

UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE THE DATE THAT IS FOUR MONTHS AND A DAY FOLLOWING THE CLOSING DATE (AS DEFINED HEREIN)

SCR-SIBELCO N.V.

(the “**Creditor**”)

- and -

AVALON ADVANCED MATERIALS INC.

(the “**Company**”)

November 18, 2024

AMENDED AND RESTATED CONVERTIBLE SECURED DEBENTURE

TABLE OF CONTENTS

ARTICLE ONE INTERPRETATION	4
1.1 Definitions.....	4
1.2 Gender and Number.....	13
1.3 Headings, Etc.....	13
1.4 Currency.....	13
1.5 Severability.....	14
1.6 Governing Law.....	14
1.7 Accounting Principles.....	14
1.8 Interpretation.....	14
ARTICLE TWO PROMISE TO PAY AND SECURITY	14
2.1 Principal Amount.....	14
2.2 Advances.....	15
2.3 Interest.....	15
2.4 Voluntary Prepayment.....	16
2.5 JV Election.....	16
2.6 Security.....	18
ARTICLE THREE COVENANTS AND REPRESENTATIONS OF THE COMPANY.....	18
3.1 Positive Covenants.....	18
3.2 Negative Covenants.....	21
3.3 Rights of First Refusal.....	23
3.4 Representations and Warranties.....	24
3.5 Survival of Representations and Warranties.....	29
ARTICLE FOUR CONDITIONS PRECEDENT	29
4.1 Conditions Precedent to Third Advance.....	29
ARTICLE FIVE CONVERSION OF CONVERTIBLE DEBENTURE.....	30
5.1 Optional Conversion of Debenture into Shares.....	30
5.2 Restrictions on Conversion.....	31
5.3 Date of Conversion.....	31
5.4 No Fractional Shares.....	31
5.5 Reservation of Common Shares.....	31
5.6 Adjustment to Debenture.....	31
5.7 Adjustment Rules.....	32
5.8 Notice of Special Matters.....	34
5.9 Resale Restriction.....	34
5.10 U.S. Securities Matters.....	34
ARTICLE SIX EVENTS OF DEFAULT AND ACCOUNTING DISPUTES	34
6.1 Events of Default.....	34
6.2 Rights of the Creditor.....	36
6.3 Accounting Dispute.....	36
ARTICLE SEVEN GENERAL.....	37
7.1 Waiver.....	37
7.2 No Merger or Novation.....	37
7.3 Confidentiality.....	38
7.4 Amalgamation.....	39
7.5 Creditor May Remedy Default.....	39
7.6 Discharge and Satisfaction.....	39
7.7 Gross Up.....	39
7.8 Notices.....	39
7.9 Invalidity of any Provisions.....	40
7.10 Amendments.....	41

7.11	Entire Agreement.....	41
7.12	Assignments.....	41
7.13	No Notice of Trust.....	41
7.14	Further Assurances.....	41
7.15	Expenses.....	41
7.16	Payments without Deduction.....	42
7.17	Execution.....	42

AMENDED AND RESTATED CONVERTIBLE SECURED DEBENTURE

THIS CONVERTIBLE SECURED DEBENTURE is effective as of June 14, 2023 (the “**Effective Date**”), as amended and restated as of November 18, 2024 (the “**Restatement Date**”);

WHEREAS on the Effective Date, the Company issued a convertible secured debenture with a principal amount of \$3,000,000 to the Creditor (the “**Original Debenture**”, and as amended on November 9, 2023, the “**Existing Debenture**”);

AND WHEREAS with effect as of the Restatement Date, the Parties wish to amend and restate the Existing Debenture to reflect certain changes from and thereafter, including (i) a further advance thereunder in the amount of \$3,500,000 as of the Closing Date; and (ii) certain amendments to the terms of the Conversion Option and the JV Election.

ARTICLE ONE **INTERPRETATION**

1.1 **Definitions.**

As used in this Debenture, including the Schedules and Exhibits hereto (if any), unless otherwise defined or unless the context otherwise requires the following terms have the following respective meanings:

- (a) “**Acceleration Trigger Date**” has the meaning ascribed to such term in Section 2.5(a) hereof (provided that such date may be automatically extended as provided in Section 2.5(a) or Section 5.1(a));
- (b) “**Accounting Dispute**” has the meaning ascribed to such term in Section 6.3 hereof;
- (c) “**Affiliates**” has the meaning assigned to such term in National Instrument 45-106 – *Prospectus Exemptions*;
- (d) “**Applicable Law**” means (a) any domestic or foreign statute, law (including common and civil law), treaty, code, ordinance, rule, regulation or by-law (zoning or otherwise); (b) any judgement, order, writ, injunction, decision, ruling, decree or award; (c) any regulatory policy, practice, protocol, guideline or directive; or (d) any franchise, licence, qualification, authorization, consent, exemption, waiver, right, permit or other approval, in each case, of any Governmental Authority and having the force of law, binding on or affecting the Party referred to in the context in which the term is used or binding on or affecting the property of such Party, all of the foregoing as may exist as of the Effective Date or as may be implemented, revised or modified from time to time after the Effective Date;
- (e) “**Business Day**” means any day of the year, other than a Saturday, Sunday, legal holiday or any day on which banking institutions are closed in Toronto, Ontario or Brussels, Belgium;
- (f) “**C&A Expenses**” means the expenses of the Company and its subsidiaries on a consolidated basis identified as “Corporate and Administrative

Expenses” in the Company’s consolidated annual and interim financial statements (including the notes thereto) which are publicly filed on SEDAR+ from time to time from and after the Restatement Date, which consist of the following 10 items, and in which items (i) to (vi) shall appear as distinct line items:

- (i) Non-project development salaries and benefits for employees of the Company and its subsidiaries;
- (ii) Directors’ fees;
- (iii) Non-project development consulting and professional fees;
- (iv) Advertising, office, insurance and other non-project development expenses;
- (v) Shareholders’ communications and filing fees;
- (vi) Non-project development travel and related costs;
- (vii) Property holding costs;
- (viii) Share-based compensation and other non-cash compensation;
- (ix) Employee severance costs; and
- (x) Project development costs (including salaries and benefits);

all on a basis consistent with the presentation of such items in the Company Q1 2025 Financial Statements to be made in accordance with Section 3.1(r) (and the aggregate of the items listed in clauses (ii) through (vi), plus the greater of (1) the item in clause (i), and (2) 80% of total salaries and benefits (project development and non-project development) for all employees of the Company and its subsidiaries, shall be referred to in this Debenture as “**Designated C&A Expenses**”). The Company will, upon the request of the Creditor in writing, provide an itemized breakdown of the project development costs in clause (x) for any period in respect of which the Company’s financial statements are prepared;

- (g) “**Change of Control**” means (a) any Person or group of Persons, acting jointly or in concert (within the meaning of such phrase in the Securities Act (Ontario)) acquires, directly or indirectly, outstanding equity interests of the Company which have or represent 50% or more of the votes that may be cast to elect the directors of the Company or other persons charged with the management and direction of the Company, (b) any Person or group of Persons, acting jointly or in concert (within the meaning of such phrase in the *Securities Act* (Ontario)) acquires the power to direct, or cause the direction of, management, business or policies of the Company or any of its subsidiaries, whether through the ability to exercise voting power, by contract or otherwise, (c) the Company shall cease to own and control, of record and beneficially, less than the number of outstanding equity

interests of its subsidiaries owned by the Company as of the Effective Date, (d) any Person or group of Persons acting jointly or in concert (within the meaning of such phrase in the *Securities Act* (Ontario)) succeed in having a sufficient number of nominees elected to the board of directors of the Company or any of its subsidiaries that such nominees, when added to any existing director remaining on the board of directors of the Company or such subsidiary after such election who is also a nominee of such Person or group of Persons, will constitute a majority of the board of directors of the Company or such subsidiary, (e) if, at any time, the Company or any of its subsidiaries sells or otherwise disposes of all or substantially all of its assets, (f) the Company or any of its subsidiaries amalgamates or otherwise merges its business and property with or into any other Person if that amalgamation or merger is not otherwise expressly permitted by the other provisions of this Debenture, or (g) a liquidation, dissolution or winding up of the Company or any of its subsidiaries, except, as applied to the Company's subsidiaries, where such events referred to in items (a) through (g) of this definition would not have a Material Adverse Change;

- (h) **"Claim"** means any claim or liability of any nature whatsoever, including any demand, obligation, liability, debt, cause of action, suit, proceeding, judgment, award, assessment or reassessment;
- (i) **"Closing Date"** means the date by which all of the conditions set out in Section 4.1 are satisfied in full or waived by the Creditor;
- (j) **"Collateral"** means any and all assets in respect of which the Creditor has or is intended to have an Encumbrance pursuant to a Security Document;
- (k) **"Common Shares"** means the common shares in the capital of the Company, as such shares exist at the close of business on the date of execution and delivery of this Debenture; provided that, in the event of a subdivision, redivision, reduction, combination, consolidation or reclassification of the capital of the Company or such successive subdivisions, redivisions, reductions, combinations, consolidations or reclassifications, "Common Shares" shall thereafter mean the shares corresponding to the Common Shares resulting from such subdivision, redivision, reduction, combination, consolidation or reclassification;
- (l) **"Common Share Reorganization"** means any (i) subdivision or redivision of the Company's then outstanding Common Shares into a greater number of Common Shares, (ii) reduction, combination or consolidation of its then outstanding Common Shares into a lesser number of Common Shares, or (iii) issuance of Common Shares (or securities exchangeable for or convertible into Common Shares) to the holders of all or substantially all of its then outstanding Common Shares by way of a stock dividend or other distribution;
- (m) **"Company"** means Avalon Advanced Materials Inc., a company existing under the laws of Canada, and its successors and permitted assigns (by amalgamation, merger or otherwise);

- (n) **“Company Q1 2025 Financial Statements”** means the Company’s unaudited condensed consolidated interim financial statements as at and for the three months ended November 30, 2024 (including the notes thereto);
- (o) **“Confidential Information”** means the terms of this Debenture and any other information and intellectual property concerning any matters affecting or relating to the business, operations, assets, results or prospects of the Parties, including information regarding plans, budgets, costs, processes, results of experimentation and other data, except to the extent that such information has already been publicly released by a Party as allowed herein or that the Party providing such information can demonstrate was previously publicly released by a Person who did not do so in violation or contravention of any duty or agreement;
- (p) **“Conversion Option”** has the meaning ascribed to such term in Section 5.1(a) hereof;
- (q) **“Conversion Price”** means the price per Common Share at which any portion of the Principal Amount outstanding under this Debenture, together with any accrued but unpaid interest thereon, shall from time to time be convertible into Common Shares, which shall be equal to the greater of (i) the VWAP for the fifteen (15) consecutive trading days immediately preceding the date on which the Creditor delivers written notice to the Company exercising the Conversion Option, and (ii) the minimum price per Common Share allowed by the TSX;
- (r) **“Corporate Records”** means the corporate records of the Company and any of its subsidiaries, including in each case (i) all constating documents, articles, by-laws, notice of articles, any shareholders’ agreements and any amendments thereto, and (ii) all minutes of meetings and resolutions of shareholders and the board of directors (and any committee thereof);
- (s) **“Creditor”** means SCR – SIBELCO NV and its successors and assigns;
- (t) **“Date of Conversion”** means the date specified in the notice delivered to the Company, such date being not less than 5 Business Days after receipt of same by the Company;
- (u) **“Debenture”** means (i) from and after the Effective Date until the Closing Date, the Existing Debenture, and (ii) from and after the Closing Date, this amended and restated convertible secured debenture due on the Maturity Date in an aggregate principal amount of \$6,500,000, as the same may be amended, supplemented, otherwise modified, restated or replaced from time to time;
- (v) **“Debtor Relief Laws”** means any of the *Bankruptcy and Insolvency Act* (Canada), the *Companies’ Creditors Arrangement Act* (Canada), the *Winding-Up and Restructuring Act* (Canada), any applicable governing corporate statute dealing with the compromise of creditor’s claims or arrangements, each as now and hereafter in effect, any successors to such

statutes and any other applicable insolvency, bankruptcy, liquidation, reorganization, arrangement or relief of debtor or other similar Applicable Law of any jurisdiction, including the *Business Corporation Act* (Ontario) where such statute is used by a Person to propose an arrangement and any Applicable Law of any jurisdiction permitting a debtor to obtain a stay or a compromise of the claims of its creditors against it;

- (w) **“Designated C&A Expenses”** has the meaning ascribed to such term in the definition of “C&A Expenses” herein;
- (x) **“Designated C&A Expenses Limit”** shall mean:
 - (i) for the Company Q1 2025 Financial Statements: \$877,500;
 - (ii) for the Company’s unaudited condensed consolidated interim financial statements for the three month period ended February 28, 2025, and any audited or unaudited consolidated annual or interim financial statements for any subsequent three month period (in each case including the notes thereto): \$731,250; and
 - (iii) for the Company’s audited consolidated annual financial statements for the year ended August 31, 2025 (including the notes thereto): \$3,071,250;
- (y) **“Effective Date”** has the meaning ascribed to such in the recitals hereto;
- (z) **“Encumbrance”** means any lien, charge, hypothec, pledge, mortgage, title retention agreement or security interest of any nature, whether or not registered or registrable and whether or not consensual or arising by any Applicable Law, and includes any contract to create any of the foregoing;
- (aa) **“Event of Default”** has the meaning ascribed to such term in Section 6.1 hereof;
- (bb) **“Existing Debenture”** has the meaning ascribed to such term in the recitals hereto;
- (cc) **“Expert”** means, in respect of any Accounting Dispute, an independent expert with appropriate qualifications and experience for the resolution of such dispute:
 - (i) who is appointed by the agreement of the Parties; or
 - (ii) in the absence of agreement of such Parties within 5 Business Days of any Party referring a matter to an Expert for resolution, who is nominated at the request of either Party by the International Chamber of Commerce in accordance with the *Rules for the Appointment of Experts and Neutrals of the International Chamber of Commerce*, provided that such Expert shall be independent of each of the Parties and their Affiliates (including not having acted in a material capacity for, been employed by, or having provided any

services to, either Parties or its Affiliates for at least one year prior to the date of appointment of such Expert) and shall be sufficiently qualified to carry out the duties of the Expert in respect of such Accounting Dispute, including having at least 10 years' experience relevant to the subject matter of the Accounting Dispute;

and provided that the Expert shall administer such proceedings on the terms set out in Section 6.3;

- (dd) “**GAAP**” means the International Financial Reporting Standards and its interpretations adopted by the International Accounting Standards Board;
- (ee) “**Governmental Authorities**” means any municipal, regional, provincial or federal governments and their agencies, authorities, branches, departments, commissions or commissioners, tribunals, ministries or ministers, bureaus, or boards, having or claiming jurisdiction over the Company and/or the Company's assets, and “**Governmental Authority**” shall mean any one of the Governmental Authorities as the context requires;
- (ff) “**Governmental Charges**” means all taxes, levies, duties, assessments, reassessments and other similar charges and impositions together with all related penalties, interest and fines, due and payable by the Company or any of its subsidiaries (as applicable) to any domestic or foreign Governmental Authority or court of competent jurisdiction of any domestic or foreign Governmental Authority;
- (gg) “**Initial Advance**” has the meaning ascribed to such term in Section 2.2(b)(i);
- (hh) “**JV Company**” means Separation Rapids Ltd., a corporation existing under the laws of the Province of Ontario;
- (ii) “**JV Conversion Shares**” means up to 30,000 issued class B common shares in the capital of the JV Company which are owned by the Company (provided that 30,000 issued class B common shares correspond to 30% of the issued and outstanding shares of the JV Company) to be transferred by the Company to the Creditor upon the exercise by the Creditor of the JV Election pursuant to Section 2.5;
- (jj) “**JV Conversion Share Closing Date**” has the meaning set forth in Section 2.5(b);
- (kk) “**JV Election**” means the election by the Creditor to convert the outstanding Principal Amount and all accrued and unpaid interest thereon for the JV Conversion Shares in accordance with Section 2.5;
- (ll) “**JV Share Pledge**” means the share pledge dated November 9, 2023, executed by the Company in favour of the Creditor, in respect all class B common shares in the capital of the JV Company owned by the Company;

- (mm) **“Material Adverse Change”** means any change or event which constitutes a material adverse change in (i) the business, operations, condition (financial or otherwise), assets or properties of the Company and any of its subsidiaries, taken as a whole, (ii) the enforceability of any Transaction Document, (iii) the Company’s ability to timely and fully perform its obligations under any Transaction Document, or (iv) the ability of the Creditor to enforce its rights and remedies under any Transaction Document;
- (nn) **“Maturity Date”** means the earliest of (i) the second anniversary of the Closing Date, and (ii) the date that all amounts owing hereunder may become due and payable in accordance with the terms hereof;
- (oo) **“Obligations”** means all monies, securities, indebtedness, liabilities and obligations now or at any time and from time to time hereafter owing, payable or issuable by the Company to or for the benefit of the Creditor whether direct or indirect, absolute or contingent, matured or not, under or in connection with any of the Transaction Documents;
- (pp) **“Original Debenture”** has the meaning ascribed to such term in the recitals hereto;
- (qq) **“Parties”** means the Company and the Creditor; and **“Party”** means any one of them;
- (rr) **“Permitted Encumbrances”** means:
 - (i) statutory encumbrances not at the time overdue, or which are overdue but the validity of which is being contested in good faith and in respect of which appropriate reserves have been established;
 - (ii) Encumbrances for taxes, duties and assessments which may be overdue but the validity of which is being contested in good faith and in respect of which appropriate reserves have been established;
 - (iii) Encumbrances or rights of distress reserved in or exercisable under any lease for rent or for compliance with the terms of such lease (provided that the recognition of such Encumbrances or rights as a Permitted Encumbrance shall not prejudice the priority of the Creditor’s security over such Encumbrances or rights as determined in accordance with applicable law);
 - (iv) any obligations or duties affecting any lands due to any public utility or Governmental Authority with respect to any franchise, grant, licence or permit and any defects in title to structures or other facilities arising solely from the fact that such structures or facilities are constructed or installed on lands under government permits, leases or other grants; which obligations, duties and defects in the

aggregate do not materially impair the use of such property, structures or facilities for the purpose for which they are held;

- (v) Encumbrances incurred or deposits made in connection with contracts, bids, tenders or expropriation proceedings, or to secure workers' compensation, unemployment insurance or other social security obligations, surety or appeal bonds, costs of litigation when required by law, public and statutory obligations, warehousemen's, carriers' and other similar Encumbrances and deposits;
- (vi) Encumbrances given to a public utility or Governmental Authority to secure obligations incurred to such utility, municipality, government or other authority in the ordinary course of business;
- (vii) Encumbrances and privileges arising out of judgments or awards in respect of which: an appeal or proceeding for review has been commenced; a stay of execution pending such appeal or proceedings for review has been obtained; and appropriate reserves have been established;
- (viii) any mechanic's, labourer's, materialman's statutory or other similar Encumbrance arising in the ordinary course of business or out of the construction or improvement of any lands or arising out of the furnishing of materials or supplies therefor, the action to enforce which has not proceeded to a final judgment;
- (ix) undetermined or inchoate Encumbrances incidental to the normal business operations of a company not at the time overdue, or which are overdue but have not been filed against such company or any of its properties pursuant to applicable law and the validity of which is being contested in good faith and appropriate reserves have been established;
- (x) PMSIs and capital leases up to the maximum aggregate amount of \$100,000 incurred in connection with the purchase or leasing of capital equipment;
- (xi) the Royalties set out in Schedule B hereto existing as of the Effective Date;
- (xii) Encumbrances in favour of the Creditor;
- (xiii) Encumbrances permitted by the JV Agreement; and
- (xiv) Encumbrances consented to in writing by the Creditor;

provided that the use of the term "Permitted Encumbrances" to describe such interests and Encumbrances shall mean that they are permitted to exist (whether in priority to or subsequent in priority to the Creditor's security, as determined by applicable law), and shall not be interpreted as

meaning that such interests and Encumbrances are entitled to priority over the Creditor's security;

- (ss) **"Person"** means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership or other entity;
- (tt) **"PMSI"** means purchase-money security interests as defined in the PPSA;
- (uu) **"PPSA"** means *the Personal Property Security Act* (Ontario), and the regulations promulgated thereunder, as amended from time to time and any legislation substituted therefor and any amendments thereto, provided that, if perfection or the effect of perfection or non-perfection or the priority of any Encumbrance created under any Security Document or under any other Transaction Document on the Collateral is governed by the personal property security legislation or other applicable legislation with respect to personal property security in effect in a province or jurisdiction other than Ontario, "PPSA" means the *Personal Property Security Act* or such other applicable legislation in effect from time to time in such other jurisdiction for purposes of the provisions hereof relating to such perfection, effect of perfection or non-perfection or priority;
- (vv) **"Principal Amount"** means the aggregate principal amount advanced by the Creditor pursuant to Section 2.2 hereof and recorded by or on behalf of the Creditor on the grid attached hereto as Schedule A and any further grids attached hereto, all of which grids form part of this Debenture, as such amount may be reduced from time to time in accordance with the terms hereof;
- (ww) **"Public Disclosure Record"** means the material change reports, news releases, financial statements, management discussion and analysis, management information circulars, and other continuous disclosure documents filed by or on behalf of the Company with the TSX and any applicable securities regulatory authority (through SEDAR+);
- (xx) **"Redacted Information"** means all (i) equity percentage information relating to a conversion, and (ii) pricing related information contained in this Debenture;
- (yy) **"Required Shareholder Approval"** has the meaning ascribed to such term in Section 5.2;
- (zz) **"Restatement Date"** has the meaning ascribed to such term in the recitals hereto;
- (aaa) **"Royalties"** means those royalties set out on Schedule B hereto;
- (bbb) **"Second Advance"** has the meaning ascribed to such term in Section 2.2(b)(ii);
- (ccc) **"Securities Laws"** means, collectively, all applicable securities laws of each of the provinces and territories of Canada, other than Quebec, and

the respective rules and regulations under such laws together with applicable published instruments, notices and orders of the securities regulatory authorities in the such jurisdictions, including the rules and policies of the TSX;

- (ddd) **“Security Documents”** means, as the case may be, the JV Share Pledge and any other security from time to time provided for the Obligations, as each of the foregoing may be amended, supplemented, otherwise modified, restated or replaced from time to time; and **“Security Document”** means any one of them;
- (eee) **“SEDAR+”** means the System for Electronic Data Analysis and Retrieval+ maintained by the Canadian Securities Administrators;
- (fff) **“Subscription Agreement”** means the subscription agreement between the Company and the Creditor dated June 14, 2023 pursuant to which the Company agreed to issue, and the Creditor agreed to subscribe for, the Original Debenture;
- (ggg) **“Third Advance”** has the meaning ascribed to such term in Section 2.2(b)(iii);
- (hhh) **“Transaction Documents”** means, collectively, this Debenture, the Security Documents and any other documents, agreements or instruments executed or delivered in connection therewith; and **“Transaction Document”** means any one of them;
- (iii) **“TSX”** means the Toronto Stock Exchange; and
- (jjj) **“VWAP”** means the volume weighted average trading price of the Common Shares on the TSX, or such other principal stock exchange on which the Common Shares are trading, calculated by dividing the total value of Common Shares traded by the total volume of Common Shares traded, in each case for the relevant period.

1.2 **Gender and Number.**

Any reference in this Debenture to gender shall include all genders, and words importing the singular number only shall include the plural and vice versa.

1.3 **Headings, Etc.**

The division of this Debenture into Articles, Sections, Subsections, and other subdivisions and the insertion of headings are for convenience of reference only and shall not affect or be utilized in the construction or interpretation of this Debenture.

1.4 **Currency.**

All references in this Debenture to dollars, unless otherwise specifically indicated, are expressed in the currency of Canada.

1.5 **Severability.**

Any article, section, subsection or other subdivision of this Debenture or any other provision of this Debenture which is, or becomes, illegal, invalid or unenforceable shall be severed from this Debenture and be ineffective to the extent of such illegality, invalidity or unenforceability and shall not affect or impair the remaining provisions hereof or thereof.

1.6 **Governing Law.**

This Debenture shall be governed by and interpreted and enforced in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein. For the purpose of legal proceedings, this Debenture shall be deemed to have been made in the said Province and to be performed therein and the courts of that Province shall have jurisdiction over all disputes which may arise under this Debenture. The Parties hereby irrevocably and unconditionally submit to the non-exclusive jurisdiction of such courts.

1.7 **Accounting Principles.**

Wherever in this Debenture reference is made to “generally accepted accounting principles” or “GAAP”, such reference shall be deemed to be to GAAP (as defined herein).

1.8 **Interpretation.**

Unless otherwise expressly provided in this Debenture, if any matter in this Debenture is subject to the determination, consent or approval of the Creditor or is to be acceptable to the Creditor, such determination, consent, approval or determination of acceptability will be in the sole discretion of the Creditor, which means the Creditor shall have sole and unfettered discretion, without any obligation to act reasonably. If any provision in this Debenture refers to any action taken or to be taken by the Company, or which the Company is prohibited from taking, such provision will be interpreted to include any and all means, direct or indirect, of taking, or not taking, such action. When used in the context of a general statement followed by a reference to one or more specific items or matters, the term “including” shall mean “including, without limitation” and the use of the term “includes” shall mean “includes, without limitation”.

ARTICLE TWO
PROMISE TO PAY AND SECURITY

2.1 **Principal Amount.**

For value received, the Company hereby promises to pay to or to the order of the Creditor (at the address of the Creditor set forth in Section 7.8(a) hereof or such other address of the Creditor as may be indicated by the Creditor pursuant to Section 7.8 hereof) on the Maturity Date the outstanding Principal Amount together with all accrued and unpaid interest thereon pursuant to Section 2.3 hereof. A record of the Principal Amount, shall be recorded by or on behalf of the Creditor on the grid attached hereto as Schedule A and any further grids attached hereto,

all of which grids form part of this Debenture. Failure to record the date and amount of any Principal Amount advanced under this Debenture, or any payments made hereunder, shall not limit or otherwise affect the obligations of the Company to repay any amounts payable under this Debenture.

For avoidance of doubt, and notwithstanding anything in this Debenture to the contrary, the Conversion Option and the JV Election shall only be exercisable by the Creditor to the extent that the Company fails to pay the outstanding Principal Amount together with all accrued and unpaid interest thereon on or before the Maturity Date as contemplated by this Section 2.1.

2.2 **Advances.**

- (a) The maximum Principal Amount that may be advanced under this Debenture shall not exceed the aggregate principal amount of \$6,500,000.
- (b) The Principal Amount has been and shall be advanced by the Creditor as follows:
 - (i) on June 14, 2023, the Creditor advanced \$500,000 to the Company under the Original Debenture (the “**Initial Advance**”);
 - (ii) on June 19, 2023, the Creditor advanced \$2,500,000 to the Company under the Existing Debenture (the “**Second Advance**”); and
 - (iii) subject to completion of the conditions precedent set out in Article Four, on the Closing Date, the Creditor will advance \$3,500,000 (the “**Third Advance**”) by wire transfer of immediately available funds to the Company.

2.3 **Interest.**

- (a) Interest shall accrue, and the Company covenants and agrees that it will pay interest to the Creditor, on the Principal Amount from the date of any advance both before and after the Maturity Date, demand, default and judgment until the earlier of actual payment in full or conversion in accordance with the terms of this Debenture:
 - (i) from and after the Effective Date to and including the Closing Date, at a rate of 7.115% per annum; and
 - (ii) from and after the Closing Date, at a rate of 7.5% per annum,in each case calculated and accrued monthly in arrears. All accrued and unpaid interest hereunder shall be due and payable on the Maturity Date. Interest calculated and accrued prior to the Maturity Date shall not bear interest.
- (b) In the event that a court of competent jurisdiction determines that any provision of this Debenture obligates the Company to make any payment

of interest, or other amount payable to the Creditor, in an amount, or calculated at a rate, which would be prohibited by Applicable Law or would result in receipt by the Creditor of interest at a rate in excess of the maximum rate permissible under Applicable Law then, notwithstanding such provision, such amount or rate shall be deemed to have been adjusted, with retroactive effect, to the maximum amount or rate of interest, as the case may be, as would not be so prohibited by Applicable Law or so result in receipt by the Creditor of interest at a rate in excess of the maximum rate permissible.

- (c) For the purposes of the *Interest Act* (Canada) and disclosure under such act, whenever interest to be paid under this Debenture is to be calculated on the basis of a year of 365 days or 366 days or any other period of time that is less than a calendar year, the yearly rate of interest to which the rate determined pursuant to such calculation is equivalent is the rate so determined multiplied by the actual number of days in the calendar year in which the same is to be ascertained and divided by either 365, 366 or such other period of time, as the case may be.

2.4 **Voluntary Prepayment**

The Company may prepay without consent of or notice to the Creditor the outstanding Principal Amount and any accrued and unpaid interest thereon at any time and from time to time without penalty. Upon the payment of all outstanding Principal Amount and any accrued and unpaid interest thereon: (i) this Debenture shall be terminated and all rights under Article Five or in connection with the JV Election (including under Section 2.5) shall, for avoidance of doubt, be terminated; and (ii) all Collateral will be automatically released and or discharged.

2.5 **JV Election**

- (a) In the event that:
 - (i) either of the following is true:
 - A. the Company has not paid in full the outstanding Principal Amount and all accrued and unpaid interest thereon on or prior to the Maturity Date; or
 - B. (i) the Company's Designated C&A Expenses set out in its publicly filed consolidated financial statements in respect of any period exceed the applicable Designated C&A Expenses Limit for such financial statements and (ii) the Company has not paid in full the outstanding Principal Amount and all accrued and unpaid interest thereon; and
 - (ii) the Creditor has not exercised the Conversion Option under Article Five following such event in clause (i) above,

the Creditor shall have the right, but not the obligation, to deliver the JV Election within a period of 60 calendar days after the Maturity Date (in the

case of Section 2.5(a)(i)A) or the date of public filing by the Company of its relevant consolidated financial statements (in the case of Section 2.5(a)(i)B) (the date of such public filing, the “**Acceleration Trigger Date**”, provided that the Acceleration Trigger Date shall be automatically extended until 60 calendar days after the completion of any audit, or the final settlement or determination of any Accounting Dispute, in accordance with Section 6.3 relating to such consolidated financial statements), exercising its right to convert all (but not less than all) of the outstanding Principal Amount plus all accrued and unpaid interest thereon for such number of JV Conversion Shares as shall be equal to (i) 30,000 JV Conversion Shares, divided by (ii) the aggregate of \$6,500,000 plus all accrued interest under this Debenture to the Maturity Date or the Acceleration Trigger Date, as applicable, as if no principal or interest payments have been made, and then multiplied by (iii) the aggregate of the outstanding Principal Amount as of the date of delivery of the JV Election and all accrued and unpaid interest under this Debenture as of such date of delivery. For avoidance of doubt, the JV Election shall be mutually exclusive with the Conversion Option under Article Five. If the JV Election has not been delivered within such period of 60 calendar days after the Maturity Date or the Acceleration Trigger Date (as the latter may be extended), the Creditor shall have no further rights to elect to receive the JV Conversion Shares.

- (b) The transfer of the JV Conversion Shares from the Company to the Creditor pursuant to the JV Election shall occur on the day that is five Business Days after the date of the JV Election (the “**JV Conversion Share Closing Date**”).
- (c) On the JV Conversion Share Closing Date:
 - (i) the Company shall deliver a signed certificate to the Creditor certifying that: (i) it is the owner of the JV Conversion Shares free and clear of any and all Encumbrances (other than any Encumbrances in favour of the Creditor over such JV Conversion Shares provided for hereunder); (ii) the Company has full right, title and interest in and to the JV Conversion Shares; (iii) the Company has the corporate power and capacity and has taken all necessary action to transfer the JV Conversion Shares on the JV Conversion Share Closing Date;
 - (ii) the Company and the Creditor shall sign any and all necessary corporate approvals as may be required in order to authorize the transfer of the JV Conversion Shares from the Company to the Creditor as contemplated in this Debenture, and the Creditor shall release any Encumbrance in favour of the Creditor over such JV Conversion Shares to facilitate such transfer;
 - (iii) the Company shall deliver the JV Conversion Shares to the Creditor endorsed in blank for transfer;
 - (iv) the Creditor shall deliver a fully and final release and/or discharge of this Debenture; and

- (v) the Company and the Creditor shall take all actions as may be reasonably necessary to consummate the transfer of the JV Conversion Shares from the Company to the Creditor and thereafter, the Creditor shall take all actions as may be reasonably necessary to cause the conversion of the JV Conversion Shares from class B common shares in the capital of the JV Company into class A common shares in the capital of the JV Company on a one for one basis.
- (d) Upon satisfaction of the conditions set forth in Section 2.5(c), all outstanding amounts shall be deemed satisfied and this Debenture shall terminate and be of no further force or effect.

2.6

Security.

- (a) The Parties acknowledge and agree that the JV Share Pledge in favour of the Creditor shall continue to secure the payment and performance of the Obligations as amended and restated hereby.
- (b) The Company shall, at its own expense and to the satisfaction of the Creditor, register, file or record, or cause to be registered, filed or recorded, the Security Documents in all offices and jurisdictions where such registration, filing or recording is necessary or, in the Creditor's determination, advisable or to the advantage of the Creditor, to create, perfect or preserve the Security Documents granted by the Company. The Company shall provide the Creditor with such assistance and do such acts as the Creditor may from time to time reasonably request and provide such other materials of conveyance, assignment, transfer or charge to properly effect the Creditor's security as contemplated and shall renew and maintain such registrations, filings and recordings from time to time as and when required to keep them in full force and effect.

ARTICLE THREE **COVENANTS AND REPRESENTATIONS OF THE COMPANY**

3.1

Positive Covenants.

So long as any Obligations remain outstanding, the Company covenants and agrees that it will, and will cause each of its subsidiaries (as applicable), to:

- (a) **Required Shareholder Approval.** At each meeting of the shareholders of the Company following the date of this Debenture until the Required Shareholder Approval has been obtained, the Company will seek the Required Shareholder Approval. The board of directors of the Company shall unanimously recommend that the shareholders of the Company approve the resolution seeking the Required Shareholder Approval, and the Company shall use commercially reasonable efforts to obtain the Required Shareholder Approval, including soliciting proxies in favour of the approval of such resolution. The Company shall share with the Creditor drafts of the management information circular to be sent to the Company's shareholders in connection with any meeting of shareholders at which the

Required Shareholder Approval is to be sought, and shall entertain comments from the Creditor on any portions thereof relating to the Required Shareholder Approval or the Transaction Documents.

- (b) **Payment and Performance of Obligations.** Duly and punctually pay all Obligations and other sums of money due by it under the terms of this Debenture at the times and places and in the manner provided for by this Debenture and shall duly and punctually perform and observe all other obligations on its part to be performed or observed under the Transaction Documents at the times and in the manner provided for herein;
- (c) **Common Shares.** At all times reserve out of its unissued Common Shares solely for the purpose of the Conversion Option, and shall conditionally allot to the Creditor, a sufficient number of unissued Common Shares so as to entitle all of such Principal Amount outstanding hereunder, together with all accrued but unpaid interest thereon, at any time to be converted upon the terms and conditions provided for in Article Five;
- (d) **Observation of Covenants.** Duly observe and perform each and every one of its covenants and agreements set forth in the Transaction Documents;
- (e) **Notice.** Provide the Creditor with prompt written notice of: (i) any event which constitutes, or which, with notice, lapse of time, or both, would constitute an Event of Default hereunder; and (ii) any default by the Company or any of its subsidiaries, as the case may be, under a contract to which it is a party with a value in excess of \$1,000,000;
- (f) **Maintenance of Existence & Business Practices.** Maintain, and cause each of its subsidiaries to maintain, its corporate existence, carry on and conduct its business in a proper and business-like manner, take all reasonable action to maintain all rights and privileges necessary or desirable in the normal conduct of its business and comply with all applicable legal requirements;
- (g) **Compliance with Laws.** Comply with all Applicable Laws in all material respects;
- (h) **Approvals.** Use commercially reasonable efforts to obtain and maintain all necessary waivers, consents, permits, licences and approvals required to be obtained by the Company and its subsidiaries to operate their business, own their assets, and to complete the transactions contemplated by the Transaction Documents;
- (i) **Taxes.** Pay all taxes imposed on it, or on its income or profits or its assets, when due and payable, except for any taxes assessed against the Company or its subsidiaries which they are in good faith contesting pursuant to a *bona fide* dispute process;
- (j) **Insurance.** Maintain and cause, with respect to the Collateral, any applicable subsidiary to maintain, insurance coverage with responsible

insurers, in amounts and against risks normally insured by owners of similar businesses or assets. Such insurance coverage which relates to the Collateral shall name the Creditor as first loss payee and additional insured, and neither the Company nor any of its subsidiaries shall fail to promptly give any notice or present any material claim thereunder;

- (k) **Carry on Business.** Continue to carry on and conduct their business in a proper and efficient manner, maintain proper books and records in all material respects (in which full and correct entries shall be made of all financial transactions and the assets and the business of the Company and each of its subsidiaries in accordance with GAAP);
- (l) **Provision of Further Information.** Provide to the Creditor:
 - (i) notice of the occurrence of any default or Event of Default setting out the details of any event so disclosed and the steps (if any) taken by it to remedy or cure the same;
 - (ii) the receipt of any notice given or sent to or served upon the Company which would constitute, or would be reasonably expected to constitute, a Material Adverse Change;
 - (iii) all information as may from time to time be required by the Creditor under or in connection with compliance with any Applicable Laws; and
 - (iv) such other information as the Creditor may request, acting reasonably, from time to time;
- (m) **Good Accounting Practice.** At all times keep proper books of record and account which, in all material respects, are kept, where applicable, in accordance with GAAP, consistently applied;
- (n) **Payment and Performance of Third-Party Obligations.** Duly and punctually pay all material sums of money due by them to any party other than the Creditor as and when such payments shall become due and shall maintain in good standing and observe and perform in all material respects all material contracts to which they are a party;
- (o) **Further Assurances.** Provide the Creditor with such other documents, opinions, consents, acknowledgements and agreements as are reasonably necessary to implement this Debenture and the other Transaction Documents and perfect and maintain any of the security interests granted, or intended to be granted, to the Creditor pursuant to or in connection herewith.
- (p) **Reporting Issuer Status and Listing.** The Company shall maintain: (i) its status as a "reporting issuer" (or the equivalent thereof) not in default under applicable Securities Laws in each of the Provinces and Territories of Canada, other than Quebec; and (ii) the listing of the Common Shares on the TSX in good standing, and timely file all reports and otherwise comply

in all material respects with all other requirements of the TSX and under applicable Securities Laws; and

- (q) **Use of Proceeds.** The Initial Advance shall be used to fund a portion of the purchase price for the Thunder Bay Property (as such term was defined in the Original Debenture). The Second Advance shall be used for general working capital purposes. The Third Advance shall be used to fund the development of the Company's Lake Superior Lithium Project in Thunder Bay, Ontario, the Nechalacho REE Project and for general working capital purposes and general and administrative expenses, and for greater certainty shall not be used to repay or buy back any principal amount or face value of existing indebtedness of the Company, whether secured or unsecured, convertible or non-convertible, other than indebtedness for trade payables incurred in the ordinary course of business of the Company and its subsidiaries.
- (r) **Presentation of C&A Expenses in Financial Statements.** In connection with its preparation and filing of the Company Q1 2025 Financial Statements, the Company shall consult with the Creditor regarding its presentation of C&A Expenses therein, shall share drafts of the Company Q1 2025 Financial Statements with the Creditor and entertain comments from the Creditor thereon. So long as any Obligations remain outstanding, the Company shall ensure that its presentation of C&A Expenses in each of its consolidated annual and interim financial statements (including the notes thereto) which are publicly filed on SEDAR+ from time to time shall be on a basis consistent with the presentation of such items in the Company Q1 2025 Financial Statements.

3.2 **Negative Covenants.**

So long as any amounts owing remain outstanding, the Company hereby covenants and agrees, that, without the prior written consent of the Creditor, the Company shall not:

- (a) **Amalgamations.** Directly or indirectly, by operation of law or otherwise, amalgamate with, merge with, consolidate with or otherwise combine with, any Person or solicit, encourage, initiate, facilitate, negotiate or enter into any agreements or other instruments, whether binding or non-binding, in respect of the foregoing;
- (b) **Encumbrances.** Create, incur, assume or permit to exist any Encumbrance, or cause any subsidiary to incur, assume or permit to exist any Encumbrance, on or with respect to the Collateral except for Permitted Encumbrances;
- (c) **Non-Arm's Length Transactions.** Enter into, amend or be a party to any agreement or transaction with, or make any payment to, any Person not acting at arm's length (as defined in the *Income Tax Act* (Canada)) other than on terms consistent with those offered to arm's length parties, transactions with subsidiaries or consistent with past practice;

(d) **Restricted Payments.**

- (i) Declare or pay any dividend or incur any liability to make any other payment or distribution of cash, other property or other assets in respect of any class of its capital stock, warrants, options or other rights with respect to any shares of any class of its capital stock;
- (ii) Make any payment or distribution, or apply any of its funds, property or assets on account of the purchase, redemption, defeasance, sinking fund, retirement, or any other reduction of any class of its capital stock, warrants, options or other rights with respect to any shares of any class of its capital stock; or
- (iii) Make any deposit for any of the foregoing purposes or other discharge of any indebtedness incurred by an Affiliate other than the Company or a subsidiary of the Company;

provided however that the Company's wholly-owned subsidiaries are not prohibited from taking the above actions.

- (e) **No Sale of Assets.** Directly or indirectly sell, lease, assign, transfer, convey or otherwise dispose of (whether in one or a series of transactions), or cause any subsidiary to sell, lease, assign, transfer, convey or otherwise dispose of (whether in one or a series of transactions) the Collateral;
- (f) **Constituting Documents and Share Capital.** Amend, alter, modify or repeal its notice of articles, articles, by-laws or other constituting documents, in any manner which is reasonably likely to result in a Material Adverse Change, or create, or authorize the creation of, any additional class or series of shares of the Company (or any security convertible into or exercisable for any such additional class or series of shares of the Company);
- (g) **Dissolution.** Liquidate, wind-up, dissolve themselves (or suffer any liquidation or dissolution), reorganize, make an assignment for the benefit of their creditors or file a petition, answer or consent to seeking a reorganization;
- (h) **Insolvency.** Make an assignment into bankruptcy, file a notice of intention to file a proposal in bankruptcy or file a plan of arrangement under the *Companies' Creditors Arrangement Act* (Canada); or
- (i) **Related Party Transactions.** Except for the transactions between the Company and the Creditor (or their respective Affiliates) contemplated by this Debenture or the other Transaction Documents, enter into any related party transactions unless such transaction: (i) is between the Company and its subsidiary or among subsidiaries of the Company; (ii) is in the ordinary course of the Company's business; and (iii) is on customary fair and reasonable market terms that are no less favourable to the Issuer than those that would have been obtained in a comparable transaction on an

arm's length basis from an unrelated Person; and (iv) no Event of Default has occurred and is continuing.

3.3 **Rights of First Refusal.**

While any amounts owed remain outstanding (in this Section 3.3, the "**Restricted Period**"), the Company shall not, directly or indirectly, enter into any agreement involving any loan or debt financing to the Company (including any such loan or debt financing which is convertible directly or indirectly into Common Shares) (each, a "**Restricted Transaction**") with any Person other than the Creditor except in compliance with the following terms and conditions:

- (a) If, at any time during the Restricted Period, the Company wishes to make a proposal to, or respond to any unsolicited proposal by, a third party relating to a Restricted Transaction, the Company shall (prior to communicating to any such third party the Company's interest in such Restricted Transaction) provide written notice thereof to the Creditor (the "**ROFN Notice**", which shall include a summary of any such proposal received from a third party), and shall engage in exclusive good faith negotiations with the Creditor to reach agreement on the terms and conditions for a Restricted Transaction. If the Parties are not able to reach an agreement on the material terms and conditions of a Restricted Transaction within 30 calendar days following the Creditor's receipt of the ROFN Notice, then subject to the provisions of Sections 3.3(b) through 3.3(e), the Company may enter into negotiations with a third party regarding such Restricted Transaction.
- (b) If, at any time during the Restricted Period and following compliance with Section 3.3(a), the Company receives a *bona fide* written offer from a third party for a Restricted Transaction that the Company desires to accept (a "**Third Party Offer**"), the Company shall immediately notify the Creditor in writing (the "**ROFR Notice**") of the identity of all proposed parties to such Restricted Transaction and provide a copy of such Third Party Offer and details of all the material financial and other terms and conditions of such Third Party Offer (the "**Material Terms**"). Each ROFR Notice shall constitute an offer made by the Company to the Creditor to enter into an agreement with the Creditor on the same Material Terms as such Third-Party Offer (the "**ROFR Offer**").
- (c) At any time before the expiration of 30 calendar days following the Creditor's receipt of the ROFR Notice (the "**Exercise Period**"), the Creditor may accept the ROFR Offer by delivery to the Company of written notice of acceptance executed by the Creditor; provided, however, that in the event that the Third Party Offer contains any non-financial terms or conditions ("**Ancillary Terms**") that it would not be commercially practicable for the Creditor to agree to, the Parties shall negotiate reasonably and in good faith with a view to replacing such Ancillary Terms with substitute terms and conditions which it would be commercially practicable for the Creditor to agree to.

- (d) If, by the expiration of the Exercise Period, the Creditor has not accepted the ROFR Offer (other than by reason of a failure of the Parties to reach agreement on any substitute terms and conditions to replace any Ancillary Terms), and provided that the Company has complied with all of the provisions of this Section 3.3, at any time during a 60 calendar day period following the expiration of the Exercise Period, the Company may consummate the Restricted Transaction with the third-party identified in the applicable ROFR Notice, on Material Terms that are the same or more favourable to the Company as the Material Terms set forth in the ROFR Notice. If such Restricted Transaction is not consummated within such 60 calendar day period, the terms and conditions of this Section 3.3 will apply again to any Restricted Transaction during the Restricted Period.
- (e) For the avoidance of doubt, the terms and conditions of this Section apply to each Third Party Offer received by the Company during the Restricted Period.

3.4 Representations and Warranties

The Company hereby represents and warrants to the Creditor that:

- (a) **No Default.** No default has occurred and is continuing under any material agreement to which the Company or any of its subsidiaries is a party or by which their properties are bound.
- (b) **Status; Corporate Power and Qualification.** The Company and each of its subsidiaries:
 - (i) is a corporation duly incorporated, organized, validly existing and in good standing under the laws of its jurisdiction of formation;
 - (ii) is duly qualified to conduct business and is in good standing in each other jurisdiction where its ownership or lease of property or the conduct of its business requires such qualification;
 - (iii) has the requisite corporate power and authority and the legal right to own, pledge, mortgage, hypothecate or otherwise encumber and operate its properties and assets, to lease the property it operates under lease and to conduct its business as presently conducted in the jurisdictions in which it currently carries on business;
 - (iv) is in compliance with its constating documents, by-laws and the Existing Debenture; and
 - (v) is in compliance in all material respects with Applicable Law.
- (c) **Authorization; Execution and Delivery; Approval and Conflict.** The execution, delivery and performance by the Company of this Debenture and the other Transaction Documents and the creation of the Encumbrances in favour of the Creditor:

- (i) are within the Company's corporate power;
 - (ii) have been duly authorized by all necessary or proper corporate and shareholder action;
 - (iii) do not contravene any provision of the constating documents or bylaws or any resolutions passed by the directors (or any committee thereof) or shareholders of the Company or any of its subsidiaries;
 - (iv) do not result in any breach or violation of any statute or any judgment, decree, order, rule, policy or regulation of any court, Governmental Authority, arbitrator, stock exchange or securities regulatory authority applicable to the Company or any of their respective properties or assets;
 - (v) do not conflict with or result in the breach or termination of, constitute a default under or accelerate or permit the acceleration of any performance required by, any indenture, mortgage, deed of trust, lease, agreement or other instrument to which the Company is a party or by which the Company or any of its respective property or assets is bound, except as disclosed to the Creditor prior to the date of this Debenture; and
 - (vi) do not require the consent, approval, authorization, order or agreement of, or registrations or qualification with any Governmental Authority or any other Person.
- (d) **Validity of Agreements.** Each of the Debenture and the other Transaction Documents has been duly executed and delivered by the Company and constitutes a legal, valid and binding obligation of the Company enforceable against it in accordance with its terms, subject only to:
- (i) applicable bankruptcy, insolvency, liquidation, reorganization, reconstruction, moratorium laws or similar laws affecting creditors' rights generally; and
 - (ii) the fact that the availability of equitable remedies, such as specific performance and injunctive relief, are in the discretion of a court and may not be available where damages are considered an equitable remedy.
- (e) **Taxes and Filings.** All tax returns, reports and statements, including information returns, required by any Governmental Authority to be filed by the Company have been filed with the appropriate Governmental Authority and all taxes have been paid prior to the date on which any fine, penalty, interest or late charge may be added thereto for non-payment thereof (or any such fine, penalty, interest, late charge or loss has been paid). The Company has duly and timely filed all material returns required to be filed by it prior to the date hereof, other than those which have been administratively waived, and all such returns are or will be upon filing, true, complete and correct in all material respects. The Company has paid or

has collected, withheld and remitted to the appropriate Governmental Authority on a timely basis all material Governmental Charges which are due and payable, other than those which are being or have been contested in good faith and, where payment is not yet due. No audit, action, investigation, deficiencies, litigation, proposed adjustments or other matters in controversy exist or have been asserted or threatened with respect to Governmental Charges of the Company, and the Company is not a party to any action or proceeding for assessment or collection of Governmental Charges and no such event has been asserted or, to the knowledge of the Company, threatened against the Company, its subsidiaries, or any of their respective assets or property, except where such deficiencies or other matters, actions or proceedings would not reasonably be expected to have a Material Adverse Change. There are no currently effective material elections, agreements or waivers extending the statutory period or providing for an extension of time with respect to the assessment or reassessment of any Governmental Charges, or of the filing of any return or any payment of Governmental Charges by the Company.

- (f) **Authorized Capital.** The authorized capital of the Company consists of an unlimited number of Common Shares, of which 589,954,988 Common Shares are issued and outstanding as of the Restatement Date. Except pursuant to the Transaction Documents and as disclosed in the Public Disclosure Record, (i) the Company does not have any outstanding agreement, subscription, warrant, option or commitment (nor has it granted any right or privilege capable of becoming an agreement, subscription, warrant, option or commitment) obligating it to issue or sell any Common Shares or other securities, including any security or obligation of any kind convertible into or exchangeable for Common Shares or other security; and (ii) there is no outstanding share or stock appreciation right, phantom equity, restricted share unit, deferred share unit or similar right, agreement, arrangement or commitment based on the market price of the Common Shares or the income or any other attribute of the Company or any of its subsidiaries. Other than the investor rights agreement dated as of June 14, 2023 between the Company and the Creditor, there is no outstanding shareholder agreement, proxy, voting trust, right to require registration under any applicable Securities Laws or any other arrangement or commitment to which the Company or any of its subsidiaries is a party or bound, with respect to the voting, disposition or registration of any outstanding securities of the Company or any of its subsidiaries.
- (g) **Valid Issuance of Debenture and Underlying Shares.** This Debenture will be duly and validly created and issued, and will be free of restrictions on transfer other than restrictions on transfer set forth in the Debenture and under applicable Securities Laws. The Common Shares issuable upon the conversion of the Debenture will be duly and validly authorized, allotted and reserved for issuance upon such conversion and will, upon the conversion of the Debenture in accordance with its terms, be validly issued as fully paid and non-assessable shares in the capital of the Company.
- (h) **Corporate Records.** The Corporate Records of the Company are complete and accurate in all material respects and all corporate

proceedings and actions reflected therein have been conducted or taken in material compliance with all Applicable Laws and with the constating documents of the Company.

- (i) **Restrictive Agreements.** The Company is not subject to any restriction under its constating documents or is party or subject to any Claim, Encumbrance or contract, instrument or other agreement which would prevent (i) the consummation of the transactions contemplated by this Debenture or the other Transaction Documents, (ii) compliance by the Company with the terms, conditions and provisions of this Debenture or the other Transaction Documents, as applicable, or (iii) the Company from carrying on its business as currently conducted after the Restatement Date.
- (j) **No Material Adverse Change.** Except as disclosed by the Company to the Creditor prior to the Effective Date, since February 28, 2023 there has been no change in the affairs, assets, liabilities, business, prospects, operations or conditions (financial or otherwise) of the Company, on a consolidated basis, which had or would reasonably be expected to have a Material Adverse Change.
- (k) **Collateral.** The Company, or a subsidiary of the Company, owns or otherwise holds good and valid legal title to the Collateral free and clear of any Encumbrances other than Permitted Encumbrances.
- (l) **Insolvency.** Neither the Company nor any of its subsidiaries has admitted in writing that it is, or has been declared to be, insolvent or unable to pay its debts. Neither the Company nor any of its subsidiaries has committed an act of bankruptcy or sought protection from its creditors before any court or pursuant to any legislation, proposed a compromise or arrangement to its creditors generally, taken any proceeding with respect to a compromise or arrangement, taken any proceeding to be declared bankrupt or wound up, taken any proceeding to have a receiver appointed of any of its assets, had any person holding any Encumbrance, charge, hypothec, pledge, mortgage, title retention agreement or other security interest or receiver take possession of any of its property, had an execution or distress become enforceable or levied upon any portion of its property or had any petition for a receiving order in bankruptcy filed against it.
- (m) **Insurance.** The assets, business and operations of the Company are insured against loss or damage with responsible insurers on a basis consistent with insurance obtained by reasonably prudent participants in a comparable business in comparable circumstances and such coverage is in full force and effect as of the Restatement Date;
- (n) **Reporting Issuer and Listing Status.** The Company is a reporting issuer or the equivalent thereof not in default under the Securities Laws of each of the Provinces and Territories of Canada, other than Quebec; where applicable, the Company is in compliance with its timely disclosure obligations under the Securities Laws in each of the Provinces and Territories of Canada, other than Quebec and under the rules and policies of the TSX and, without limiting the generality of the following, since

February 28, 2023, there has not occurred any Material Adverse Change in the business, affairs, operations, assets, liabilities (contingent or otherwise) or capital of the Company and its subsidiaries (taken together as a whole) which has not been publicly disclosed; the Common Shares are listed and posted for trading on the TSX and the Company is in material compliance with the applicable rules and policies of the TSX.

- (o) **No Orders.** No order, ruling or determination having the effect of suspending the sale of, or ceasing the trading of, the Common Shares or any other securities of the Company has been issued and is continuing in effect and no proceedings for that purpose have been instituted, are pending or, to the knowledge of the Company, are contemplated or threatened (in writing) under any Applicable Law or by any Governmental Authorities.
- (p) **Disclosure Controls.** The Company has established and maintains a system of disclosure controls and procedures that are designed to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under applicable Securities Laws are recorded, processed, summarized and reported within the time periods specified in applicable Securities Laws. Such disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted under applicable Securities Laws are accumulated and communicated to the Company's management, including its chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.
- (q) **Shares Issuable Hereunder.** The Common Shares issuable hereunder have been, or prior to the time of closing on the Closing Date, will be duly authorized for issuance and will, upon their issuance in accordance with Article Five, be validly issued as fully paid and non-assessable shares in the capital of the Company.
- (r) **Ownership of JV Company.** The authorized capital of the JV Company consists of 60,000 Class A common shares and 40,000 Class B common shares. The Company is the registered and beneficial owner of 40,000 Class B common shares of the JV Company, representing all of the issued and outstanding Class B common shares of the JV Company and 40% of the issued and outstanding total common shares of the JV Company. Except as contemplated by this Debenture or the other Transaction Documents, the JV Company does not have any outstanding agreement, subscription, warrant, option or commitment (nor has it granted any right or privilege capable of becoming an agreement, subscription, warrant, option or commitment) obligating it to issue or sell any common shares or other securities, including any security or obligation of any kind convertible into or exchangeable for common shares or other security.

3.5 **Survival of Representations and Warranties**

The representations and warranties of the Company contained in this Debenture and in all certificates delivered pursuant to or contemplated by this Debenture will survive the execution of this Debenture.

ARTICLE FOUR **CONDITIONS PRECEDENT**

4.1 **Conditions Precedent to Third Advance**

The obligation of the Creditor to make the Third Advance under this Debenture on the Closing Date will be subject to the completion of each of the following conditions precedent to the satisfaction of the Creditor on or prior to the Closing Date:

- (a) The Company shall have obtained and provided evidence to the Creditor of all necessary corporate approvals.
- (b) The TSX shall have conditionally approved the issuance of this Debenture, and shall have issued a conditional approval letter evidencing the approval of the TSX, with only such conditions as are customary for a transaction of this nature, and such approval shall remain in full force and effect, unamended, modified, revoked or terminated as of the Closing Date.
- (c) The Company shall have delivered to the Creditor:
 - (i) an officer's certificate attaching certified copies of certified directors' resolutions of the Company authorizing the execution of this Debenture and the transactions contemplated hereby;
 - (ii) a written consent from Lind Global Fund II, LP as of the Closing Date to the entering into of this Debenture and the transactions contemplated hereby and by Share Pledge, delivered pursuant to the convertible security funding agreement dated as of March 17, 2024 between the Company and Lind Global Fund II, LP, in form and substance satisfactory to the Creditor, acting reasonably;
 - (iii) a legal opinion dated the Closing Date addressed to the Creditor, in form and substance customary for a transaction of this nature and satisfactory to the Creditor and its counsel, acting reasonably, regarding corporate and securities law matters relating to this Debenture; and
 - (iv) such other documents, information and deliveries as may be reasonably required by the Creditor.

ARTICLE FIVE
CONVERSION OF CONVERTIBLE DEBENTURE

5.1 **Optional Conversion of Debenture into Shares.**

(a) **Optional Conversion.** In the event that:

(i) either of the following is true:

A. the Company has not paid in full the outstanding Principal Amount plus all accrued and unpaid interest thereon on or prior to the Maturity Date; or

B. (i) the Company's Designated C&A Expenses set out in its publicly filed consolidated financial statements in respect of any period exceed the applicable Designated C&A Expenses Limit for such financial statements and (ii) the Company has not paid in full the outstanding Principal Amount and all accrued and unpaid interest thereon; and

(ii) the Creditor has not exercised the JV Election under Section 2.5 following such event in clause (i) above,

the Creditor shall have the right, at its option, upon written notice to the Company at any time within a period of 60 calendar days after the Maturity Date (in the case of Section 5.1(a)(i)A) or the Acceleration Trigger Date (in the case of Section 5.1(a)(i)B) (provided that the Acceleration Trigger Date shall be automatically extended until 60 calendar days after the completion of any audit, or the final settlement or determination of any Accounting Dispute, in accordance with Section 6.3 relating to the relevant consolidated financial statements), to convert the whole of the Principal Amount then outstanding hereunder, together with any accrued but unpaid interest thereon (the "**Conversion Option**"), into such number of Common Shares determined by a fraction equal to:

A. the numerator of which shall be the amount of the outstanding Principal Amount and any accrued but unpaid interest thereon being converted; and

B. the denominator of which shall be the Conversion Price.

(b) **Conversion Mechanism.** The Creditor may exercise the Conversion Option by: (i) delivering to the Company a written notice specifying the Principal Amount and the accrued interest thereon to be converted pursuant to the Conversion Option and designating the Date of Conversion; and (ii) surrendering this Debenture to the Company at its principal office. On the Date of Conversion, the Creditor shall be entered in the books of the Company as the holder of the number of fully paid and non-assessable Common Shares into which the designated Principal Amount and any interest thereon is convertible in accordance with the provisions hereof and,

as soon as practicable thereafter, the Company shall deliver a certificate or certificates representing such Common Shares to the Creditor.

5.2 Restrictions on Conversion.

No Common Shares shall be issued, or made issuable, pursuant to this Debenture without approval by the holders of a majority of the voting shares of the Company, excluding the votes cast by or on behalf of the Creditor, in accordance with sections 604(a)(i), 607(g)(i) and 607(g)(ii) of the *TSX Company Manual* (the “**Required Shareholder Approval**”).

5.3 Date of Conversion.

For the purposes hereof, this Debenture (or such part thereof, if applicable) shall be deemed to be converted on the Date of Conversion. As of and from the Date of Conversion, the Common Shares so issued upon exercise of the Conversion Option shall for all purposes be and be deemed to be issued and outstanding as fully paid and non-assessable Common Shares in the name of the Creditor. Upon the issue by the Company of the certificate or certificates representing such Common Shares, the outstanding Principal Amount, as the case may be, shall be automatically reduced by the amount of the Principal Amount so converted pursuant to the Conversion Option.

5.4 No Fractional Shares.

Notwithstanding anything contained herein, the Company shall in no case be required to issue fractional Common Shares upon the conversion of this Debenture pursuant to the Conversion Option. If any fractional interest in the Common Shares would, except for the provisions of this Section, be deliverable upon the conversion of this Debenture pursuant to the Conversion Option, the Company shall, in lieu of delivering any certificate of fractional interest, satisfy the fractional interest by paying to the Creditor an amount of lawful money of Canada equal (computed to the nearest whole cent, with one-half of a cent being rounded up) to the Principal Amount outstanding after so much of the Principal Amount as may be converted into a whole number of Common Shares has been so converted.

5.5 Reservation of Common Shares.

The Company covenants and agrees that so long as any Principal Amount or accrued and unpaid interest remains outstanding hereunder it will at all times reserve out of its unissued Common Shares solely for the purpose of the Conversion Option, and shall conditionally allot to the Creditor, a sufficient number of unissued Common Shares so as to entitle all of such Principal Amount outstanding hereunder, together with all accrued but unpaid interest thereon, at any time to be converted upon the terms and conditions provided for in this Article Five.

5.6 Adjustment to Debenture.

- (a) If and whenever at any time after the date hereof and prior to the Maturity Date there is a capital reorganization of the Company or a reclassification

or other change in the Common Shares (other than a Common Share Reorganization) or a consolidation or merger or amalgamation of the Company with or into any other corporation or other entity (other than a consolidation, merger or amalgamation which does not result in any reclassification of the outstanding Common Shares or a change of the Common Shares into other securities), or a transfer of all or substantially all of the Company's undertaking and assets to another corporation or other entity in which the holders of Common Shares are entitled to receive shares, other securities or other property (any of such events being called a "**Capital Reorganization**"), after the effective date of the Capital Reorganization the Creditor shall be entitled to receive, and shall accept, for the same aggregate consideration, upon conversion of this Debenture, in lieu of the number of Common Shares to which the Creditor was theretofore entitled upon the conversion of this Debenture, the kind and aggregate number of Common Shares and other securities or property resulting from the Capital Reorganization which the Creditor would have been entitled to receive as a result of the Capital Reorganization as if, on the effective date thereof, the Creditor has been the registered holder of the number of Common Shares to which the Creditor was theretofore entitled to purchase or receive upon the conversion of this Debenture. If necessary, as a result of any Capital Reorganization, appropriate adjustments shall be made in the application of the provisions of this Debenture with respect to the rights and interest thereafter of the Creditor to the end that the provisions of this Debenture shall thereafter correspondingly be made applicable as nearly as may reasonably be possible in relation to any shares or other securities or property thereafter deliverable upon the conversion of this Debenture.

- (b) If the Company takes any action affecting its Common Shares to which the foregoing provisions of this Section 5.6, in the opinion of the directors of the Company, acting in good faith, are not strictly applicable, or if strictly applicable would not fairly adjust the rights of the Creditor against dilution in accordance with the intent and purposes hereof, or would otherwise materially affect the rights of the Creditor hereunder, then the Company shall, subject to the approval of any stock exchange or quotation system on which the Common Shares are then listed and posted (or quoted) for trading, as applicable, execute and deliver to the Creditor an amendment hereto providing for an adjustment in the application of such provisions so as to adjust such rights as aforesaid in such manner as the directors of the Company may determine to be equitable in the circumstances, acting in good faith. The failure of the taking of action by the directors of the Company to so provide for any adjustment on or prior to the effective date of any action or occurrence giving rise to such state of facts will be conclusive evidence that the directors has determined that it is equitable to make no adjustment in the circumstances.

5.7 **Adjustment Rules.**

The following rules and procedures shall be applicable to the adjustments made pursuant to Section 5.6 herein:

- (a) the adjustments provided for in Section 5.6 herein are cumulative and shall apply to successive events resulting in any adjustment hereunder;
- (b) if the Company sets a record date to take any action and thereafter and before the taking of such action abandons its plan to take such action, then no adjustment to the Debenture will be required by reason of the setting of such record date;
- (c) as a condition precedent to the taking of any action which would require any adjustment to this Debenture evidenced hereby the Company must take any corporate action which may be necessary in order that the Company shall have unissued and reserved in its authorized capital and may validly and legally issue as fully paid and non-assessable all of the shares or other securities which the Creditor is entitled to receive on the conversion thereof in accordance with the provisions hereof;
- (d) forthwith, but no later than 14 days, after any adjustment pursuant to Section 5.6, the Company shall provide to the Creditor a certificate of an officer of the Company certifying as to the amount of such adjustment and, in reasonable detail, describing the event requiring and the manner of computing or determining such adjustment;
- (e) any question that at any time or from time to time arises with respect to any adjustment pursuant to Section 5.6 herein shall be conclusively determined by a firm of independent chartered accountants (who may be the Company's auditors) and shall be binding upon the Company and the Creditor;
- (f) in case the Company, after the date of issue of this Debenture, takes any action affecting the Common Shares, other than an action described in Section 5.6 herein, which in the opinion of the directors of the Company would materially affect the rights of the Creditor, the terms of the Debenture will be adjusted in such manner, if any, and at such time, by action by the directors of the Company but subject in all cases to any necessary regulatory approval, including approval of any stock exchange or quotation system on which the Common Shares are then listed and posted (or quoted) for trading, as applicable. Failure of the taking of action by the directors of the Company so as to provide for an adjustment on or prior to the effective date of any action by the Company affecting the Common Shares will be conclusive evidence that the directors of the Company has determined that it is equitable to make no adjustment in the circumstances; and
- (g) on the happening of each and every such event set out in Section 5.6 herein, the applicable provisions of this Debenture shall, *ipso facto*, be deemed to be amended accordingly and the Company shall take all necessary action so as to comply with such provisions as so amended.

5.8 **Notice of Special Matters**

The Company shall give notice to the Creditor, in the manner provided in Section 7.8(a), of its intention to fix a record date for any event mentioned in Section 5.6 which may give rise to an adjustment in the Common Shares which may be acquired pursuant to this Article Five, and, in each case, such notice shall specify the particulars of such event and the record date and the effective date for such event; provided that the Company shall only be required to specify in such notice such particulars of such event as shall have been fixed and determined on the date on which such notice is given. Such notice shall be given not less than 14 days prior to the applicable record date.

5.9 **Resale Restriction**

The Common Shares issuable upon exercise of the conversion rights set forth in this Article Five shall not be subject to any statutory hold period or other resale restriction other than as set forth in Section 2.5 of National Instrument 45-102 – *Resale of Securities*.

5.10 **U.S. Securities Matters**

The conversion rights provided for in this Article Five may not be exercised by or for a U.S. Person (as that term is defined in Regulation S of the U.S. Securities Act of 1933 (the “**1933 Act**”) or any person in the United State unless an registration statement with respect thereto is in effect under the 1933 Act and any applicable state securities laws, or there is an available exemption from the registration requirements of the 1933 Act and any applicable state securities laws and the holder has furnished an opinion of counsel reasonably satisfactory to the Company as to the availability of such registration exemptions.

ARTICLE SIX
EVENTS OF DEFAULT AND ACCOUNTING DISPUTES

6.1 **Events of Default.**

The occurrence of any of the following events shall constitute an “Event of Default” under this Debenture:

- (a) if an event of default occurs, which continues after the passage of any applicable cure period, under any agreement or instrument evidencing indebtedness of the Company in excess of \$1,000,000;
- (b) if the Company fails to pay when due of any Principal Amount or other amounts payable under this Debenture or any other Transaction Document and such default is not remedied for five (5) Business Days, provided that, for avoidance of doubt, it shall not be a default hereunder to the extent the Creditor exercises the Conversion Option under Article Five or issues a JV Election following the Maturity Date;
- (c) if the Company fails to perform, observe or comply with any covenant, obligation or condition contained in Sections 3.2 or 3.3 of this Debenture;

- (d) if the Company fails to perform, observe or comply with any covenant, obligation or condition contained in this Debenture (excluding Sections 3.2 or 3.3 hereof) or any other Transaction Document, and remains unremedied for a period of fifteen (15) days or is not otherwise waived;
- (e) if any representation or warranty made by the Company in this Debenture or other Transaction Documents is found to be false or incorrect and to the extent capable of being remedied is not remedied within fifteen (15) days;
- (f) if the Company (i) institutes proceedings under the *Companies Creditors' Arrangement Act* or any other bankruptcy, insolvency or analogous law; (ii) is adjudicated a bankrupt or insolvent; (iii) consents to (or fails to contest in good faith) the institution of bankruptcy or insolvency proceedings against it; (iv) makes (or serves notice of intention to make) any proposal under any Debtor Relief Laws; (v) consents (or fails to contest in good faith) to the filing of any such petition or to the appointment of a receiver of, or of any substantial part of, the property of the Company; (vi) makes a general assignment for the benefit of creditors; (vii) admits in writing its inability to pay its debts generally as they become due; (viii) takes any corporate action in furtherance of any of the aforesaid purposes;
- (g) if any action or proceeding is launched or taken to terminate the corporate existence of the Company, whether by winding-up, surrender of charter or otherwise;
- (h) if the Company ceases to carry on its business or makes or proposes to make any sale of its assets in bulk sale of its assets out of the usual course of its business;
- (i) if any proposal is made or any petition is filed by or against the Company under any law having for its purpose the extension of time for payment, composition or compromise of the liabilities of the Company or other reorganization or arrangement respecting its liabilities and such proposal or petition is not stayed or dismissed within thirty (30) days or if the Company gives notice of its intention to make or file any such proposal or petition including an application to any court to stay or suspend any proceedings of creditors pending the making or filing of any such proposal or petition;
- (j) if any receiver, administrator, or manager of the property, assets or undertaking of the Company or a substantial part thereof is appointed, whether privately, pursuant to any statute, or by or under any judgment or order of any court;
- (k) if any proceedings are taken to enforce any Encumbrance affecting the Collateral or if a distress or any similar process be levied or enforced against the Collateral such proceedings are not dismissed or stayed within thirty (30) days after the commencement thereof;
- (l) the making by the Company of a general assignment for the benefit of its creditors; or

- (m) there is a Change of Control.

Upon the occurrence and during the continuance of an Event of Default, following written notice from the Creditor to the Company, all amounts outstanding shall become forthwith due and payable and the Creditor shall have all rights and remedies available to it at law or equity, including the right to commence legal action and proceedings (including enforcement proceedings) that the Lender, in its sole discretion, deems expedient." For greater certainty, the Conversion Option and the JV Election shall not be exercisable by the Creditor other than in the circumstances set out in Sections 2.5 and Article V.

6.2 **Rights of the Creditor**

The Creditor, without exonerating in whole or in part the Company, may grant time, renewals, extensions, indulgences, releases and discharges to, may take securities from and give the same and any or all existing securities up to, may abstain from taking securities from or from perfecting securities of, may accept compositions from, and may otherwise deal with the Company and all other Persons and securities as the Creditor may see fit.

Nothing herein shall obligate the Creditor to extend or amend any credit to the Company or to any other Person.

6.3 **Accounting Dispute**

In the event of a dispute by the Creditor regarding the calculation and/or presentation of Designated C&A Expenses (an "**Accounting Dispute**"), upon the Creditor giving written notice to the Company of such Accounting Dispute, and so long as any amounts owing remain outstanding:

- (a) the Creditor shall have the right to request that the Company engage its auditor to complete an audit of the Company's C&A Expenses to confirm that Designated C&A Expenses in respect of any period are less than the applicable dollar threshold for that period, which audit shall be conducted promptly in accordance with International Standard on Auditing 800 under International Financial Reporting Standards ("**ISA 800**"). The Company shall be responsible for the cost of any such audit; provided, however, that if the results of a particular audit determine that the amount of Designated C&A Expenses for the relevant period is less than the applicable dollar threshold for that period, the Creditor shall be responsible for the cost of such audit. In no event shall the costs of any audit requested by the Creditor pursuant to this Section 6.3 be included in the calculation of Designated C&A Expenses for the purposes of this Debenture; and
- (b) once an ISA 800 audit had been completed for a period, and to the extent that the Creditor is unsatisfied with the results of such audit, and so requests to the Company in writing, such dispute shall be referred to one representative designated by each Party who possesses the appropriate qualifications and experience to resolve such Accounting Dispute (whether an in-house representative or an externally retained

advisor or consultant) for prompt resolution between such representatives within five (5) Business Days after it has been so referred to them. Any such Accounting Dispute which has not been so resolved within such five (5) Business Day period shall, upon written notice by either Party to the other, be finally settled by an Expert, subject to the following provisions:

- A. the Expert shall be instructed that time is of the essence in proceeding with their determination and to resolve such determination within the shortest time practicable;
- B. the Expert shall consider any submissions which may be made to it by either Party, together with any assumptions and methodology upon which such submissions are based and any justification for such assumptions and methodology as such Party considers helpful to the Expert, all of which shall be delivered contemporaneously to each other Party;
- C. any process or determination by the Expert will be made as an expert and not as an arbitrator;
- D. the determination of the Expert will be final and binding; and
- E. each Party shall bear an equal portion of the Expert's fees and expenses with respect to their engagement with respect to such determination, but such costs shall be excluded from the calculation of Designated C&A Expenses for the purposes of this Debenture.

ARTICLE SEVEN **GENERAL**

7.1 Waiver.

No act or omission by the Creditor in any manner whatever shall extend to or be taken to affect any provision hereof or any subsequent breach or default or the rights resulting therefrom save only an express waiver in writing. No waiver of any of the provisions of this Debenture shall be deemed to constitute a waiver of any other provisions (whether or not similar), nor shall such waiver constitute a waiver or continuing waiver unless expressly provided in writing duly executed by the party to be bound thereby. A waiver of default shall not extend to, or be taken in any manner whatsoever to affect the rights of the Creditor with respect to any subsequent default, whether similar or not. The Company waives every defence based upon any or all indulgences that may be granted to the Creditor.

7.2 No Merger or Novation.

Neither the taking of any judgment nor the exercise of any power of seizure or sale shall operate to extinguish the liability of the Company to pay the moneys owing hereby nor shall the same operate as a merger of any covenant herein contained

or of any other Obligation, nor shall the acceptance of any payment or security constitute or create any novation.

7.3

Confidentiality.

- (a) All Confidential Information shall be treated as confidential by the Parties and shall not be disclosed to any other Person other than in circumstances where a Party has an obligation to disclose such information in accordance with Applicable Law, in which case, such disclosure shall only be made after consultation with the other Parties (if reasonably practicable and permitted by Applicable Law) provided that any public disclosure of such information shall always omit or redact the Redacted Information (the “**Redaction Requirement**”).
- (b) In the event that Applicable Law requires a Party to disclose Redacted Information, such disclosure shall only be made after consultation with the other Party and the Parties shall mutually agree on the applicable disclosure of the Redacted Information, each acting reasonably.
- (c) Notwithstanding the foregoing, each of the Parties acknowledges and agrees that:
 - (i) each of the Creditor and the Company may disclose Confidential Information, subject to the Redaction Requirement, to:
 - A. a person providing financing or funding to the Company or the Creditor, as applicable;
 - B. any prospective purchaser of the Creditor’s interest under this Debenture, together with such prospective purchaser’s financiers, consultants and advisors (financial and legal),so long as, in each case, prior to receiving any such information the recipient enters into a confidentiality agreement with the disclosing Party pursuant to which the recipient provides a confidentiality undertaking in favour of the Company and the Creditor to maintain the confidentiality of the Confidential Information in a manner consistent with this Debenture;
 - (ii) each of the Parties may disclose Confidential Information to their respective directors, officers and employees (and the directors, officers and employees of their respective Affiliates) and the directors, officers, partners or employees of any financial, accounting, legal and professional advisors of such Party and its Affiliates, as well as any contractors and subcontractors of such Party, provided that each of such individuals to whom Confidential Information is disclosed is advised of the confidentiality of such information and is directed to abide by the terms and conditions of this Section 7.3;

The provisions of this Section 7.3 shall survive the discharge of the Obligations and shall apply indefinitely.

7.4 **Amalgamation.**

The Company acknowledges that if it amalgamates with any other company, corporation or corporations (a) the term "Company", where used herein shall extend to and include each of the amalgamating companies or corporations and the amalgamated entity, and (b) the term, "Obligations", where used herein shall extend to and include the Obligations of each of the amalgamating entities and the amalgamated entity.

7.5 **Creditor May Remedy Default.**

If the Company fails to do anything hereby required to be done by it, the Creditor may, but shall not be obliged to, do all or any such things, and all sums thereby expended by the Creditor shall form part of the Obligations, shall forthwith be payable by the Company, shall be secured by the Security Documents and shall have the benefit of the Encumbrances created thereby, but no such performance by the Creditor shall be deemed to relieve the Company from any default or Event of Default hereunder.

7.6 **Discharge and Satisfaction.**

Upon payment or satisfaction in full by the Company to the Creditor of all amounts outstanding, these presents shall cease and become null and void, but the Creditor shall at the request and expense of the Company, execute and deliver to the Company a full release and discharge.

7.7 **Gross Up.**

If the Company or any of its Affiliates that are party to a Security Document (collectively, the "**Obligors**") or the Creditor is compelled by Applicable Law to make any withholding or deduction due to any tax (excluding any tax on the overall net income or capital of the Creditor) or if the Creditor is liable to pay tax in respect of any payment due or made by such Obligor, such Obligor will pay to the Creditor such additional amount as may be necessary in order that the payment actually received is equal to the payment that would otherwise have been received in the absence of such withholding or deduction or tax (including in the absence of any additional withholding or deduction or tax in respect of any additional amount payable pursuant to this Section).

7.8 **Notices.**

All notices, requests, demands or other communications (collectively, "**Notices**") by the terms hereof required or permitted to be given by one Party to the other Party, or to any other Person shall be given by e-mail as the primary and required form of notice with return receipt confirmed and, as a supplemental form of notice only, in writing by personal delivery or by registered mail, postage prepaid, to such other party at:

(a) to the Creditor at:

SCR-Sibelco NV
Plantin & Moretuslei, 1A
Antwerp, Belgium

Attention: Michelle Maas
Title: VP Corporate Development
Email: [redacted: personal information]

And to:

Attention: Ian Sedgman
Title: EVP APAC
Email: [redacted: personal information]

(b) to the Company at:

Avalon Advanced Materials Inc.
Suite 2060 - 130 Adelaide Street West
Toronto, Ontario M5H 3P5

Attention: Scott Monteith
Email: [redacted: personal information]

And to:

Attention: Andrew Ramcharan
Title: VP, Corporate Development
Email: [redacted: personal information]

or at such other address as may be given by such Party to the other Party hereto in writing from time to time. All such Notices shall be deemed to have been received when delivered or transmitted, or, if mailed, seventy-two (72) hours after 12:01 a.m. on the day following the day of the mailing thereof. If any Notice shall have been mailed and if regular mail service shall be interrupted by strikes or other irregularities, such Notice shall be deemed to have been received seventy-two (72) hours after 12:01 a.m. on the day following the resumption of normal mail service, provided that during the period that regular mail service shall be interrupted, all Notices shall be given by Personal delivery, by facsimile transmission or by e-mail or other electronic methods.

7.9

Invalidity of any Provisions.

Any provision of this Debenture which is prohibited by the laws of any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition without invalidating the remaining terms and provisions hereof or thereof and no such invalidity shall affect the obligation of the Company to repay the Obligations. This Debenture and all its provisions shall enure to the benefit of the Creditor, its successors and permitted assigns and shall be binding upon the Company, its

successors and assigns. Presentment, notice of dishonour, protest and notice of protest hereof are hereby waived.

7.10 **Amendments.**

This Debenture may only be amended by written agreement signed by each of the Parties hereto.

7.11 **Entire Agreement.**

This Debenture sets forth the entire understanding of the Parties with respect to the subject matter hereof and supersedes all existing agreements between them concerning such subject matter, including the Existing Debenture.

7.12 **Assignments.**

Neither Party may assign, transfer or deliver all or any part of its rights or obligations hereunder without the prior written consent of the other Party.

7.13 **No Notice of Trust.**

The Creditor or its legal representative will be regarded as exclusively entitled to the benefit of this Debenture and all persons may act accordingly and the Company shall not be bound to enter in the register notice of any trust or, except as by some court of competent jurisdiction ordered, to recognize any trust or equity affecting the title to this Debenture.

7.14 **Further Assurances.**

The Company shall, and shall cause each of its subsidiaries to, at the Company's expense and upon request of the Creditor, duly execute and deliver, or cause to be duly executed and delivered, to the Creditor such further instruments and do and cause to be done such further acts as may be necessary or proper in the reasonable opinion of the Creditor to carry out more effectively the provisions and purposes of this Debenture and the other Transaction Documents.

7.15 **Expenses.**

Whether or not the transactions contemplated by this Debenture shall be consummated, each Party shall pay its own out of pocket expenses, including the reasonable fees and disbursements of any expert or advisers (including, without limitation, lawyers) incurred in connection with the preparation, negotiation, execution, administration or interpretation of the Debenture, and any amendment, modification or waiver of any of the provisions thereof. The Company shall pay all costs and expenses (including legal fees) incurred by the Creditor, or its agents on its behalf, in connection with the protection and enforcement of the rights of the Creditor provided for in this Debenture and the other Transaction Documents. All statements, reports, certificates, opinions, appraisals and other documents or information required to be furnished to the Creditor by the Company under this Debenture shall be supplied by the Company without cost to the Creditor.

7.16 **Payments without Deduction.**

All payments to be made by the Company under this Debenture (whether on account of principal, interest, fees, costs or any other amount) shall be made in Canadian dollars and shall be made in freely transferable, immediately available funds and without set-off, withholding or deduction of any kind whatsoever, except to the extent required by Applicable Law.

7.17 **Execution.**

This Debenture may be executed in any number of counterparts, all of which when taken together shall constitute one agreement. Any signatory hereto may deliver an executed copy of this agreement by facsimile, electronic mail or electronic signature to the Creditor provided that in such event the Company shall promptly deliver to the Creditor an originally executed copy of this Debenture. Notwithstanding the foregoing, transmission of an executed signature page by facsimile, email or other electronic means is as effective as a manually executed counterpart of this Debenture.

[Signature Page to Follow]

IN WITNESS WHEREOF the Company has caused this Debenture to be executed as of the date first written above.

AVALON ADVANCED MATERIALS INC.

Per: "Scott Monteith"
Name: Scott Monteith
Title: CEO

Per: "Jim Andersen"
Name: Jim Andersen
Title: Vice President Finance, Corporate
Secretary and CFO

I have authority to bind the Company.

SCHEDULE B ROYALTIES

Calabras/Lutoda Royalty on Nechalacho “Lower Zone”

There is a 3.0% NSR royalty on the Nechalacho Rare Earth Elements Project mineral rights below 150 metres below sea level, which is owned by the Company’s wholly owned subsidiary 8110131 Canada Inc.

Fairservice/Willis Royalty on Separation Rapids

There is a 2.0% NSR royalty on the Separation Rapids Property, which is owned by the Company’s wholly owned subsidiary 8110131 Canada Inc.

Murphy Royalty

There is a 2.5% NSR royalty on the original 5 leases at the Nechalacho Rare Earth Elements Project. The Company has a contractual right to buy out the royalty at the principal amount of \$150,000 compounded annually at the average Canadian prime rate from May 2, 1982 to the buyback date (which is currently approximately \$1.7 million), provided that, upon exercising the option, it extinguishes the royalty. Cheetah Resources Pty Ltd. can also buy out the royalty, provided that, upon exercising the option, it extinguishes the royalty.