Stock Exchange.

TSX Rules means the TSX Company Manual.

US\$ or US dollars means US dollars, the lawful currency of the United States of America.

US Securities Laws means all applicable U.S. federal and state securities laws including the respective rules and regulations made thereunder together with applicable rules, policies, notices, discretionary rulings and orders issued by applicable securities regulatory authorities having application, all as the same are in effect at the date hereof.

VWAP means the volume weighted average trading price of the Shares, calculated by dividing the total value by the total volume of the Shares traded for the relevant period.

Warrants means 9,000,000 warrants to purchase Shares, exercisable at the Warrants Exercise Price on or before the date falling forty-eight (48) months after their issue, granted in accordance with the terms and conditions set out in Annexure A.

Warrants Exercise Price for the Warrants means CDN\$0.26, being the price per Share equal to the greater of 130% of the VWAP per Share (in Canadian dollars) for the twenty (20) consecutive Trading Days immediately before the Execution Date (provided that if the resultant VWAP number contains four or more decimal places, such number will be rounded to the nearest four decimal places), and the VWAP per Share (in Canadian dollars) for the five (5) consecutive Trading Days immediately before the Execution Date (provided that if the resultant VWAP number contains four or more decimal places, such number will be rounded to the nearest four decimal places).

1.2 Interpretation

The following rules apply unless the context requires otherwise.

- (a) Headings and sub-headings used in this Agreement are used for convenience only and do not affect interpretation.
- (b) The singular includes the plural, and the converse also applies.
- (c) A gender includes all genders.
- (d) If a word or phrase is defined, its other grammatical forms have a corresponding meaning.
- (e) A reference to a clause is a reference to a clause of this Agreement.
- (f) Mentioning anything after "includes", "including", "for example", or similar expressions, does not limit what else might be included.
- (g) A reference to an agreement or document (including a reference to this Agreement) is to the agreement or document as amended, supplemented or novated.
- (h) Each reference to the word "person" in this Agreement will be deemed to include an individual, corporation, partnership, trust, incorporated or unincorporated association or body, joint venture, limited liability company, joint stock company, government (or any agency or subdivision), and other entity of any kind.
- (i) As used in this Agreement, references to the Recitals, clauses, Disclosure Schedule and the Annexures are references, respectively, to the Recitals of, clauses of, Disclosure Schedule to, and the Annexures to, this Agreement unless otherwise indicated.

- (j) The Disclosure Schedule and the Annexures identified in this Agreement are incorporated in this Agreement by reference and made a part of this Agreement.
- (k) Where a Closing Date falls on a day that is not a New York Business Day or a Toronto Business Day, the Closing will occur on the day that is the next day that is a New York Business Day and Toronto Business Day.
- (l) Where a Conversion Date falls on a day that is not a New York Business Day or a Toronto Business Day or a day on which the TSX is not open for trading, the Conversion will occur on the day that is the next day that is a New York Business Day and a Toronto Business Day and a day on which the TSX is open for trading.
- (m) References in this Agreement to volume of trading of Shares and market price of Shares will be determined by reference to the calculations from the trading of such Shares on the TSX, or if the Shares are not hereafter listed on TSX, such other primary stock exchange or stock market upon which the Shares of the Company may be listed from time-to-time hereafter, as reported by Bloomberg LP.
- (n) Any reference to time on a given day, excluding in connection with the meaning of Business Hours herein, shall be a reference to the local time in New York, New York on such day.
- (o) This Agreement will be construed without regard to any presumption or rule requiring construction or interpretation against the Party drafting or causing any instrument to be drafted.

2 Convertible Security

2.1 Convertible Security

On the terms and subject to the conditions of this Agreement, and in reliance on the respective representations and warranties of the Parties set out in this Agreement, within ten (10) Trading Days of the Execution Date or such later date as may be determined in accordance with the provisions of this Agreement (the **Closing Date**), the Investor will advance to the Company CDN\$3,000,000, which following the set off of the CDN\$90,000 Closing Fee under clause 3.1 will result in the Investor being required to advance the Company CDN\$2,910,000 (subject to any additional set off in this Agreement) (**Closing**) in consideration of which the Company shall issue (and at the Closing will be deemed to have issued) to the Investor an uncertificated convertible security with a face value of CDN\$3,600,000 (**Face Value of the Convertible Security**) (representing a funding amount of CDN\$3,000,000 (**Funded Amount**) plus an implied 10% interest rate per annum for the Term) on the terms set out in this Agreement (the **Convertible Security**).

2.2 Interest

If as a result of a Conversion it is determined by the Investor or a court of competent jurisdiction that the effective rate of interest paid or payable on the Amount Outstanding or the Face Value is an effective rate of interest greater than the maximum prescribed in section 347(1)(b) of the *Criminal Code* (Canada), then the Parties shall take such steps, and modify this Agreement in such manner, so that the effective rate of interest paid or payable does not contravene such section, including, if required, by the repayment by the Investor to the Company of a sufficient amount of interest that was originally set-off from the Face Value so that the resulting amount of interest received by the Investor does not result in an effective rate of interest greater than that permitted.

3 Closing Fee and Warrants

3.1 Closing Fee

At, or prior to, the Closing, the Company must pay the Closing Fee to the Investor, which payment must be paid and discharged by the Company by being offset against the funding obligation of the Investor under clause 2.1, such that the Investor pays CDN\$2,910,000 to the Company at the Closing for the Convertible Security.

3.2 Closing Warrants

At, or prior to, the Closing, the Company shall grant to the Investor or Designated Warrant Holder, the Warrants.

4 Conditions Precedent to Closing

4.1 Conditions Precedent to Closing – Investor

The Investor will have no obligation to pay or advance the amount under clause 2.1 to the Company or to effect the Closing, unless and until the following conditions are fulfilled, or waived in writing by the Investor, by no later than immediately prior to the Closing:

- (a) The Company has delivered or caused to be delivered to the Investor, and the Investor has received, the following:
 - (i) a copy of the resolutions duly adopted by the Board of Directors of the Company authorizing the execution and delivery of the Transaction Documents and the performance by the Company of its obligations thereunder, in a form acceptable to the Investor in its sole discretion;
 - (ii) copies of such additional documents (including evidence demonstrating all relevant approvals have been obtained from each person who is a party to an agreement with the Company where the transactions contemplated by a Closing would otherwise contravene, breach or constitute an event of default under that agreement with such person, as applicable), certificates, payments, assignments, transfers and other deliveries as the Investor or its legal counsel may reasonably request and as are customary in Canada to effect a closing of the matters contemplated at the Closing; and
 - (iii) the flow of funds request, substantially in the form set out in Annexure B (***Funds Flow Request***).
- (b) Where the Closing, or the issue of the Convertible Security or Warrants may not be effected under Canadian Securities Laws or the Corporations Act in the absence of shareholder approval, the Company has obtained all shareholder approvals for the purposes of the Corporations Act and any Canadian Securities Laws and delivered to the Investor, and the Investor has received, documentary evidence (reasonably satisfactory to the Investor) of such shareholder approval having been obtained.
- (c) The representations and warranties of the Company contained in this Agreement are true and correct in all material respects as of the dates as of which they are made or deemed to be made under this Agreement.
- (d) Any and all consents, permits, approvals, registrations, waivers and documents, in the reasonable opinion of the Investor are necessary or appropriate for the consummation of those Contemplated Transactions that would be consummated at the Closing, have been issued by the Company and received by the Investor and remain in full force and effect.
- (e) The Investor is of the opinion, acting reasonably, that:

- (i) no Event of Default has occurred; and
 - (ii) no Event of Default would result from the Closing being effected.
- (f) The Company has performed or complied in all respects with all agreements and covenants required by this Agreement to be performed or complied with by the Company as at or prior to the Closing.
- (g) The Company has received the conditional approval of the TSX in respect of the issuance of the Convertible Security and Warrants, and the listing of the Shares underlying the Convertible Security and Warrants.
- (h) The Investor has received each of the documents required to be delivered, or which evidences satisfaction of the conditions, in accordance with paragraphs (a) – (g) of this clause 4.1 in connection with the Closing.

The Investor may, but is not required to, deem the absence of any notification by the Company prior to the Closing that any conditions to the Closing have not been fulfilled to be an assurance that all conditions to the Closing have been fulfilled.

4.2 Conditions Precedent to Closing – Company

- (a) The Company will have no obligation to effect the Closing, unless and until the following conditions are fulfilled, or waived in writing by the Company, by no later than immediately prior to the Closing.
- (i) Where the Closing, or the issue of the Convertible Security or Warrants may not be effected under Canadian Securities Laws or the Corporations Act in the absence of shareholder approval, the Company has obtained all shareholder approvals for the purposes of the Corporations Act and any Canadian Securities Laws
 - (ii) The Investor has performed or complied in all material respects with all agreements and covenants required by this Agreement to be performed or complied with by the Investor as at, or prior to, the Closing.
 - (iii) The representations and warranties of the Investor contained in this Agreement are true and correct in all material respects as of the dates as of which they are made or deemed to be made under this Agreement.
 - (iv) The Company has received the conditional approval of the TSX in respect of the issuance of the Convertible Security and Warrant, and the listing of the Shares underlying the Convertible Security and Warrants.

5 Buy-Back and Conversion of Convertible Security

5.1 Buy-Back

- (a) In its sole discretion, the Company may buy-back the Amount Outstanding of a Convertible Security at any time after the date that is 151 days following the Closing Date for an amount equal to the Buy-Back Amount Outstanding of such Convertible Security. In the event of the Company electing to exercise its right under this clause 5.1(a), it must issue the Investor with a buy-back notice for the Convertible Security (**Buy-Back Notice**), and upon receipt of a Buy-Back Notice, the Investor will have the option to convert an amount of the Amount Outstanding up to 33% of the Face Value of the Convertible Security into Shares at the Investor's discretion (subject to clause 5.4), at the Conversion Price (**Buy-Back Conversion Option**).
- (b) If the Investor wishes to exercise the Buy-Back Conversion Option, it must, within five (5) Business Days of receiving a Buy-Back Notice, issue a buy-back conversion notice (**Buy-Back**

Conversion Notice) to the Company specifying the dollar value of the Amount Outstanding (which may be up to 33% of the original Face Value of the Convertible Security, subject to clause 5.4) which it requires be converted into Shares (**Buy-Back Conversion Shares**) at the Conversion Price (**Buy-Back Conversion Amount**).

- (c) Upon issuing a Buy-Back Notice to the Investor, the Company irrevocably and unconditionally agrees to (as applicable), within five (5) Business Days of receiving the Buy-Back Conversion Notice, or if no Buy-Back Conversion Notice is received then within ten (10) Business Days of issuing the Buy-Back Notice (the **Buy-Back Conversion Date**):
 - (i) pay to the Investor in immediately available funds the Buy-Back Amount Outstanding in respect of the Convertible Security, less any Buy-Back Conversion Amount requested by the Investor in a Buy-Back Conversion Notice that is permitted hereunder to be settled with Buy-Back Conversion Shares; and
 - (ii) issue the Buy-Back Conversion Shares (if applicable) to the Investor, in accordance with its relevant obligations under clause 5.2.
- (d) For greater certainty:
 - (i) upon the Company complying with the obligations in clause 5.1(c), the Company will have satisfied all obligations to pay the Amount Outstanding to Investor with respect to the applicable Convertible Security, and
 - (ii) all Warrants shall remain outstanding and held by the Investor or the Designated Warrantholder and will be unaffected by any Buy-Back Notice.

5.2 Conversion of the Convertible Security

Subject to the obligations set out in clause 5.1, the Investor is permitted to convert each Convertible Security into Shares subject to the following terms and conditions.

- (a) The Investor may in its sole discretion one or more times and from time-to-time during the relevant period and during the Term for a Convertible Security provide the Company a conversion notice (**Conversion Notice**) under this clause 5.2(a) indicating that it requires a Conversion of the Convertible Security.
- (b) Upon receipt by the Company of a Conversion Notice pursuant to clause 5.2(a), the Company will effect a Conversion of the Convertible Security or the part thereof specified by the Investor in its Conversion Notice using the relevant Conversion Price, by issuing and delivering Shares (in the number determined pursuant to clause 5.2(d)) to the Investor or its nominee on the Conversion Date (as defined below).
- (c) A Conversion Notice delivered pursuant to clause 5.2(a) will specify:
 - (i) the date by which the Investor requires Conversion to occur, giving at least one (1) Business Day notice (**Conversion Date**);
 - (ii) within one (1) Business Day of receiving the Conversion Notice, the Company will take the required actions in order for the Conversion to occur on the Conversion Date, it being understood and agreed that the Investor may revoke any Conversion Notice, at its sole discretion, before one (1) business day prior to the Conversion Date;
 - (iii) notwithstanding clauses 5.2(c)(i) and 5.2(c)(ii), in the event the Company, despite its best efforts is unable to complete the Conversion on the Conversion Date due to additional time being required by the Share Custodian or other relevant third party, the Conversion Date may be

delayed up to five (5) Business Days from the date upon which the Company received the Conversion Notice; and

- (iv) the Conversion Amount(s) which may be any amount up to the original Face Value of the Convertible Security.
- (d) The aggregate Conversion Amount the Investor may Convert under 5.2(a) shall not exceed 1/20th of the Face Value of the Convertible Security per month. The Investor shall have the right at any time and in its sole discretion to increase such Conversion limit to up to CDN\$400,000 per month, provided that such increased amount does not exceed twenty percent (20%) of the aggregate trading volume of the Shares for the immediately preceding twenty (20) Trading Days.
- (e) Notwithstanding the limitations in clause 5.2(d), if a Market Cap Event occurs at any time, there shall be no limit to the amount of the Face Value the Investor may Convert with respect to the Convertible Security.
- (f) The Company and the Investor acknowledge and agree that there shall be no limit to the amount of the Face Value the Investor may Convert with respect to the Convertible Security after the twenty-four (24) month anniversary of the Closing Date of such Convertible Security or at any time that an Event of Default occurs and/or is continuing (subject to the cure period in clause 13).
- (g) The number of Conversion Shares that the Company shall issue and deliver on a Conversion will be determined by dividing the Conversion Amount by the relevant Conversion Price, provided that if the resultant number contains a fraction, such number will be rounded down to the next lowest whole number.
- (h) On or prior to each Conversion Date, the Investor will provide the Company with a notice of the relevant Conversion Price applicable to the Conversion due to be effected on such Conversion Date, setting out the manner in which such Conversion Price was calculated by the Investor.
- (i) The Company shall deliver to the Investor the Conversion Shares on the Conversion Date to which it is entitled under this clause, and provided that:
 - (i) The Investor shall not sell, transfer, assign or otherwise dispose of the Conversion Shares during the Lock-Up Period;
 - (ii) If legends that were required under Canadian Securities Laws on any previously issued Share or Warrant certificate are no longer required under Canadian Securities Laws, the Investor is entitled to have these legends removed from any previously issued Share or Warrant certificate which the Company undertakes to cause within five (5) Business Days of any request from the Investor, which request shall be accompanied by each applicable Share or Warrant certificate in respect of which the request is made;
 - (iii) the Investor is entitled to have any Conversion Shares issued after the Lock-Up Period in an electronic or dematerialized form as determined by the Investor;
 - (iv) any Conversion Shares represented in an electronic or dematerialized form will not have any restrictive legend; and

Investor shall provide all such certificates, declarations, and/or opinions reasonably required by the Company, reliance on which is required by Law in order for the Conversion Shares to be issued without United States legends attached.

5.3 Issuing of Investor's Shares

Subject to clause 5.4, each time the Company is required to issue Shares to the Investor under this Agreement, the Company shall, without delay, take all actions required under Canadian Securities Laws and US Securities Laws in respect of the issuance of such Shares to the Investor, including, to the extent required, filing all required forms with and obtaining all approvals of the TSX that are required. In the event any approvals of the TSX are conditional upon the Company subsequently filing additional information or documentation with the TSX, the Company shall complete all such filings and the Investor shall cooperate to provide any required documentation required to be provided by it in the prescribed time period.

5.4 Limitation on Shares Issuable on Conversion

- (a) Notwithstanding any other provision of this Agreement, but subject to this clause 5.4, the aggregate number of Investor's Shares issuable upon Conversion, together with the number of Investor's Shares issued upon exercise of Warrants, shall not exceed 98,999,728 Shares, as adjusted on a proportionate basis to reflect any Security Structure Event (the **Share Maximum**), unless and to the extent the Company has obtained approval by its shareholders for the issuance of additional Investor's Shares in a manner and form required by the TSX, or has otherwise obtained the approval of the TSX to issue Shares in excess of the Share Maximum without shareholder approval.
- (b) If in the opinion of the Investor it is likely that the issuance of Investor's Shares upon a Conversion or exercise of Warrants, together with the number of Investor's Shares issuable upon exercise of Warrants, would result in the issuance of a number of Shares in excess of the Share Maximum or result in the Investor becoming a "control person" (as defined in the *Securities Act* (Ontario), the Investor may on notice require that the Company call and hold a special or extraordinary meeting of shareholders to seek the required shareholder approval, which the Company shall hold within sixty (60) days of the date that the Investor has delivered notice to the Company. Management of the Company shall make a positive recommendation in the materials sent to shareholders at such meeting to vote in favour of the Investor becoming a "control person" of the Company and/or being issued Investor's Shares.
- (c) If the Share Maximum referred to in clause 5.4(a) above would be exceeded on a Conversion and the Company is unable to obtain the approval of its shareholders for the issuance of additional Investor's Shares in excess of the Share Maximum, then without limiting any of the Investor's other rights under this Agreement:
- (i) the Investor may by written notice to the Company (**Cash Conversion Notice**) require the Company to pay a cash amount to the Investor equal to Y multiplied by $\$C$, where:
Y = the number of new Investor's Shares required to be issued to the Investor in excess of the Share Maximum; and
\\$C = the 5-day VWAP per Share on the date prior to the issuance of the Conversion Notice,
(Cash Conversion Amount); and
 - (ii) upon the Company receiving a Cash Conversion Notice from the Investor, the Company must within five (5) Business Days pay the Investor in immediately available funds the Cash Conversion Amount.
- (d) Notwithstanding any right of Conversion hereunder, Investor will not be entitled to convert that portion of the Amount Outstanding representing the Total Interest Amount until such time as the relevant pro rata amount has accrued in accordance with this clause 5.4(d). For purposes of determining that portion of the Amount Outstanding represented by principal and the Total

Interest Amount in connection with Conversions, in all cases a Conversion will be deemed to apply first to the amounts constituting the Funded Amount and with the final balance of the Amount Outstanding representing the Total Interest Amount. The Total Interest Amount will accrue for purposes of this clause 5.4(d) in respect of the CDN\$600,000 Total Interest Amount for the Convertible Security, in equal monthly increments of CDN\$25,000 commencing at the end of the first month following the issue of the Convertible Security and the end of each month thereafter for twenty-four (24) months.

- (e) In the event that a Conversion and/or exercise of Warrants would result in the Investor becoming an "Insider" (as defined in TSX Rules) of the Company, such Conversion and/or exercise of Warrants will be postponed and will not be effective until the TSX has approved a personal information form(s), or waived the requirement therefor, in respect of the Investor. In addition, in the event that a Conversion and/or exercise of Warrants would "materially affect control" (as defined in TSX Rules) of the Company, and/or result in the Investor becoming a "control person" (as defined in the *Securities Act* (Ontario)), such Conversion and/or exercise of Warrants will be postponed and will not be effective until the Parties comply with all requirements under TSX Rules and Canadian Securities Laws, as applicable. For greater certainty, if a Conversion and/or exercise of Warrants is postponed in accordance with this clause 5.4(e), such postponement will not constitute an Event of Default.

5.5 Payment at Maturity

On the date that is twenty-four (24) months following the Closing Date, the Company shall pay to the Investor the Amount Outstanding, if any, of the Convertible Security.

6 Additional Conditions to Investor's Shares

6.1 Conditions to issue of Investor's Shares

The obligation of the Investor to accept an issuance of Investor's Shares, will be subject to the fulfilment on or before the issuance date of each of the conditions set out below.

- (a) Subject to clause 5.4, all shareholder and regulatory approvals, consents, permits, other approvals, registrations and waivers necessary or appropriate for the issuance of the Investor's Shares, including under Canadian Securities Laws and US Securities Laws, have been issued and received by the Company and remain in full force and effect.
- (b) The representations and warranties of the Company contained in this Agreement are true and correct in all material respects as of the dates as of which they are made or deemed to be made.
- (c) The Company has performed or complied in all material respects with all agreements and covenants required by this Agreement to be performed or complied with by it on or prior to the issuance date.
- (d) No Event of Default has occurred or would result from the Contemplated Transactions occurring on such issuance date being effected.
- (e) The issue and delivery of such Investor's Shares would not result in the Company being in breach of Canadian Securities Laws, US Securities Laws, the Corporations Act or the TSX Rules.

6.2 Consequence of failure to meet conditions

- (a) The Company shall not issue Shares as discharge of all or any part of any Amount Outstanding, to the Investor or its nominee without the prior written consent of the Investor if, on the issue of the relevant Shares, any of the conditions in clause 6.1 have not been fulfilled.

- (b) If the Company issues Shares in breach of sub-clause 6.2(a):
 - (i) the relevant Shares will be deemed not to have been accepted by the Investor and the Shares will be surrendered by the Investor and repurchased for cancellation by the Company, and the Investor agrees to co-operate to effect that repurchase and cancellation. The costs of such repurchase and cancellation will be borne by the Company and the Company shall indemnify the Investor in respect of any liability arising to the Investor in accordance with clause 16.2; and
 - (ii) the obligation of the Company to deliver Shares in accordance with clause 5 will be deemed not to have been discharged.

7 Representations and Warranties by the Company

7.1 Representations and Warranties

The Company represents and warrants to the Investor, on the Execution Date, at the Closing, at each Conversion Date, and on the date of issuing any Shares on exercise of Warrants (in each case where qualified by an express reference to the representation or the warranty being given on a particular other date or dates, on that date or dates), that the following statements in this clause 7.1 are true and correct and not misleading, including by omission:

- (a) **(Existence)** The Company is a corporation continued and validly existing in good standing under the federal laws of Canada, with all requisite corporate power and authority to own, use, lease and operate its properties and conduct its business in the manner presently conducted, and is duly qualified to transact business in each jurisdiction where it is so required.
- (b) **(Authorisation)** The execution and delivery of, and performance by the Company of this Agreement, including, without limitation, to:
 - (i) enter into, authorise, execute and deliver the Transaction Documents, the certificates representing the Warrants and the certificates representing the Investor's Shares, including obtaining any shareholder approval required for the issue (as and when required to be issued in accordance with the terms of the Transaction Documents) of the Warrants (and issuing any Shares pursuant to the Warrants), the Investor's Shares and the Convertible Security; and
 - (ii) enter into, and authorise the performance of, all obligations of the Company as and when required under the Transaction Documents and the Contemplated Transactions, including issuing the Warrants and the Investor's Shares,

has been authorized by all necessary corporate action on the part of the Company and no further corporate action is required by the Company, its officers, its board of directors, or its security holders in connection with the Transaction Documents or the relevant Contemplated Transactions (except as may be required by the TSX Rules, Canadian Securities Laws and US Securities Laws).
- (c) **(No contravention)** The entry into the Transaction Documents by the Company and the undertaking of the Contemplated Transactions will not cause the Company to breach or contravene:
 - (i) its articles as amended or any of its other constating documents;

- (ii) any agreement it has with any other third party and does not constitute an event of default under any such agreement; or
 - (iii) any applicable Law, including the Corporations Act;
- (d) **(Securities)** The Company is authorized to issue an unlimited number of Shares and 25,000,000 Preferred Shares, of which 395,998,914 Shares and no Preferred Shares are issued and outstanding as of the Execution Date, and no other class of equity or voting securities.
- (e) **(Binding Obligations)** This Agreement has been duly executed and delivered by the Company, and this Agreement and each Transaction Document constitutes a legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganisation, moratorium and similar laws of general applicability, relating to or affecting creditors' rights generally.
- (f) **(Security structure)**
 - (i) No person is entitled, or purports to be entitled, to any right of first refusal, pre-emptive right, right of participation, or any similar right, to participate in the Contemplated Transactions or otherwise with respect to any securities of the Company, except as set out in the Disclosure Schedule.
 - (ii) Except as described in the Disclosure Schedule, the Company has not granted security with respect to any indebtedness or other equity of the Company.
 - (iii) The issuance and sale of any of the Investor's Shares or the Warrants will not obligate the Company to issue Shares or other securities to any other person and will not result in the adjustment of the exercise, conversion, exchange, or reset price of any outstanding security.
 - (iv) Except as described in the Disclosure Schedule:
 - (A) there are no outstanding warrants, options, convertible securities or other rights, agreements or arrangements of any character under which the Company or any Subsidiary is, or may be, obligated to issue any equity, equity securities or equity-linked securities of any kind;
 - (B) there are no voting, buy-sell, outstanding or authorised stock appreciation, right of first purchase, phantom stock, profit participation or equity-based compensation agreements, options or arrangements, or like rights relating to the securities of the Company or agreements of any kind among the Company and any person;
 - (C) as of the Execution Date, other than the convertible security issued under the 2021 CSFA, there is no indebtedness or other equity of the Company that is senior to, or pari passu with, the Convertible Security in right of payment, whether with respect to interest or upon liquidation or dissolution, or otherwise; and
 - (D) the Company is current on all outstanding debt, including but not limited to all accounts payable being less than 90 days outstanding and any tax related liabilities of the Company, its Affiliates or its Subsidiaries that are required to have been paid by the Execution Date.
- (g) **(Valid issuance)** All Investor's Shares to be issued by the Company pursuant to this Agreement have been duly authorized for issuance and sale by all necessary corporate

action on the part of the Company and, when issued and delivered by the Company against payment of the consideration thereof pursuant to this Agreement, will be outstanding as fully paid and non-assessable Shares, and will not have been issued in violation or subject to any pre-emptive rights or other contractual rights to purchase securities issued by the Company or in violation of any Canadian Securities Laws, and will be free and clear of all Liens and restrictions, except for restrictions on transfer imposed by Canadian Securities Laws and US Securities Laws.

- (h) **(Reporting Issuer and TSX Listed)** The Company is a "reporting issuer" under Canadian Securities Laws in each of the Provinces and Territories of Canada other than Québec, and is not currently noted in default of any filing requirement under such securities laws. The Shares of the Company are listed on the TSX. The Company has complied with its obligations to file and deliver any documents required under TSX Rules and the Company is not in breach, contravention or default of any the TSX Rules and no fact exists which may result in the foregoing.
- (i) **(Consents)** Prior to the Closing, except for the approval of the TSX and provided there exists applicable exemptions from registration under US Securities Laws, there are no consents, approvals, authorizations, orders or agreements of any Governmental Authorities or any other persons which may be required for the execution, delivery and performance by the Company of the Transaction Documents and the offer, issuance and sale of the Securities.
- (j) **(Regulatory Issues)** No order ceasing or suspending trading in any securities of the Company nor prohibiting the sale of such securities has been issued to and is outstanding against the Company and, to the Company's best knowledge, no investigations or proceedings for such purposes are pending or threatened. To the Company's knowledge, there is no fact or circumstance that may cause the Company to request or any Governmental Authority to impose any order ceasing or suspending trading in securities of the Company nor prohibiting the sale or issuance of such securities.
- (k) **(Subsidiaries)** The Subsidiaries listed in the Disclosure Schedule are all of the Subsidiaries of the Company. The Company owns 100% of the voting and equity interests in the Subsidiaries. Except as disclosed in the Disclosure Schedule, the Company is the sole beneficial owner of the Subsidiaries and no other person holds any equity interests or securities exchangeable into securities of any Subsidiary or has any agreement, option, warrant, right or privilege (whether pre-emptive or contractual) being capable of becoming an agreement for the purchase, subscription or issuance of any issued or unissued shares or other securities of any Subsidiary. Each of the Subsidiaries has been duly incorporated or established and is validly existing and in good standing under the laws of its respective jurisdiction of organization with all requisite corporate power and authority to own, use, lease and operate its properties and conduct its business in the manner presently conducted, and is duly qualified to transact business in each jurisdiction where it is so required.
- (l) **(No Material Adverse Effect)** Except as disclosed in the Disclosure Schedule, there has not been any material change in the assets, liabilities or obligations (absolute, contingent or otherwise) of the Company and its Subsidiaries (taken as a whole) from that set forth in the Company's financial statements for its fiscal year-ended August 31, 2021. Additionally, except as disclosed in the Public Record, no event or circumstance subsists which affects the Company or any of its Subsidiaries or to which any of the Company's or any of its Subsidiaries' assets are subject which could, or could be reasonably likely to, have a Material Adverse Effect.

(m) **(Financial Statements)** Since the date of the Company's most recent financial statements (where for these purposes the **most recent financial statements** means the annual or interim financial statements most recently released to the market and made available in the Public Record):

- (i) the Company has not incurred any liabilities (contingent or otherwise) that remain outstanding, other than in the ordinary course of business;
- (ii) the Company has not altered its method of accounting; and
- (iii) the Company has not declared or made any dividend or distribution of cash or other property to its shareholders, or purchased, redeemed or made any agreements to purchase or redeem any shares of its capital stock.

The Company's most recent financial statements, as well its financial statements for its fiscal year-ended August 31, 2021, have been prepared in accordance with IFRS consistently applied throughout the periods involved and present fairly the consolidated financial position and results of operation and changes in the financial position of the Company for the periods involved, and such accounts fairly present in all material respects the financial condition, financial performance and cash flows of the Company for the periods involved.

(n) **(Litigation)**

Except as disclosed in the Disclosure Schedule:

- (i) there are no pending actions, suits or proceedings against or affecting the Company, its Subsidiaries or any of its or their assets or properties and to the Company's best knowledge, no such actions, suits or proceedings are threatened or contemplated;
- (ii) there has not been, and to the Company's knowledge there is no, pending or contemplated investigation by any Governmental Authority involving the Company, its Subsidiaries or any current or former director or officer of the Company or any of its Subsidiaries; and
- (iii) there is no agreement, judgment, injunction, order or decree binding upon the Company or its Subsidiaries that has or could reasonably be expected to have the effect of prohibiting, restricting or impairing any business practice of the Company or its Subsidiaries, any acquisition of property by the Company or any of its Subsidiaries.

(o) **(Compliance)** Neither the Company nor any Subsidiary:

- (i) is in default under, or in violation of (and no event has occurred that has not been waived that, with notice or lapse of time or both, would result in a default by the Company or any Subsidiary under), nor has the Company or any Subsidiary received notice of a claim that it is in default under or that it is in violation of, any indenture, loan or credit agreement or any other agreement or instrument to which it is a party or by which it or any of its properties is bound (whether or not such default or violation has been waived);
- (ii) is in violation of any order of any Governmental Authority; or
- (iii) is in violation of any Law in any material respect.

Except as disclosed in the Disclosure Schedule, the Company and its Subsidiaries have received all permits, licenses and other approvals required of any of them under such Laws, rules, regulations, orders and directions for the conduct of their current business

operations, and are in material compliance with all terms and conditions of such permits, licenses or approvals; and have not received any notice of the modification, revocation or cancellation of, or any intention to modify, revoke or cancel or any proceeding relating to the modification, revocation or cancellation of any such permits, licenses or approvals. Without limiting the generality of the foregoing, except as disclosed in the Disclosure Schedule, the Company and each of its Subsidiaries has good and marketable title under applicable laws to the tenements that constitute each mineral project of the Company and to all material personal property owned by them in the conduct of their business, in each case free and clear of all Liens, except such Liens that do not materially affect the value of such property and do not interfere with the use made and proposed to be made of such property by the Company and its Subsidiaries, or Liens otherwise required by applicable Law.

- (p) **(Environmental Laws)** Except as disclosed in the Disclosure Schedule, the Company and its Subsidiaries: (i) are in compliance with any and all applicable foreign, federal, provincial, state and local laws and regulations relating to the protection of human health and safety, the environment or hazardous or toxic substances or wastes, pollutants or contaminants (**Environmental Laws**); (ii) have received all permits, licenses or other approvals currently required of any of them under applicable Environmental Laws to conduct their current business; and (iii) are in compliance with all terms and conditions of any such permit, licences or approval.
- (q) **(Tax Returns)**
- (i) Each of the Company and its Subsidiaries has (A) correctly prepared and duly and on a timely basis filed all tax returns required to be filed by them, (B) paid all Taxes due and payable by them, (C) paid all assessments and reassessments and all other Taxes, governmental charges, penalties, interest and other fines due and payable by them and which are claimed by any Governmental Authority to be due and owing and adequate provision has been made for Taxes payable for any completed fiscal period for which tax returns are not yet required to be filed, (D) duly and timely withheld and remitted or caused to be withheld and remitted, all Taxes required to be withheld and remitted by them, and (E) duly and timely collected and remitted or caused to be collected and remitted, to the appropriate Governmental Authority such Taxes required by Law to be collected and remitted by them;
 - (ii) there are no agreements, waivers or other arrangements providing for an extension of time with respect to the filing of any tax return or payment of any Tax, governmental charge or deficiency by the Company or any of its Subsidiaries;
 - (iii) to the knowledge of the Company, there are no actions, suits, proceedings, investigations or claims threatened or pending against the Company or any of its Subsidiaries in respect of Taxes, governmental charges or assessments; and
 - (iv) there are no matters under discussion with any governmental authority relating to Taxes, governmental charges or assessments asserted by any such authority.
- (r) **(OFAC)** None of the Company nor any of the Subsidiaries nor, to the best knowledge of the Company, any director, officer, agent, employee, affiliate or person acting on behalf of the Company and/or any Subsidiary has been or is currently subject to any United States

sanctions administered by the Office of Foreign Assets Control of the United States Department of the Treasury (**OFAC**); and the Company will not directly or indirectly use any proceeds received from the Investor, or lend, contribute or otherwise make available such proceeds to its Subsidiaries or to any affiliated entity, joint venture partner or other person or entity, to finance any investments in, or make any payments to, any country or person currently subject to any of the sanctions of the United States administered by OFAC.

- (s) **(No Foreign Corrupt Practices)** None of the Company or any of the Subsidiaries has, directly or indirectly: (i) made or authorized any contribution, payment or gift of funds or property to any official, employee or agent of any Governmental Authority of any jurisdiction except as otherwise permitted under applicable Law; or (ii) made any contribution to any candidate for public office, in either case, where either the payment or the purpose of such contribution, payment or gift was, is, or would be prohibited under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada)*, the *Corruption of Foreign Public Officials Act (Canada)*, the *Foreign Corrupt Practices Act (United States)* or the rules and regulations promulgated thereunder or under any other legislation of any relevant jurisdiction covering a similar subject matter applicable to the Company or its Subsidiaries and their respective operations and the Company has instituted and maintained policies and procedures designed to ensure, and which are reasonably expected to continue to ensure, continued compliance with such legislation.
- (t) **(Anti-Money Laundering)** The operations of each of the Company and its Subsidiaries are and have been conducted at all times in compliance with all applicable anti-money laundering laws, regulations, rules and guidelines in its jurisdiction of incorporation and in each other jurisdiction in which such entity, as the case may be, conducts business (collectively, the **Money Laundering Laws**) and no action, suit or proceeding by or before any court or Governmental Authority involving the Company or its Subsidiaries with respect to any of the Money Laundering Laws is, to the best knowledge of the Company, pending, threatened or contemplated.
- (u) **(Disclosures)**
 - (i) The materials delivered, and statements made, by the Company and its representatives to the Investor in connection with the Contemplated Transactions (the **Materials**) do not, as at the time delivered or made, and (in respect of materials delivered and statements made prior to the Execution Date) on the Execution Date:
 - (A) contain any untrue statement of a material fact or misleading statement; or
 - (B) omit to state a material fact necessary in order to make the statements contained in those Materials, in light of the circumstances under which they were made, not misleading; and
 - (ii) The Company has disclosed to the Investor all material facts relating to the Company, its business, assets, properties, the Transaction Documents, the Contemplated Transactions, and all other matters which are material to the assessment of the nature and amount of the risk inherent in an investment in the Company.
- (v) **(Solvency)** No Insolvency Event has been suffered or incurred by the Company or its Subsidiaries.
- (w) **(Law)** The Company has filed or delivered any documents required under Canadian Securities Laws or the Corporations Act to be filed and delivered, and in each case,

within the time period required, and the Company is otherwise in compliance with Canadian Securities Laws and the Corporations Act in all material respects and no fact exists which may result in the Company not being in such compliance with Canadian Securities Laws or the Corporations Act.

- (x) **(Entitlement to rely on prospectus exemption)** The Company has complied and will comply with Canadian Securities Laws in connection with the offer, sale and issuance of the Investor's Shares to the Investor and confirms that the Investor's Shares may be issued to the Investor under Canadian Securities Laws without the requirement that the Company file a prospectus qualified under such Canadian Securities Laws.
- (y) **(Non-public information)** Neither the Company nor any person acting on its behalf has provided the Investor or its agents, representatives or counsel with any information that is a "material fact" or "material change" (as such terms are defined under Canadian Securities Laws) that has not been generally disclosed to the public, and, to the extent this warranty is breached, the Company must immediately release the relevant information to the market.
- (z) **(Prohibited Transactions)** The Company has not entered or agreed to enter into a Prohibited Transaction that has not been completed.
- (aa) **(Absence of Events of Default)** No Event of Default and no event which, with notice, lapse of time or both, would constitute an Event of Default, has occurred and is continuing.
- (bb) **(U.S. compliance)**
 - (i) **(No general solicitation)** Neither the Company nor to its knowledge, any person acting on its behalf, has conducted any "general solicitation" or "general advertising" (as those terms are used in Regulation D under the 1933 Act) in connection with the offer or sale of the Securities or any manner involving a public offering within the meaning of Section 4(a)(2) of the 1933 Act with respect to the offer or sale of the Securities.
 - (ii) **(No integrated offering)** Neither the Company nor any of its Affiliates, nor any person acting on its or their behalf has, directly or indirectly, sold, offered for sale or solicited offers to buy or otherwise negotiated in respect of any security, in a manner, or under circumstances, that:
 - (A) would adversely affect reliance by the Company on the provisions of Rule 506(b) of Regulation D under the 1933 Act for the exemption from the registration requirements of the 1933 Act for the Contemplated Transactions;
 - (B) would require registration of the sale of the Securities under the 1933 Act; or
 - (C) would cause such offer or solicitation to be deemed integrated with the offering of the Securities pursuant to US Securities Laws such that there is no available exemption from registration under the 1933 Act.
 - (iii) **(Private placement)** The offer and sale of the Securities to the Investor as contemplated by this Agreement are exempt from:
 - (A) the registration requirements of the 1933 Act by virtue of Rule 506(b) of Regulation D under the 1933 Act; and
 - (B) the registration and/or qualification provisions of all US Securities Laws, subject to the Company preparing and filing, within prescribed time

periods, any forms or notices required under Regulation D under the 1933 Act or applicable blue sky laws in connection with the offer and sale of the Securities.

- (iv) **(Foreign private issuer)** As at the date of this Agreement the Company is a "foreign private issuer" as that term is defined in Rule 405 under the 1933 Act.
- (v) **(Category 1 securities)** As at the date of this Agreement, the Company is a Category 1 issuer pursuant to Rule 903 of Regulation S under the 1933 Act.
- (vi) **(No registration)** Except as specifically set out in clauses 7.1(bb)(iii) and 7.1(bb)(iv) as at the date of this Agreement, the Company is not required to register its securities under, and is not subject to, the 1933 Act, the Exchange Act, and the rules and regulations under any of the foregoing.

7.2 Investor's reliance

The Company acknowledges that the Investor has entered into this Agreement in reliance on the Company's representations and warranties set out in this Agreement.

7.3 Construction of representation and warranties

Each representation and warranty of the Company is to be construed independently of the others and is not limited by reference to any other representation or warranty.

7.4 Disclosures and limitations

- (a) The representations and warranties of the Company set out in clause 7.1 are not limited in any way by information gathered, or due diligence conducted by, the Investor, its advisers or representatives.
- (b) The representations and warranties of the Company will be further qualified only to the extent expressly set out in Schedule 1 (the **Disclosure Schedule**).

7.5 Notice

The Company shall immediately notify the Investor in writing upon becoming aware of any inaccuracy of any representation or warranty given by the Company under this Agreement.

8 Representations and Warranties of the Investor

8.1 Representations and warranties

The Investor represents, warrants, covenants and agrees, on the Execution Date, at the Closing, at each Conversion Date and on exercise of Warrants (in each case, except where qualified by an express reference in this clause 8.1 as to the representation or the warranty being given on and as of a particular date or dates, only on and as of that date or dates), that the following are true:

- (a) **(Organisation, good standing and qualification)**
 - (i) The Investor is a limited partnership formed under the laws of the jurisdiction of its formation and has all requisite power and authority to enter into and consummate the Contemplated Transactions and otherwise to carry out its obligations under this Agreement;
 - (ii) The Investor is in good standing under the laws of the jurisdiction of its formation and has all requisite power and authority to carry out the Contemplated Transactions; and

- (iii) The Investor is not in violation or default of any of the provisions of its organizational or charter documents.
- (b) **(Authorization)** The execution, delivery and performance by the Investor of this Agreement have been duly authorised and will constitute a valid and legally binding obligation of the Investor, enforceable against the Investor in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganisation, moratorium and similar laws of general applicability, relating to or affecting creditors' rights generally.
- (c) **(Status of Investor)** The Investor is purchasing the Securities as principal, is entitled to purchase the Securities without the benefit of a prospectus qualified under Canadian Securities Laws, is, at the Execution Date and at the Closing, an "accredited investor" within the meaning of paragraph (m) of the definition of "accredited investor" in NI 45-106 and was not created, and is not used, solely to purchase or hold securities as an accredited investor described in paragraph (m) of the definition of "accredited investor" in NI 45-106.
- (d) **(U.S. compliance – investment intent)** The Investor understands that the Securities are and will be when issued, as applicable, "restricted securities" pursuant to Rule 144(a)(3) under the 1933 Act and have not been registered under the 1933 Act or any applicable US Securities Laws, and, accordingly, may not be offered or sold or otherwise transferred, directly or indirectly, except pursuant to an effective registration statement under the 1933 Act or pursuant to an available exemption from, or in a transaction not subject to, the registration requirements of the 1933 Act and in accordance with applicable US Securities Laws. For purposes of assuring that the Investor is not an underwriter within the meaning of Section 2(a)(11) of the 1933 Act for purposes of Rule 502(d) under the 1933 Act, the Investor represents that it:
 - (i) is acquiring the Securities as principal for its own account for investment purposes only (as contemplated by the 1933 Act and the rules and regulations promulgated thereunder) and not with a view to or for distributing or reselling such Securities or any part of such Securities, directly or indirectly, in violation of the 1933 Act;
 - (ii) has no present intention of distributing any of such Securities in violation of the 1933 Act; and
 - (iii) has no arrangement or understanding with any other person or persons regarding the distribution of such Securities in violation of the 1933 Act.
- (e) **(Investor status)** At the time the Investor was offered the Securities, it was, and at the Execution Date it is, an "accredited investor" as defined in Rule 501(a) of Regulation D under the 1933 Act. The Investor is not, and is not required to be, registered as a broker or dealer under section 15 of the Exchange Act.
- (f) **(Adequate information)** The Investor has had an opportunity to receive all information related to the Company requested by it and to ask questions of and receive answers from the Company regarding the Company, its business and the terms and conditions of the offering of the Securities, and has reviewed such information as the Investor considers necessary or appropriate to evaluate the risks and merits of an investment in, and make an informed investment decision with respect to, the Securities.
- (g) **(General solicitation)** The Investor is not purchasing the Securities as a result of any "general solicitation" or "general advertising" (as such terms are used in Regulation D under the 1933 Act) including, without limitation, any advertisement, article, notice or other communication regarding the Securities published in any newspaper, magazine, on the Internet or similar media or broadcast over television or radio or presented at any

seminar or in any filing with the United States Securities and Exchange Commission or any other general solicitation or general advertisement or any manner involving a public offering within the meaning of Section 4(a)(2) of the 1933 Act with respect to the offer or sale of the Securities.

- (h) **(United States Resale Restrictions)** The Investor acknowledges and understands that the Securities, as restricted securities under 1933 Act, have, in addition to any other resale restrictions imposed by the specific terms thereof or by the application of Canadian Securities Laws, the following resale restrictions under US Securities Laws and, for so long as the Securities are restricted securities under Rule 144(a)(3) of the 1933 Act, the Investor hereby agrees to transfer or sell the Securities, directly or indirectly, only: (A) to the Company or (B) outside the United States in accordance with Regulation S under the 1933 Act and pursuant to Canadian Securities Laws, TSX Rules and the terms of this Agreement, (C) pursuant to the exemptions from registration under the 1933 Act provided by (I) Rule 144 thereunder, if available, or (II) Rule 144A thereunder, if available, and in both cases in accordance with applicable state securities laws of the United States, or (D) in a transaction that does not require registration under the 1933 Act or any applicable state securities laws of the United States and, in the case of clauses (C)(I) or (D) above, or if otherwise reasonably required by the Company, the Investor has furnished to the Company an opinion of counsel of recognized standing in form and substance reasonably satisfactory to the Company to such effect. The Investor has implemented appropriate internal controls and procedures to ensure that the Securities shall be properly identified in its records as restricted securities under the 1933 Act that are subject to the re-sale and transfer restrictions set forth herein notwithstanding the absence of a U.S. restrictive legend or a definitive physical certificate.
- (i) **(U.S. Warrant exercise)** The Investor understands and acknowledges that the Warrants may not be exercised in the United States or by or on behalf of, or for the account or benefit of, a U.S. Person (as such term is defined in Regulation S under the 1933 Act) or a person in the United States unless an exemption is available from the registration requirements of the 1933 Act and the US Securities Laws, and the Investor or the Designated Warrant Holder, as applicable, has furnished an opinion of counsel, or other evidence, in either case in form and substance satisfactory to the Company, to such effect; provided that the Investor will not be required to deliver an opinion of counsel in connection with its due exercise of the Warrants acquired pursuant to the terms of this Agreement, at a time when the Investor or Designated Warrant Holder, as applicable, is an "accredited investor" within the meaning of Rule 501(a) of Regulation D under the 1933 Act.
- (j) **(U.S. restrictive legend Warrants)** In addition to any legends required by Canadian Securities Laws and TSX Rules, the Investor understands and acknowledges that the certificates representing the Warrants issued pursuant to the terms of this Agreement, and all certificates issued in exchange for or in substitution of such certificates shall bear the following legend upon the original issuance of any such Warrants and until the legend is no longer required under applicable requirements of the 1933 Act and US Securities Laws:

"THE SECURITIES REPRESENTED HEREBY AND THE SECURITIES ISSUABLE UPON EXERCISE OF THESE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "1933 ACT") OR U.S. STATE SECURITIES LAWS. THE HOLDER HEREOF, BY PURCHASING SUCH SECURITIES, AGREES FOR THE BENEFIT OF AVALON ADVANCED MATERIALS INC. (THE "CORPORATION") THAT SUCH

SECURITIES MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, DIRECTLY OR INDIRECTLY, ONLY (A) TO THE CORPORATION; (B) OUTSIDE THE UNITED STATES IN ACCORDANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT AND IN COMPLIANCE WITH APPLICABLE LOCAL LAWS AND REGULATIONS; (C) PURSUANT TO THE EXEMPTIONS FROM REGISTRATION UNDER THE U.S. SECURITIES ACT PROVIDED BY (I) RULE 144 THEREUNDER, IF AVAILABLE OR (II) RULE 144A, IF AVAILABLE AND IN EACH CASE IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS OF THE UNITED STATES, OR (D) IN A TRANSACTION THAT DOES NOT REQUIRE REGISTRATION UNDER THE U.S. SECURITIES ACT OR ANY APPLICABLE STATE SECURITIES LAWS OF THE UNITED STATES AND, IN THE CASE OF CLAUSES (C)(I) OR (D) ABOVE, OR IF OTHERWISE REASONABLY REQUIRED BY THE CORPORATION, THE SELLER HAS FURNISHED TO THE CORPORATION AN OPINION OF COUNSEL OF RECOGNIZED STANDING IN FORM AND SUBSTANCE REASONABLY SATISFACTORY TO THE CORPORATION TO SUCH EFFECT. DELIVERY OF THIS CERTIFICATE MAY NOT CONSTITUTE GOOD DELIVERY IN SETTLEMENT OF TRANSACTIONS ON STOCK EXCHANGES IN CANADA.

THIS WARRANT AND THE SECURITIES ISSUABLE UPON EXERCISE HEREOF HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "1933 ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. THIS WARRANT MAY NOT BE EXERCISED IN THE UNITED STATES OR BY OR ON BEHALF OF, OR FOR THE ACCOUNT OR BENEFIT OF, A U.S. PERSON OR A PERSON IN THE UNITED STATES UNLESS THE COMMON SHARES ISSUABLE UPON EXERCISE OF THIS WARRANT HAVE BEEN REGISTERED UNDER THE 1933 ACT AND THE APPLICABLE SECURITIES LEGISLATION OF ANY SUCH STATE OR AN EXEMPTION FROM SUCH REGISTRATION REQUIREMENTS IS AVAILABLE. "UNITED STATES" AND "U.S. PERSON" ARE AS DEFINED IN REGULATION S UNDER THE 1933 ACT."

- (k) **(No U.S. registration)** The Investor understands and acknowledges that the Company is not obligated to file and has no present intention of filing with the United States Securities and Exchange Commission or with any state securities administrator any registration statement in respect of re-sales of the Securities.
- (l) **(US Resident)** The Investor is a resident of the U.S. for the purposes of U.S. tax Laws.

8.2 Company's reliance

The Investor acknowledges that the Company has entered into this Agreement in reliance on the Investor's representations and warranties set out in this clause 8.

8.3 Construction of representation and warranties

Each representation and warranty of the Investor is to be construed independently of the others and is not limited by reference to any other representation or warranty.

8.4 Notice

The Investor will immediately notify the Company upon becoming aware of any material breach of any representation or warranty given by the Investor under this Agreement.

9 Terms of the Warrants

The Warrants granted in accordance with the terms hereof will have the terms and conditions set out in Annexure A, and the "Exercise Price" (as such term is defined in Annexure A) of the relevant Warrant will be set in accordance with the definition of Warrants Exercise Price.

10 Additional Covenants and Agreements

10.1 U.S Transfer and Sale Restrictions

Until such time as the applicable hold period under the 1933 Act has elapsed with respect to the Securities and the Investor has provided an opinion of counsel of recognized standing reasonably satisfactory to the Company that the Securities are no longer restricted securities under Rule 144(a)(3) of the 1933 Act, the Investor will not transfer or sell the Securities, directly or indirectly, in the United States or to, or for the account or benefit of a U.S. Person (as such term is defined in Regulation S under the 1933 Act), it will not deposit any the Investor Shares with Cede & Co. or any successor thereto, it will not transfer or sell any Securities over the facilities of the OTC Markets Group, Inc. including the OTCQX International and it will cause any nominee holding the Securities on its behalf to comply with re-sale and transfer restrictions contained in this Agreement.

10.2 Ranking of the Investor's Shares

- (a) The Investor's Shares will rank equally in all respects with the existing Shares on the date of issue of the Investor's Shares.
- (b) At each issuance, the Company shall credit all Investor's Shares as fully paid.
- (c) All Investor's Shares will be issued free and clear of any Liens.

10.3 Ranking of Investor's interest in the Convertible Security

- (a) The Convertible Security will constitute direct, general, and unconditional obligations of the Company and the Company represents and warrants, at the Execution Date and for the period while there is Amount Outstanding, the Convertible Security will, unless otherwise agreed to by the Investor, rank senior in right of payment to all other debt or loan obligations of the Company including any of the Company's outstanding bank debt (if any) and pari passu with the convertible security issued under the 2021 CSFA.
- (b) Unless waived in writing by the Investor prior to the event, in the event the Company arranges, or obtains, any new debt (including convertible debt and preferred stock), the Company will use the proceeds of such debt to repay the Amount Outstanding and for no other purpose until the Amount Outstanding has been repaid in full.

10.4 [Intentionally Deleted]

10.5 Rights of Investor

The right of the Investor to be issued Conversion Shares in accordance with clause 5 and otherwise under this Agreement, will not confer on the Investor any entitlement to receive dividends or vote at a general meeting of shareholders of the Company.

10.6 Compliance with Laws

- (a) The Company and the Investor will each comply with all applicable Laws in all material respects.
- (b) Except as otherwise provided herein, the Company shall make, in a timely manner, all filings that may be required under Canadian Securities Laws and US Securities Laws in connection with the Contemplated Transactions, including, without limitation, all filings required by the TSX and all filings required by NI 45-106.

10.7 TSX Listing

At all times during the term of this Agreement (and provided that the Investor holds any Securities), the Company shall ensure that the Shares remain listed on the TSX, provided that

this covenant shall not prevent the Company from completing any transaction which would result in the Company ceasing to be listed on the TSX so long as the holders of Shares receive securities of an entity which is listed on the TSX (or, subject to the prior approval of the Investor, another recognized stock exchange), or cash, or the holders of the Shares have approved the transaction in accordance with the requirements of Canadian Securities Laws, US Securities Laws and corporate laws, subject to the Company's compliance with its obligations in clause 10.8, if the Investor exercises its right in clause 10.8.

10.8 Adjustments on Arrangements, Take-Overs and Changes of Control

If the Company proposes an arrangement or is the subject of a take-over bid, which in either case would result in a Change of Control Event that would also result in the Shares no longer being listed on the TSX, then the Investor may, but is not required to, at any time up to five (5) Business Days prior to the date of completion of such proposed transaction, require that the Company cause that other person, company or legal entity which is the counterparty to such arrangement or take-over bid, to assume all of the obligations of the Company under this Agreement following the completion of such proposed transaction, including the obligation to issue Conversion Shares. If the Investor exercises its right in this clause, then the Company shall cause that other person, company or legal entity to enter into an assignment and/or novation agreement acceptable to the Investor acting reasonably, and following such time, the Investor shall accept, in lieu of Shares, Conversion Shares, Convertible Security, or Warrants, an economically equivalent number of shares, convertible securities and warrants issued by that other person, company, or legal entity in lieu of the Shares, Conversion Shares, Convertible Security or Warrants to which the Investor is entitled to hereunder. The number of Shares, Conversion Shares, Convertible Security, or Warrants to be issued shall be adjusted for the exchange ratio applicable in the relevant arrangement or take-over bid, and the Investor shall have the right to consent to the accuracy of such adjustment. If the Investor exercises its right in this clause, and the Company is unable to, or the other company does not, enter into an assignment and/or novation acceptable to the Investor, then the failure to do so shall be considered an Event of Default.

10.9 Prohibited Transactions

Unless agreed in writing between the Company and the Investor, from the Execution Date until the date of termination of this Agreement, the Company shall not effect, or enter into an agreement to effect, any Prohibited Transaction unless the funds raised from such Prohibited Transaction are utilised to repay the Amount Outstanding in full.

10.10 No shorting

During the term of this Agreement, none of the Investor or any of its Affiliates will engage in any short sales of any securities of the Company.

10.11 Investor's Share Custodian

During the term of this Agreement, the Investor will notify the Company of its prime broker and Share Custodian promptly prior to the Company being required to issue any Shares to the Investor and will advise the Company of any change of its Share Custodian within five (5) Business Days following such change having taken effect.

10.12 Set-Off

- (a) The Investor may set off any of its obligations to the Company (whether or not due for payment), against any of the Company's obligations to the Investor (whether or not due for payment) under this Agreement and/or any Transaction Document including any payment owing to the Investor resulting from an Event of Default.

- (b) The Investor may do anything necessary to effect any set-off undertaken in accordance with this clause 10.12 (including varying the date for payment of any amount payable by the Investor to the Company).

10.13 Set-Off Exclusion

All payments which are required to be made by the Company to the Investor will be made without:

- (a) any set-off, counterclaim or condition; or
- (b) any deduction or withholding for Tax or any other reason, unless a deduction or withholding is required by law,

except as may otherwise be consented to by the Investor.

10.14 Miscellaneous Negative Covenants

The Company shall not, and (in respect of only subclauses (a), (f) and (g) below) shall cause all of its Subsidiaries not to, directly or indirectly, without the Investor's written approval:

- (a) dispose, in a single transaction, or in a series of transactions, of all or substantially all of the consolidated assets of the Company and its Subsidiaries unless such disposal is in the ordinary course of business or the entirety of the Amount Outstanding is repaid in full at the closing thereof;
- (b) cease to be a "reporting issuer" under any Canadian Securities Laws;
- (c) de-list its Shares from the TSX, provided that this provision shall not prevent the Company from completing any transaction which would result in the Company ceasing to be listed on the TSX so long as the holders of Shares receive securities of an entity which is listed on the TSX (or, subject to the prior approval of the Investor, another recognized stock exchange), or cash, or the holders of the Shares have approved the transaction in accordance with the requirements of Canadian Securities Laws, US Securities Laws and corporate laws, subject to the Company's compliance with its obligations in clause 10.8, if the Investor exercises its right in clause 10.8;
- (d) undertake any consolidation of its share capital unless such consolidation is required by the TSX, unless such consolidation is immediately followed by a split using the same ratio as the consolidation;
- (e) list its Shares on any stock exchange other than TSX;
- (f) reduce its paid-up or stated capital;
- (g) transfer the jurisdiction of incorporation of the Company or any of its Subsidiaries;
- (h) make a loan to any director, officer, insider or related party of the Company other than any of its Subsidiaries which loans to Subsidiaries are permitted; or
- (i) enter into any agreement with respect to any of the matters referred to in paragraphs (a) – (h).

In the event the Company proposes to take any action set out in paragraphs (a) to (i) above, the Company shall provide the Investor with at least ten (10) Business Days prior written notice regardless of whether the consent of the Investor is required in the circumstances.

10.15 Use of Proceeds

The Company shall only use the funds received from the Investor under this Agreement for project expenditures and other general corporate purposes that are reasonable in light of the nature of the Company's business as of the Execution Date, and for greater certainty must not

use these funds for making any pledge payments to any third party, for dividend payments, the repayment or redemption of any indebtedness or obligations or interests held by any security holders (or similar payments) or the repayment of any debt due to a director, officer, insider or related party of the Company or any of its Subsidiaries.

10.16 Withholding Gross-Up

All payments made by the Company in respect of this Agreement (in respect of principal, interest or otherwise) shall, except as required by applicable Law, be made in full without set-off or counterclaim, and free of and without deduction or withholding for any present or future Taxes provided that if the Company is required by applicable Law to deduct or withhold any Taxes from or in respect of any payment or sum payable to the Investor, the payment or sum payable will be increased as necessary so that after making all such deductions or withholdings, the Investor receives an amount equal to the sum it would have received if no such deduction or withholding had been made and the Company shall pay the full amount deducted to the relevant Governmental Authority in accordance with applicable Law.

In the event the Investor subsequently receives or recovers any deducted or withheld amount from any Canadian federal, provincial or other Governmental Authority, or it is able to use such withheld amounts to reduce its US Taxes otherwise payable, and the Company has complied with its obligations in this clause 10.16, then the Investor shall pay such amount to the Company within twenty (20) Business Days of actual receipt.

11 Taxes

- (a) Without limiting anything else in this Agreement, the Company shall:
- (i) pay any Canadian Tax required to be paid to any Governmental Authority which is payable by the Company in respect of this Agreement or any Contemplated Transaction (including in respect of the execution, delivery, performance, release, discharge, amendment or enforcement of this Agreement or any Contemplated Transaction);
 - (ii) pay any fine, penalty or other cost in respect of a failure to pay any Canadian Tax as required by this clause 11; and
 - (iii) indemnify the Investor against any amount payable by it under this clause 11.
- (b) Without limiting anything else in this Agreement:
- (i) the Company shall pay all stamp, loan transaction, registration and similar Taxes, including fines and penalties, financial institutions duty and debits Tax that may be payable by the Company to, or required to be paid by, any appropriate authority, or determined to be payable in connection with the execution, delivery, performance or enforcement of this Agreement or any Contemplated Transaction or any payment, receipt or other transaction contemplated by this Agreement; and
 - (ii) the Company shall indemnify the Investor against any loss or liability incurred or suffered by it as a result of the delay or failure by the Company to pay the Taxes under clause 11(b)(i).
- (c) Without limiting anything else in this Agreement, at all times on and from the date of this Agreement, the Company shall comply in all material respects with all applicable laws relating to Tax and promptly file, or cause to be filed, all tax returns, and other Tax filings, required under applicable Tax law.

12 Default

12.1 Events of Default

Any of the following will constitute an Event of Default:

- (a) Any of the representations, warranties, or covenants made by the Company in any Transaction Document, Materials or public filing are inaccurate, false or misleading in any material respect, as of the date as of which it is made or deemed to be made, or any certificate or financial or other written statements furnished by or on behalf of the Company to the Investor, any of its representatives, or the Company's shareholders, is inaccurate, false or misleading, in any material respect, as of the date as of which it is made or deemed to be made or repeated (in each case where qualified by an express reference to the representation or the warranty being given on a particular other date or dates, on that date or dates).
- (b) The Company or any Subsidiary of the Company suffers or incurs an Insolvency Event.
- (c) The Company or any of its Subsidiaries ceases, suspends, or threatens to cease or suspend, the conduct of all or a substantial part of its business, or disposes, in a single transaction, or in a series of transactions, of all or substantially all of the assets of the Company on a consolidated basis unless such disposal is in the ordinary course of business or the proceeds therefrom are used to pay the entirety of the Amount Outstanding to the Investor;
- (d) The Company or any of its Subsidiaries takes action to reduce its capital or stated capital of any of its share classes.
- (e) There is a cease trade order against the Company, a management cease trade order in respect of the Company, or the Company ceases to be a "reporting issuer" under any Canadian Securities Laws (or applies to do so), or the trading in the Shares is halted or suspended under TSX Rules, other than a temporary halt not exceeding four (4) hours in connection with disclosure by the Company.
- (f) The Shares are de-listed from the TSX, provided that it shall not be an Event of Default if the Investor exercises its right set forth in clause 10.8 or if it is otherwise permitted by the terms of this Agreement.
- (g) Any of the conditions set out in clauses 4.1, or 6.1 have not have been fulfilled in a timely manner or the time prescribed.
- (h) The Company denies the right of the Investor to receive any Securities hereunder, or otherwise dishonours or rejects any action taken, or document delivered, in furtherance of the Investor's rights to receive any Investor's Shares or Warrants (provided that nothing in this clause 12.1(h) is deemed to prevent the Company from challenging the Investor's actions to which the Investor is in fact not entitled under this Agreement).
- (i) A Transaction Document or a Contemplated Transaction has been determined by a court of competent jurisdiction to be wholly or partly void, voidable or unenforceable.
- (j) A court of competent jurisdiction makes a determination in favour of any action, claim, proceeding, suit, investigation, or action against any other person or otherwise asserted before any Governmental Authority, which seeks to restrain, challenge, deny, enjoin, limit, modify, delay, or dispute, the right of the Investor or the Company to enter into any Transaction Documents or undertake any of the Contemplated Transactions.
- (k) Any event, condition or development occurs or arises which in the opinion of the Investor (acting reasonably) has or could have a Material Adverse Effect.

- (l) Any consent, permit, approval, registration or waiver necessary for the consummation of those Contemplated Transactions that remain to be consummated at the applicable time, has not been issued or received, or does not remain in full force and effect at the applicable time.
- (m) The TSX revokes any conditional approval it has granted in respect of any of the Securities (including the Warrants) to be issued pursuant to this Agreement or the Company does not satisfy the conditions of such approval within the prescribed time period.
- (n) The Investor has not received all those items required to be delivered to it in connection with a Closing, or upon the exercise of Warrants in accordance with this Agreement.
- (o) The Company subsequently becomes prohibited under Canadian Securities Laws, the Corporations Act, or the TSX Rules from issuing Shares to the Investor under this Agreement, provided that the restrictions imposed by the Share Maximum and the Insider Share Maximum shall not constitute an Event of Default.
- (p) The Company fails to perform, comply with, or observe, any other material term, covenant, undertaking, obligation or agreement under any Transaction Document, including without limitation, the failure to pay any cash amount owing to the Investor hereunder at the time such payment is due.
- (q) A default judgment of an amount of CDN\$500,000 or greater is entered against the Company or any of its Subsidiaries.
- (r) The Company and/or any of its Subsidiaries defaults in relation to a payment obligation in the amount of CDN\$250,000 or greater under any financial accommodation, including any loan, advance, debenture or other form of financing entered into with a third party (taking into account any applicable grace period agreed by the relevant third party).
- (s) If at any time after the Execution Date, the Company or any of its Subsidiaries has any present or future liabilities, including contingent liabilities, for an amount or amounts totalling more than CDN\$250,000 which have not been satisfied on time or within thirty (30) days of invoice (taking into account any applicable grace period agreed with the relevant third party to whom such liabilities are owed), or have become prematurely payable as a result of its default or breach (howsoever described)
- (t) The Company fails to comply with its covenant in clause 10.8 if the Investor exercises its right in clause 10.8.
- (u) The Company fails to comply with its obligation to deliver Conversion Shares in accordance with this Agreement, and including for greater certainty, in compliance with clauses 5.2(i).
- (v) The Company contravenes clause 10.3.
- (w) The Company or any Subsidiary has any accounts payable or other ordinary course liability outstanding as due and unpaid for more than 90 days.
- (x) The Company undergoes a Change of Control Event to which the Investor has not given its prior written consent.
- (y) A Securities Termination Event occurs.
- (z) An Event of Default (as defined in the 2021 CSFA) occurs.

12.2 Investor Right to Investigate an Event of Default

If in the Investor's reasonable opinion, an Event of Default has occurred, or is or may be continuing or likely to occur:

- (a) the Investor may notify the Company that it wishes to investigate such purported Event of Default;
- (b) the Company shall co-operate fully and unconditionally with the Investor in such investigation;
- (c) the Company shall comply with all requests made by the Investor of the Company in connection with any investigation by the Investor and will:
 - (i) provide all information and documents requested by the Investor in relation to the Event of Default to the Investor, provided the Investor agrees that any materially price sensitive information and/ or non-public information will be subject to confidentiality; and
 - (ii) provide all such information and documents within five (5) Business Days of such request by the Investor; and
- (d) the Company shall pay all reasonable costs in connection with any investigation by the Investor.

12.3 Cross Default

The Company and the Investor acknowledge and agree that an Event of Default under this Agreement shall also constitute an “Event of Default” under the 2021 CSFA, without the application of any further cure period under the 2021 CSFA.

13 Notice and Cure Provisions

The Investor shall give prompt notice to the Company of the occurrence, or failure to occur, at any time from the date hereof, of any event or state of facts which occurrence or failure would be likely to or could result in an Event of Default. Subject to the provisions hereof, the Investor may only exercise its rights under clause 14 upon the occurrence or existence of any Event of Default or at any time during the continuance of such Event of Default, if

- (a) the Investor has delivered notice to the Company specifying the event or state of facts which occurrence or failure to occur does constitute, or would be likely to, or could result in, an Event of Default; and
- (b) if any such notice is delivered, and the Company is proceeding expeditiously and diligently at its own expense to cure such matter, if such matter is susceptible of being cured, the Investor may not exercise its rights under clause 14 until the expiration of a period of five (5) Business Days from the date of such occurrence, failure to occur or the coming into existence of such event or state of facts.

14 Rights of the Investor upon an Event of Default

- (a) Upon the occurrence or existence of any Event of Default and at any time during the continuance of such Event of Default, subject to compliance with clause 13, the Investor may:
 - (i) declare, by notice to the Company, effective immediately, all outstanding obligations by the Company under the Transaction Documents to be immediately due and payable in immediately available funds (including, without limitation, the immediate repayment of any Amount Outstanding) without presentment, demand, protest or any other notice of any kind, all of which are expressly waived by the Company, anything to the contrary contained in this Agreement or in any other Transaction Document notwithstanding; and/or

- (ii) terminate this Agreement, by notice to the Company, effective as of the date set out in the Investor's notice given to the Company under this clause 14(a)(ii).
- (b) If the Investor gives the Company a notice under clause 14(a)(i), the Company must within three (3) Business Days, pay to the Investor in immediately available funds the Amount Outstanding for the Convertible Security and any interest owing by the Company to the Investor under clause 14(f).
- (c) The Investor will have no obligation to consummate the Closing or a Conversion under this Agreement where an Event of Default has occurred, for as long as such Event of Default continues, and the Closing Date or Conversion Date, as applicable, will be deemed to be postponed accordingly, unless the Investor notifies the Company otherwise in writing (which notification shall be at the sole discretion of the Investor).
- (d) In addition to the foregoing rights, upon the occurrence or existence of any Event of Default, the Investor may give the Company notice that from the date of the Event of Default that the Conversion Price shall be only the price per Share equal to the VWAP per Share for the five (5) consecutive Trading Days immediately prior to the Conversion Date less the maximum discount to such price then allowable as determined in accordance with the TSX Rules.
- (e) In addition to the remedies set out in sub-clauses 14(a), 14(b) and 14(d), subject to compliance with clause 13, upon the occurrence or existence of any Event of Default, the Investor may exercise any other right, power or remedy granted to it by the Transaction Documents or otherwise permitted to it by Law, including by suit in equity and/or by action at Law.
- (f) Notwithstanding anything to the contrary contained in this Agreement or in any other Transaction Document, in addition to the rights of the Investor specified in this clause 14, upon an Event of Default occurring, the interest thereafter payable on the Convertible Security will be at a rate of 15% per annum (**Interest Rate upon Default**), which interest will accrue from the earliest date of the Event of Default on the outstanding Face Value of the Convertible Security and will be compounded monthly, for as long as the Event of Default will not have been remedied, except that the Interest Rate Upon Default will not apply if: (i) subsequent to the Event of Default, the Investor is not prohibited by Law or otherwise from exercising its Conversion rights under clause 5.2 of this Agreement, and (ii) the Company otherwise complies in all respects with its obligation to issue Conversion Shares set forth in clause 5.2 of this Agreement. The Company must pay this amount of interest on the Amount Outstanding on the Convertible Security to the Investor on a monthly basis in arrears on the last day of each calendar month following the Event of Default (or such other date as notified in writing by the Investor to the Company or as otherwise required under clause 14(b)).
- (g) Notwithstanding anything to the contrary contained in this Agreement or in any other Transaction Document, in connection with any Event of Default under clauses 12.1(a), 12.1(d), 12.1(g), 12.1(k), 12.1(n), 12.1(p), 12.1(q), 12.1(r), or 12.1(s), the Company shall not be required to pay to the Investor in immediately available funds any Amount Outstanding pursuant to clause 14(a)(i) and 14(b) if: (i) subsequent to the Event of Default, the Investor is not prohibited by Law or otherwise from exercising its Conversion rights under clause 5.2 of this Agreement, (ii) the Investor actually exercises its Conversion rights under clause 5.2 of this Agreement, and (iii) the Company otherwise complies in all respects with its obligation to issue Conversion Shares set forth in clause 5.2 of this Agreement.

15 Termination

15.1 Events of Termination

This Agreement:

- (a) may be terminated, without limiting the generality of clause 14, but subject to clause 13:
 - (i) by the Investor on the occurrence or existence of a Securities Termination Event or a Change of Control Event;
 - (ii) by the mutual written consent of the Parties, at any time;
 - (iii) by either Party, by written notice to the other Party, effective immediately, if the Closing has not occurred within fifteen (15) Business Days of the Execution Date or such later date as the Parties agree in writing, provided that the right to terminate this Agreement under this clause 15.1(a)(iii) is not available to any Party:
 - (A) that is in material breach of or default under this Agreement; or
 - (B) whose failure to fulfil any obligation under this Agreement has been the principal cause of, or has resulted in the failure of the Closing to occur; and
 - (iv) by the Investor, in accordance with clause 14 or clause 17.16.

15.2 Automatic Termination

This Agreement will automatically terminate, without further action by the Parties, at the time after the Closing that the Amount Outstanding is reduced to zero (0), whether as a result of Conversion or repayment by the Company in accordance with the terms of this Agreement.

15.3 Effect of Termination

- (a) Subject to clause 15.3(b), each Party's right of termination under clause 15.1 is in addition to any other rights it may have under this Agreement or otherwise, and the exercise of a right of termination will not be an election of remedies.
- (b) If the Investor terminates this Agreement under clause 15.1(a)(i):
 - (i) the Investor may declare, by notice to the Company, all outstanding obligations by the Company under the Transaction Documents to be due and payable (including, without limitation, the immediate repayment of any Amount Outstanding) without presentment, demand, protest or any other notice of any kind, all of which are expressly waived by the Company, anything to the contrary contained in this Agreement or in any other Transaction Document notwithstanding; and
 - (ii) the Company must within three (3) Business Days of such notice being received, pay to the Investor in immediately available funds the Amount Outstanding for each Convertible Security to the Investor, unless the Investor terminates this Agreement as a result of one of the Events of Default identified in clause 14(g) and provided that (i) subsequent to the termination under clause 15.1(a)(i), the Investor is not prohibited by Law or otherwise from exercising its Conversion rights under clause 5.2 of this Agreement, (ii) the Investor actually exercises its Conversion rights under clause 5.2 of this Agreement, and (iii) the Company otherwise complies in all respects with its obligation to issue Conversion Shares set forth in clause 5.2 of this Agreement (which obligation will survive termination).

- (c) Upon termination of this Agreement, the Investor will not be required to effect the Closing after the date of termination of the Agreement, provided that termination will not affect any undischarged obligation under this Agreement, including, for the avoidance of doubt any obligation of the Company to issue Shares on exercise of Warrants, any obligation of the Company to issue any additional Convertible Security, and any obligation of the Company to pay or repay any amounts owing to the Investor hereunder and which have not been repaid at the time of termination.
- (d) Nothing in this Agreement will be deemed to release any Party from any liability for any breach by such Party of the terms and provisions of this Agreement or to impair the right of any Party to compel specific performance by any other Party of its obligations under this Agreement.

16 Survival and Indemnification

16.1 Survival

The provisions of:

- (i) clauses 1, 16 and 17 of this Agreement will survive indefinitely;
- (ii) clauses 7 and 8 of this Agreement will survive for a period of two (2) years from the later of (i) the end of the Term; and (ii) the date of termination of this Agreement; and
- (iii) clause 11 of this Agreement will survive for a period of six (6) years from the later of (i) the end of the Term; and (ii) the date of termination of this Agreement,

and each will continue in full force and effect, notwithstanding the execution of this Agreement, Closing and each repayment of any of the Amount Outstanding, and the Contemplated Transactions, and the termination of this Agreement or another Transaction Document or any related provision for the periods specified above.

16.2 Indemnification of Investor

- (a) An Investor Indemnified Person will not be liable to the Company, and the Company shall indemnify and hold harmless each of the Investor, any general partner or manager of the Investor, and Affiliates of each of those parties, and the respective directors, officers, members, shareholders, partners, employees, attorneys, agents and permitted successors and assigns of each of the Investor, any general partner or manager of the Investor, and Affiliates of each of those parties (each, an **Investor Indemnified Person**), from and against any and all losses, claims, damages, liabilities, awards, demands and expenses (including, without limitation, all judgments, amounts paid in settlements, reasonable solicitors' fees and costs and attorney fees and disbursements and other expenses incurred in connection with investigating, preparing or defending any action, claim, proceeding, suit, investigation, or action by any Governmental Authority, pending or threatened, and the costs of enforcement) (collectively, **Losses**), that arise out of, are based on, relate to, or are incurred in connection with, any of the following:
 - (i) a breach or non-performance by the Company of its covenants under this Agreement;
 - (ii) a breach or an inaccuracy of any of the Company's representations or warranties made in this Agreement;
 - (iii) any misrepresentation made in the Materials or the Company's Public Record;

- (iv) any non-disclosure of any "material fact" or "material change" as such terms are defined under Canadian Securities Laws, or necessary to make the statements in the Materials or the Company's public filings, in light of the circumstances under which they were made, not misleading; and
- (v) any inquiry, investigation or proceeding commenced or threatened by, or in, any court, administrative body, securities commission, stock exchange or other competent authority (each a **Proceeding**) based upon, or resulting from, the execution, delivery, performance or enforcement of any of the Transaction Documents or Contemplated Transactions, and whether or not the Investor is party thereto by claim, counterclaim, crossclaim, as a defendant or otherwise, or if such Proceeding is based upon, or results from, any of those items referred to in paragraphs (i) – (iv),

provided, however, that the Company shall not indemnify any Investor Indemnified Person from, or hold any Investor Indemnified Person harmless against, any Losses that result solely from:

- (vi) such Investor Indemnified Person's breach of any representation or warranty contained in this Agreement, or
 - (vii) such Investor Indemnified Person's fraud, gross negligence or wilful default in performing its obligations under this Agreement.
- (b) To the extent that the Company's undertaking in this clause 16.2 may be unenforceable for any reason, the Company shall make the maximum contribution to the payment and satisfaction of all Losses that is permissible under applicable Law.
 - (c) To the extent that any amount payable to an Investor Indemnified Person in accordance with this clause 16.2 is subject to Tax or withholding, then, without limiting clause 10.16 or clause 11, the Company shall increase the amount payable to the Investor Indemnified Person by such additional amount as is necessary to ensure that after making the allowance for any Tax that may be payable, the Investor Indemnified Person receives the full amount required to be paid before giving effect to such allowance for Tax.
 - (d) Each indemnity set out in this Agreement:
 - (i) is a continuing obligation, independent of the Company's other obligations under this Agreement;
 - (ii) continues notwithstanding any termination of this Agreement;
 - (iii) constitutes a liability of the Company separate and independent from any other liability under this Agreement and under any other agreement; and
 - (iv) will survive, and continue in full force and effect, in accordance with clause 16.1.
 - (e) The Company acknowledges that the indemnity given under this clause 16.2 is directly enforceable against it by any Investor Indemnified Person. The Investor holds the benefit of this clause 16.2 on trust for any Investor Indemnified Person.

17 Miscellaneous

17.1 Time of the essence

With regard to all dates and time periods set out in this Agreement or referred to in any Transaction Document, time is of the essence.

17.2 No partnership or advisory or fiduciary relationship

Nothing in this Agreement should be construed to create a partnership between the Parties, or a fiduciary or an advisory relationship between the Investor or any of its Affiliates and the Company and any of its Subsidiaries.

17.3 Remedies and injunctive relief

- (a) The rights and remedies of the Investor set out in this Agreement and the other Transaction Documents are in addition to all other rights and remedies given to the Investor by law or otherwise.
- (b) The Company acknowledges that:
 - (i) monetary damages alone would not be adequate compensation to the Investor for a breach by the Company of this Agreement; and
 - (ii) the Investor may seek an injunction or an order for specific performance from a court of competent jurisdiction if:
 - (A) the Company fails to comply or threatens not to comply with this Agreement; or
 - (B) the Investor has reason to believe that the Company will not comply with this Agreement.

17.4 Adjustments

- (a) Each time when a Security Structure Event occurs, the Conversion Price will be reduced or, as the case may be, increased, in the same proportion as the issued capital of the Company is, as the case may be, consolidated or subdivided, provided that the adjustment may not be greater than an amount that is equal to the difference between: (i) the trading price of the underlying securities immediately prior to such underlying securities trading on an "ex-distribution" basis, and (ii) the trading price of the underlying securities immediately after the underlying securities have commenced trading on an "ex-distribution" basis.
- (b) The intent of this clause 17.4 is to maintain the relative benefit and burden to the Investor and the Company of their respective economic bargains.
- (c) When the Company becomes aware of a fact that may give rise to an adjustment of the Conversion Price, the Company must promptly notify the Investor of the specifics of the fact that may give rise to such adjustment.

17.5 Successors and assigns

- (a) The rights and obligations of the Parties under this Agreement are personal and may not be assigned to any other person or assumed by any other person, except as expressly provided in this clause 17.5.
- (b) Neither this Agreement nor any of the Company's rights and obligations under this Agreement may be assigned by the Company without the prior written consent of the Investor.
- (c) Subject to clause 17.5(d), the Investor may assign this Agreement and/or any of its rights and/or obligations under this Agreement to any Affiliate of the Investor, any successor entity in connection with a merger or consolidation of the Investor with another entity, and/or any acquirer of a substantial portion of the Investor's business and/or assets on prior written notice to the Company.

- (d) The Investor must notify the Company of any assignment or novation of any of its rights or obligations under this Agreement at least five (5) Business Days prior to the assignment or novation taking effect.
- (e) Nothing in this clause 17.5 will be deemed to prevent the Investor from assigning, transferring, encumbering or otherwise dealing with its rights under, or in connection with, the Investor's Shares or Warrants without the consent of any person, subject to the Investor's compliance with applicable Laws.

17.6 Counterparts and e-mail

- (a) This Agreement may be executed in any number of counterparts, each of which will be deemed an original, and all of which together will constitute one and the same instrument.
- (b) Such counterparts may be delivered by one Party to the other by e-mail, and such counterparts will be valid for all purposes.

17.7 Notices

- (a) Except as otherwise specifically agreed, all notices and other communications made in connection with any Transaction Document will be in writing and must be delivered by a courier or another like service in person, or sent by e-mail.
- (b) When delivered by a courier or another like service in person in Canada, a notice will be deemed given, or another communication will be deemed to have been received:
 - (i) when delivered, if received during Business Hours in the place of delivery; or
 - (ii) at 9.00 am (in the place of delivery) on the Business Day immediately following the date of such delivery, if delivered outside of Business Hours in the place of delivery.
- (c) When delivered by a courier or another like service in person outside of Canada, a notice will be deemed given, or another communication will be deemed to have been received:
 - (i) when delivered, if received during Business Hours in the place of delivery; or
 - (ii) at 9.00 am (in the place of delivery) on the Business Day immediately following such date of delivery, if delivered outside of Business Hours in the place of delivery.
- (d) When sent by e-mail transmission, a notice will be deemed given, or another communication will be deemed to have been received:
 - (i) two hours after the time at which such transmission was sent (the ***E-mail Time***), if such time falls within Business Hours in the place of delivery; or
 - (ii) at 9.00 am (in the place of delivery) on the Business Day immediately following the date of the E-mail Time, if sent to the Company or the Investor and the E-mail Time falls outside of Business Hours in the place of delivery,unless the sender receives an automated message that the email has not been delivered.
- (e) All notices and other communications required to be delivered in accordance with this Agreement will be sent to the representatives of the Party to be notified at the addresses or e-mail addresses indicated respectively below, or at such other addresses or e-mail addresses as the Parties may from time to time by like notice specify:
 - (i) If to the Company:

Avalon Advanced Materials Inc.
Suite 1901 – 130 Adelaide Street West
Toronto, ON M5H 3P5
Email: [E-mail address intentionally redacted]

with a copy to (that shall not constitute notice)

Cassels Brock & Blackwell LLP
Suite 2100, Scotia Plaza
40 King St. West
Toronto, ON M5H 3C2, Canada
Attention: Andrea Fitzgerald
E-mail: [E-mail address intentionally redacted]

(ii) If to the Investor:

Lind Global Fund II, LP
c/o The Lind Partners, LLC
444 Madison Ave, Fl 41
New York, NY 10022 USA
Attention: Mr. Jeff Easton
E-mail: [E-mail address intentionally redacted]

17.8 Amendments and waivers

- (a) Any term of this Agreement may be amended, supplemented, or modified, only with the written consent of the Parties.
- (b) Any obligation of either Party under this Agreement may be extended or waived only by an instrument in writing signed on behalf of the Party entitled to enforce the obligation.

17.9 Legal Costs

- (a) Except as otherwise agreed and as set out in clause 17.9(b), each Party will bear its own legal costs in connection with the preparation of this Agreement.
- (b) The Parties acknowledge that the Company has made a non-refundable prepayment of [redacted – confidential information] towards the Investor's legal costs in connection with this Agreement and the Contemplated Transactions. Further, only if incurred by the Investor and upon provision of invoices, the Company will be obligated to pay up to a further [redacted – confidential information] to the Investor's legal counsel (and/or other professional advisors engaged by the Investor) in respect of the Investor's legal and/or due diligence costs actually incurred in connection with this Agreement and the Contemplated Transactions.

17.10 Payments under this Agreement

Any payment to be made pursuant to the terms of this Agreement will be made by telegraphic transfer of cleared funds, except as expressly stated in this Agreement or unless the Parties agree otherwise.

17.11 Financial calculations

- (a) All calculations of any Conversion Price or Warrants Exercise Price under this Agreement must initially be undertaken by the Investor.

- (b) The Investor must notify the amount calculated under paragraph (a) to the Company for verification and confirmation, together with the underlying calculations and other supporting information.
- (c) The Investor must:
 - (i) ensure any calculation referred to in sub-clause 17.11(a) is the result of accurate mathematical calculation; and
 - (ii) promptly provide any information reasonably requested by the Company to verify any calculation from time to time.
- (d) In the event of a dispute between the Investor and the Company as to the appropriateness or correctness of any calculation, any underlying assumption or supporting information, the Investor and the Company must meet and negotiate in good faith to settle the dispute upon notice from either Party to the other requiring the same. If the dispute is not resolved within two (2) Business Days, then in the absence of manifest error in, or a deficiency in supporting information for, the Investor's calculation, the Investor's calculation will be used for the purpose of effecting any Conversion Price, other issuance of Shares or other securities under this Agreement or for the relevant purpose.

17.12 Non circumvention

Neither Party to this Agreement shall do anything or omit to do anything that undermines or in any way circumvents, whether directly or indirectly the intent or objective of this Agreement.

17.13 Good Faith

The Parties acknowledge that they have negotiated the terms of this Agreement in good faith and each Party must act in good faith towards each other and use their best endeavours to comply with the spirit and intention of this Agreement.

17.14 Publicity and confidentiality

- (a) The Company shall not, (and will use its best endeavours to ensure that none of its Affiliates or any persons acting on behalf of the Company and any of its Affiliates), issue any public release or announcement concerning this Agreement, its subject-matter or content, or the Contemplated Transactions, or disclose any information provided by the Investor (including the terms of any Transaction Documents) (**Relevant Information**), without the prior written consent of the Investor, subject to clause 17.14(c).
- (b) In any public release or announcement proposed to be made pursuant to Canadian Securities Laws, where the proposed public release or announcement proposes to make a reference to the Investor or the Contemplated Transactions, the Company shall provide a copy of the proposed announcement to the Investor for review prior to release, subject to clause 17.14(c).
- (c) If the Company is required to make a disclosure concerning Relevant Information pursuant to Canadian Securities Laws, TSX Rules or by an order of a Government Authority, and the Company (acting reasonably) in order to comply with its legal or regulatory obligations does not have sufficient time to discuss the form of disclosure with the Investor or provide the Investor with a copy of the disclosure prior to making such disclosure, then the Company must:
 - (i) ensure that any disclosure made regarding Relevant Information is restricted and limited in content and scope to the maximum extent permitted by Law to meet the relevant disclosure requirement;

- (ii) provide a copy of such disclosure (where it is public information) to the Investor as soon as possible.

For the avoidance of doubt, if the Company has sufficient time to discuss the form of disclosure with the Investor or provide a copy of the disclosure to the Investor prior to making the disclosure, it must do so in accordance with its obligations in clause 17.14(a).

- (d) Following the execution of this Agreement, the Investor and its Affiliates and/or advisors may place announcements on their respective corporate websites and in financial and other newspapers and publications (including, without limitation, customary "tombstone" advertisements) describing the Investor's relationship with the Company under this Agreement and including the name and corporate logo of the Company.
- (e) Notwithstanding anything herein to the contrary, to comply with United States Treasury Regulations Section 1.6011-4(b)(3)(i), each Party to this Agreement, and each employee, representative or other agent of such Party, may disclose to any and all persons, without limitation of any kind, the U.S. federal and state income Tax treatment, and the U.S. federal and state income Tax structure, of the transactions contemplated hereby and all materials of any kind (including opinions or other Tax analyses) that are provided to such Party relating to such Tax treatment and Tax structure insofar as such treatment and/or structure relates to a U.S. federal or state income Tax strategy provided to such recipient.

17.15 Severability and supervening legislation

Every provision of this Agreement is intended to be severable, and any provision of this Agreement that is illegal, invalid, prohibited or unenforceable in any jurisdiction will, as to such jurisdiction, be ineffective only to the extent of such illegality, invalidity, prohibition or unenforceability, without invalidating the remaining provisions, but will be interpreted as if it were written so as to be enforceable to the maximum extent permitted by applicable Law, and any such illegality, invalidity, prohibition or unenforceability in any jurisdiction will not affect the legality, validity, permissibility or enforceability of the remainder of this Agreement in that jurisdiction, or invalidate or render illegal, invalid, prohibited or unenforceable, such or any other provision of this Agreement in any other jurisdiction.

17.16 Illegality and impossibility

- (a) Upon a Frustration Termination Event, the Investor shall, unless then prohibited by Law, have the right, upon notice to the Company, to immediately convert each Convertible Security (and all Amounts Outstanding) into Shares notwithstanding any of the limitations or terms or conditions otherwise provided under clause 5.2 of this Agreement. Provided the Company is not prohibited by Law or otherwise from issuing all of the underlying Investor's Shares in connection therewith to the Investor, the Investor shall not terminate this Agreement.
- (b) If there is a Frustration Termination Event, and the Investor is prohibited by Law from immediately converting each Convertible Security (and all Amounts Outstanding) into Shares or the Company is prohibited by Law or otherwise from immediately issuing all of the underlying Investor's Shares in connection therewith to the Investor, the Investor may, in accordance with the terms of this clause 17.16, by giving a notice to the Company, suspend or cancel some or all of its obligations under this Agreement (including, without limitation, to effect the Closing), or terminate this Agreement, as indicated in such notice.
- (c) If the Investor gives a notice to terminate this Agreement in accordance with this clause 17.16, the Company must within five (5) Business Days of such notice being received, subject to limitations that may be imposed pursuant to the Frustration Termination Event, if any, pay to the Investor in immediately available funds the Amount Outstanding for each Convertible Security.

- (d) Notwithstanding the foregoing provisions of this clause 17.16, the Investor shall only be required to accept Investor's Shares if the Company complies in all respects with its obligation to issue Conversion Shares set forth in clause 5.2 of this Agreement.

17.17 Change in Law

- (a) If there is a Change in Law Termination Event, the Investor may, in accordance with the terms of this clause 17.17, by giving a notice to the Company, suspend or cancel its obligation to effect the Closing under this Agreement.
- (b) Such suspension or cancellation will apply only to the extent necessary to avoid the event or circumstance which triggered the Change in Law Termination Event.
- (c) Upon a Change in Law Termination Event, the Investor shall, unless then prohibited by Law, have the right, upon notice to the Company, to immediately convert each Convertible Security (and all Amounts Outstanding) into Shares notwithstanding any of the limitations or terms or conditions otherwise provided under clause 5.2 of this Agreement. Provided the Company is not prohibited by Law or otherwise from immediately issuing all of the underlying Investor's Shares in connection therewith to the Company, the Company shall not terminate this Agreement.
- (d) Notwithstanding the foregoing provisions of this clause 17.17, the Investor shall only be required to accept Investor's Shares if the Company complies in all respects with its obligation to issue Conversion Shares set forth in clause 5.2 of this Agreement.

17.18 Entire Agreement

This Agreement, including the Annexures and the Disclosure Schedule, and the instruments referenced in this Agreement, supersedes all prior agreements, understandings, negotiations and discussions, both oral and written, between the Parties, their Affiliates and persons acting on their behalf with respect to the subject matter of this Agreement and constitutes the entire agreement among the Parties with respect to the subject matter of this Agreement.

17.19 Governing Law

This Agreement is governed by the laws of the Province of Ontario and the federal laws of Canada applicable thereunder.

17.20 Jurisdiction

With respect to any legal action or proceedings arising out of or in any way related to this Agreement or its subject matter, the Parties irrevocably and unconditionally:

- (a) submit to the non-exclusive jurisdiction of the courts with jurisdiction in Ontario sitting in Toronto; and
- (b) waive any right to object to the venue on any ground.

Executed as an agreement.

Executed by Avalon Advanced Materials Inc.

(signed) "Donald S. Bubar"

Signature

Name: Donald S. Bubar

Title: President & CEO

Executed by Lind Global Fund II, LP, by its general partner, Lind Global Partners II, LLC

(signed) "Jeff Easton"

Signature

Name: Jeff Easton

Title: Managing Member

Schedule 1 – Disclosure Schedule

[Disclosure Schedule intentionally redacted]

Annexure A – Warrant Certificate

[Intentionally redacted form of warrant certificate]

Annexure B – Funds Flow Request

Avalon Advanced Materials Inc. – Convertible Security Funding Agreement – Flow of Funds Request

In connection with a Convertible Security Funding Agreement, dated May 4, 2022 (the **Agreement**) between Avalon Advanced Materials Inc. (**Company**) and Lind Global Fund II, LP (**Investor**), the Company irrevocably authorises the Investor to distribute such funds as set out below, in the manner set out below, at the Closing.

Capitalised terms used but not otherwise defined in this letter will have the meaning given to such terms in the Agreement.

<i>Item</i>	<i>Amount</i>
Convertible Security	[to insert]
Total	[to insert]

Please transfer the net amount of CDN\$[to insert] due at the Closing to the following bank account:

- Beneficiary Bank: [●]
- Swift code: [●]
- ABA/Routing [●]
- Account # [●]

Beneficiary name and address: [●]

Yours sincerely,

Avalon Advanced Materials Inc.

By: _____

Name:

Title: