

8% CONVERTIBLE SECURED DEBENTURE

UNLESS PERMITTED UNDER APPLICABLE SECURITIES LEGISLATION IN CANADA, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE JULY 8, 2022.

WITHOUT PRIOR WRITTEN APPROVAL OF TSX VENTURE EXCHANGE AND COMPLIANCE WITH ALL APPLICABLE SECURITIES LEGISLATION, THE SECURITIES REPRESENTED BY THIS CERTIFICATE MAY NOT BE SOLD, TRANSFERRED, HYPOTHECATED OR OTHERWISE TRADED ON OR THROUGH THE FACILITIES OF TSX VENTURE EXCHANGE OR OTHERWISE IN CANADA OR TO OR FOR THE BENEFIT OF A CANADIAN RESIDENT UNTIL JULY 8, 2022.

VERTEX RESOURCE GROUP LTD.

(A corporation incorporated under the laws of Alberta)

8% CONVERTIBLE SECURED DEBENTURE DUE MARCH 7, 2027 TOTAL AMOUNT: \$15,000,000

FOR VALUE RECEIVED, Vertex Resource Group Ltd. hereby promises to pay to the order of **[Depository information redacted for privacy]** IBBC Limited Partnership by its general partner IBBC GP Inc. **[Account Number redacted for privacy]** (the “**Holder**”) the principal sum of \$14,765,000.00 (the “**Principal Amount**”), together with interest thereon as more particularly described herein from the date of issuance of this Debenture. This Debenture for the Principal Amount forms part of a larger issuance and sale by the Corporation of debentures by way of a non-brokered private placement for proceeds equal to the Total Amount.

ARTICLE I INTERPRETATION

Section 1.01 Definitions. In this Debenture, unless there is something in the subject matter or context inconsistent therewith, the following terms have the following meanings:

“**Affiliate**” has the meaning ascribed thereto in the *Securities Act* (Alberta).

“**Anti-Corruption Laws**” means the *Corruption of Foreign Public Officials Act* (Canada), the UK Bribery Act and the United States Foreign Corrupt Practices Act of 1977, including any subordinate legislation thereunder (and including any regulations, rules, guidelines or orders thereunder) and, in any case, which are applicable to the Corporation, any Subsidiary of the Corporation, or the Holder or any Affiliate thereof.

“**Anti-Money Laundering/Anti-Terrorist Financing Laws**” means the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada), the *United Nations Act* (Canada), the *Criminal Code* (Canada), the Bank Secrecy Act, 31 U.S.C. section 5301 et seq., the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, Pub. L. 107-56 (a/k/a the USA Patriot Act), Laundering of Monetary\

Instruments, 18 U.S.C. section 1956, Engaging in Monetary Transactions in Property Derived from Specified Unlawful Activity, 18 U.S.C. section 1957, the Financial Recordkeeping and Reporting of Currency and Foreign Transactions Regulations, 31 C.F.R. Chapter X (Parts 1000 et. seq.) (and including any regulations, rules, guidelines or orders thereunder) and, in any case, which are applicable to the Corporation, any Subsidiary of the Corporation, or the Holder or any Affiliate thereof.

"Applicable Securities Laws" means, collectively, all applicable securities laws (including rules, regulations, policies and instruments enacted thereunder) in the Provinces of British Columbia, Alberta and Saskatchewan and all applicable rules and policies of the TSX-V or any other stock exchange on which the Common Shares may be listed from time to time.

"Business Day" means any day, other than a Saturday, a Sunday or a day on which major banks are closed for business in Calgary, Alberta.

"Capital Reorganization" has the meaning set forth in Section 4.02(d).

"Change of Control" means: (a) the acquisition by any Person, or group of Persons acting jointly or in concert, of ownership of, or voting control or direction over, 50% or more of outstanding voting securities of the Corporation; or (b) the sale or other transfer of all or substantially all of the assets of the Corporation on a consolidated basis; provided, however that, a Change of Control will not include a sale, merger, arrangement, amalgamation, reorganization or similar transaction if the previous holders of voting securities of the Corporation immediately prior to such transaction hold at least 50% of the voting control or direction in such merged, arranged, amalgamated, reorganized or other continuing entity (and, in the case of a sale of all or substantially all of the assets, in the entity which has acquired such assets) immediately following the completion of such transaction.

"Change of Control Notice" has the meaning set forth in Section 2.04((a)(i).

"Change of Control Offer" has the meaning set forth in Section 2.04((a)(i).

"Change of Control Payment Date" has the meaning set forth in Section 2.04((a)(i).

"Common Shares" means, subject to adjustment by application of Section 4.02, the common shares in the capital of the Corporation.

"Common Share Reorganization" has the meaning set forth in Section 4.02(a).

"Conversion Notice" has the meaning set forth in Section 4.01(a).

"Conversion Price" means \$0.65, subject to adjustment in accordance with the terms of this Debenture.

"Convertible Securities" means securities of the Corporation (other than the Debenture) or of any other issuer convertible into or exchangeable for or otherwise carrying the right to acquire Common Shares.

"Corporation" means VERTEX RESOURCE GROUP LTD. and includes its legal successors and permitted assigns.

"Current Market Price" in respect of a Common Share at any date means the VWAP for the 20 consecutive Trading Days ending on the fifth Trading Day before such date on the TSX-V or, if the Common Shares are not listed on the TSX-V, then on such other stock exchange on which the Common Shares are then listed as may be selected by the Directors or, if the Common Shares are not then listed on a stock exchange, on the over-the-counter market; provided that, if there is no market for the Common Shares during all or part of such period during which the Current Market Price thereof would otherwise be determined, the Current Market Price in respect of a Common Share shall in respect of all or part of the period be determined by a nationally recognized accounting firm chosen by the Corporation and acceptable to the Holder, acting reasonably.

"Date of Conversion" has the meaning set forth in Section 4.01(b).

"Debenture" means this 8% convertible secured debenture due March 7, 2027, together with all Schedules, as it may be amended, modified, extended, renewed, replaced, restated or supplemented from time to time in accordance with the terms hereof.

"Default" means any event or circumstance which, with the giving of notice or lapse of time, would constitute an Event of Default.

"Directors" means the board of directors of the Corporation or, whenever duly empowered by a resolution of the board of directors of the Corporation, a committee of the board of directors of the Corporation, and reference to approval by the Directors means approval by the directors of the Corporation as a board or approval by any such committee of the board as a committee.

"Documents" means this Debenture and any other instruments or agreements entered into by the Corporation or any of its Subsidiaries relating to this Debenture, including the Security and any other document or agreement resulting from the operation of Sections 2.05, 2.06, 2.07, 2.08, 2.09 and 2.10 and any similar document or instrument entered into by the Corporation or any of its Subsidiaries with the Holder.

"Event of Default" has the meaning set forth in Section 6.01.

"Financial Assistance" means with respect of any Person and without duplication, any loan, guarantee, indemnity, assurance, acceptance, extension of credit, loan purchase, share purchase, equity or capital contribution, investment or other form of direct or indirect financial assistance or support of any other Person or any obligation (contingent or otherwise) primarily for the purpose of enabling another Person to incur or pay any Indebtedness or to comply with agreements relating thereto or otherwise to assure or protect creditors of the other Person against loss in respect of Indebtedness of the other Person and includes any guarantee of or indemnity in respect of the Indebtedness of the other Person and any absolute or contingent obligation to (directly or indirectly):

- (a) advance or supply funds for the payment or purchase of any Indebtedness of any other Person;
- (b) purchase, sell or lease (as lessee or lessor) any property, assets, goods, services, materials or supplies primarily for the purpose of enabling any Person to make payment of Indebtedness or to assure the holder thereof against loss;
- (c) guarantee, indemnify, hold harmless or otherwise become liable to any creditor of any other Person from or against any losses, liabilities or damages in respect of Indebtedness;
- (d) make a payment to another for goods, property or services regardless of the non-delivery or non-furnishing thereof to a Person, other than in the ordinary course of business; or
- (e) make an advance, loan or other extension of credit to or to make any subscription for equity, equity or capital contribution, or investment in or to maintain the capital, working capital, solvency or general financial condition of another Person.

The amount of any Financial Assistance is the amount of any loan or direct or indirect financial assistance or support, without duplication, given, or all Indebtedness of the obligor to which the Financial Assistance relates, unless the Financial Assistance is limited to a determinable amount, in which case the amount of the Financial Assistance is the determinable amount.

“Environment” means all components of the earth, including all layers of the atmosphere, air, land (including all underground spaces and cavities and all lands submerged under water), soil, water (including surface and underground water), organic and inorganic matter and living organisms, and the interacting natural systems that include the components referred to in this definition.

“Environmental Law” means any Law relating, in whole or in part, to the protection or enhancement of the Environment, including occupational safety, product liability, public health, public safety and transportation or handling of dangerous goods.

“Financial Instruments” has the meaning ascribed thereto in Section 5.04(c).

“Governmental Authority” means any domestic or foreign, national, federal, provincial, state, municipal or other local government or regulatory body and any division, agency, ministry, commission, board or authority or any quasi-governmental or private body exercising any statutory, regulatory, expropriation or taxing authority under the authority of any of the foregoing, and any domestic, foreign or international judicial, quasi-judicial, arbitration or administrative court, tribunal, commission, board or panel acting under the authority of any of the foregoing.

“Holder” means the entity described in the recitals, including their legal successors and permitted assigns.

“IFRS” means International Financial Reporting Standards adopted by the International Accounting Standards Board from time to time, but only to the extent that the same are adopted by the Canadian Institute of Chartered Accountants and then subject to such modifications as are agreed by the Canadian Institute of Chartered Accountants, applied on a consistent basis.

“Indebtedness” means, without duplication, the aggregate amount of all obligations, liabilities and indebtedness of a Person which would be classified under IFRS as indebtedness for borrowed money upon the consolidated balance sheet of such Person, including all long term borrowings, the current portion of long-term borrowings, short-term borrowings, obligations under capital leases plus all monetary obligations of such Person arising in respect of a Financial Instrument that are due and owing and all monetary obligations, contingent or otherwise, of any of the foregoing arising from any Financial Assistance made by such Person in respect of any of the foregoing.

“Insolvency Proceeding” shall mean any proceeding by or against the Company under the *Bankruptcy and Insolvency Act* (Canada), the *Companies Creditors Arrangement Act* (Canada), the Bankruptcy Code (United States), or any other bankruptcy or insolvency law, including assignments for the benefit of creditors, compositions, extensions generally with its creditors, or proceedings seeking reorganization, arrangement, or other relief.

“Intellectual Property” means all patents, patent applications, trademarks, trade-mark applications, trade names, service marks, copyrights, industrial designs, integrated circuit topographies, or other rights with respect to the foregoing and other similar property used in or necessary for the present and planned future conduct of the business and operations of the Corporation and its Subsidiaries.

“Interest Payment Date” means (i) the last day of each month that the Debenture is outstanding commencing on March 31, 2022 and (ii) the Maturity Date.

“Interest Period” means the period commencing on the later of: (a) the Issue Date, and (b) the immediately preceding Interest Payment Date on which interest has been paid and ending on the date immediately preceding the Interest Payment Date in respect of which interest is payable.

“Issue Date” means March 7, 2022.

“Law” means all constitutions, treaties, laws, statutes, codes, ordinances, orders, decrees, rules, regulations and municipal by laws, whether domestic, foreign or international, any judgments, orders, writs, injunctions, decisions, rulings, decrees and awards of any Governmental Authority, and any policies, voluntary restraints, practices or guidelines of any Governmental Authority, and including any principles of common law and equity.

“Leased Properties” means all land leased by the Corporation or any of its Subsidiaries as tenant from time to time, specifically including as at the date of this Agreement the land described in Schedule B; and **“Leased Property”** means any of the Leased Properties as the context requires.

“Lien” means any mortgage, lien, pledge, charge (whether fixed or floating), security interest, conditional sale or title retention agreement (other than operating leases in respect of tangible personal property which are not in the nature of financing transactions), trust or deposit arrangements in the nature of a security interest or other encumbrance of any kind, contingent or absolute but excludes any contractual right of set-off created in the ordinary course of business and any writ of execution, or other similar instrument, arising from a judgment relating to the non-payment of Indebtedness.

“Material Adverse Effect” means any change, event, violation, inaccuracy, circumstance or effect, individually or when aggregated with other changes, events, violations, inaccuracies, circumstances or effects, that has a material adverse effect on:

- (a) the business, operations, properties, assets, liabilities (actual or contingent) or condition (financial or otherwise) of the Corporation and its Subsidiaries on a consolidated basis;
- (b) the rights and remedies of the Holder under any of the Documents; or
- (c) the ability of the Corporation or any of its Subsidiaries to perform and discharge any of their respective obligations under the Documents.

“Maturity Date” means March 7, 2027.

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

“Offered Shares” has the meaning set forth in Section 4.02(b).

“Permitted Contest” means action taken by or on behalf of the Corporation or a Subsidiary thereof in good faith by appropriate proceedings diligently pursued to contest a Tax, claim or Lien, provided that:

- (a) the Person to which the Tax, claim or Lien being contested is relevant (and, in the case of a Subsidiary, the Corporation on a consolidated basis) has established reasonable reserves therefor if and to the extent required by IFRS;
- (b) proceeding with such contest does not have, and could not reasonably be expected to have, a Material Adverse Effect; and
- (c) proceeding with such contest will not create a material risk of sale, forfeiture or loss of, or interference with the use or operation of, a material part of the property of the Corporation and its Subsidiaries.

“Permitted Encumbrances” means:

- (i) undetermined or inchoate Liens arising in the ordinary course of and incidental to construction or current operations which have not been filed pursuant to Law or in respect of which no steps or proceedings to enforce such Lien have been initiated

or which relate to obligations which are not due or delinquent or if due or delinquent, any Lien which the Corporation or any Subsidiary is contesting at the time by a Permitted Contest;

- (ii) easements, rights of way, servitudes, zoning or other similar rights or restrictions in respect of land (including rights of way and servitudes for railways, sewers, drains, pipelines, gas and water mains, electric light and power and telephone or telegraph or cable television conduits, poles, wires and cables) which, either alone or in the aggregate, could not reasonably be expected to have a Material Adverse Effect;
- (iii) any Lien or trust arising in connection with worker's compensation, employment insurance, unemployment insurance, pension and employment Law;
- (iv) the right reserved to or vested in any municipality or governmental or other public authority by the terms of any lease, license, franchise, grant or permit acquired or by any statutory provision to terminate any such lease, license, franchise, grant or permit or to require annual or other periodic payments as a condition of the continuance thereof;
- (v) all reservations in the original grant from the Crown of any lands and premises or any interests therein and all statutory exceptions, qualifications and reservations in respect of title;
- (vi) public and statutory Liens not yet due and similar Liens arising by operation of Law;
- (vii) the Security;
- (viii) Liens for Taxes, assessments or governmental charges not at the time due or delinquent or, if due or delinquent, the validity of which is contested at the time by a Permitted Contest;
- (ix) Liens under or pursuant to any judgment rendered, or claim filed, against the Corporation or any Subsidiary, which the Corporation or such Subsidiary is contesting at the time by a Permitted Contest; and
- (x) Liens securing the Permitted Indebtedness.

“Permitted Indebtedness” means:

- (a) all obligations of the Corporation owing to Senior Creditors pursuant to Senior Credit Agreements;
- (b) Indebtedness secured by Purchase Money Liens or incurred in connection with capital leases and sale and lease back transactions, provided that all such Indebtedness at no time exceeds, in aggregate, Cdn. \$30,000,000; and

- (c) any other Indebtedness from time to time which is consented to, in writing, by the Holder.

"Person" means and includes any individual, partnership, limited partnership, limited liability company, corporation, company, joint venture, trust, unincorporated organization, association or other legal entity or any government or department or agency thereof.

"Principal Amount" means \$14,765,000.00, as such amount may be reduced from time to time in accordance with the terms of the Debenture.

"Purchase Money Lien" means a Lien, whether given to a vendor, lender or any other Person, securing Indebtedness assumed or incurred as, or to provide, all or part of the purchase price or other acquisition cost of property, which Lien is limited exclusively to such property and any proceeds thereof and any extension, renewal, refinancing or replacement thereof.

"Release" includes releasing, spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, disposing or dumping.

"Rights Offering" has the meaning set forth in Section 4.02(b).

"Sanctions" means the economic sanctions laws, regulations, embargoes or restrictive measures administered, enacted or enforced by any Sanctions Authority, including any sanctions or requirements imposed by, or based upon the obligations or authorities set forth in, the *Special Economic Measures Act* (Canada), the *United Nations Act* (Canada), the *Criminal Code* (Canada), the *Freezing of Assets of Corrupt Foreign Officials Act* (Canada), the U.S. Bank Secrecy Act (31 U.S.C. §§ 5311 et seq.), the U.S. Money Laundering Control Act of 1986 (18 U.S.C. §§ 1956 et seq.), the USA Patriot Act of 2001, the U.S. International Emergency Economic Powers Act (50 U.S.C. §§ 1701 et seq.), the U.S. Trading with the Enemy Act (50 U.S.C. App. §§ 1 et seq.), the U.S. United Nations Participation Act, the U.S. Syria Accountability and Lebanese Sovereignty Act, the U.S. Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010 or the Iran Sanctions Act (United States), or any of the foreign assets control regulations of the U.S. Department of the Treasury (including but not limited to 31 CFR, Subtitle B, Chapter V) or any other law or executive order relating thereto or regulation administered by OFAC.

"Sanctions Authority" means any of: (a) the Canadian government; (b) the United States government; (c) the United Nations; (d) the European Union; (e) the United Kingdom; or (f) the respective governmental institutions, departments and agencies of any of the foregoing, including Foreign Affairs, Trade and Development Canada, Public Safety Canada, OFAC, the United States Department of State, and Her Majesty's Treasury of the United Kingdom; and **"Sanctions Authorities"** means all of the foregoing Sanctions Authorities, collectively.

"Sanctions List" means the "Specially Designated Nationals and Blocked Persons" list maintained by OFAC, the Consolidated List of Financial Sanctions Targets and the Investment Ban List maintained by Her Majesty's Treasury of the United Kingdom, or any substantially similar list maintained by, or public announcement of Sanctions designation made by, any of the Sanctions Authorities.

“Sanctioned Person” means:

- (a) a Person that is designated under, listed on, or owned or controlled by a person designated under or listed on, or acting on behalf of a Person designated under or listed on, any Sanctions List;
- (b) a Person that is located in, incorporated under the laws of, or owned or (directly or indirectly) controlled by, or acting on behalf of, a Person located in or organized under the laws of a country or territory that is the target of countrywide or territory-wide Sanctions;
- (c) a Person that is otherwise a target of Sanctions (“target of Sanctions” signifying a Person with whom a Person or other national of a Sanctions Authority would be prohibited or restricted by law from engaging in trade, business or other activities); or
- (d) any other Person that the Holder would not be permitted to make a loan, or provide funding, in accordance with the Sanctions, or otherwise deal with pursuant to the Sanctions.

“Security” has the meaning ascribed thereto in Section 2.05 and any other Lien hereafter granted to secure the payment of the obligations owing under this Debenture or any other Document.

“Senior Credit Agreement” means:

- (i) that certain Credit Agreement dated May 11, 2018 among the Corporation, as borrower, and the persons party thereto from time to time in their capacities as lenders and HSBC Bank Canada as administrative agent, as amended from time to time prior to the Issue Date (referred to herein as the **“HSBC Facility”**) and as the same may be further amended, restated, amended and restated, supplemented, extended, refinanced, replaced or otherwise modified from time to time provided that the principal amount of the Indebtedness owing thereunder may not be increased (except as currently contemplated in Section 3.3 thereunder) without the prior written consent of the Holder;
- (ii) that certain letter of offer dated May 7, 2020 among the Corporation, as borrower, and the Business Development Bank of Canada, as lender, as amended from time to time prior to the Issue Date (referred to herein as the **“BDC Working Capital Facility”**) and as the same may be further amended, restated, amended and restated, supplemented, extended, refinanced, replaced or otherwise modified from time to time provided that the principal amount of the Indebtedness owing thereunder may not be increased without the prior written consent of the Holder;
- (iii) that certain facility letter dated June 24, 2020 among the Corporation, as borrower, and HSBC Bank Canada, as lender, as amended from time to time prior to the Issue Date (referred to herein as the **“BDC Co-Lend Facility”**) and as the

same may be further amended, restated, amended and restated, supplemented, extended, refinanced, replaced or otherwise modified from time to time provided that the principal amount of the Indebtedness owing thereunder may not be increased without the prior written consent of the Holder; and

- (iv) any other credit or loan agreement among the Corporation or any of its Subsidiaries, and such other Person or Persons acting as agent or lender thereunder, pursuant to which such other Person or Persons extend credit to the Corporation or any of its Subsidiaries, from time to time, which credit, by its terms, is with the consent of the Holder in their sole and unfettered discretion stated to be senior to the amounts owing under this Debenture or any other Document hereto, as such credit or loan agreement may be amended, restated, amended and restated, supplemented, extended, refinanced, replaced or otherwise modified from time to time with the prior written consent of the Holder, such consent not to be unreasonably withheld or delayed.

“Senior Creditors” means, collectively, the agents and lenders party to any Senior Credit Agreement and each other present or future holder of any Senior Indebtedness.

“Senior Indebtedness” means all obligations, liabilities and Indebtedness of the Corporation or any of its Subsidiaries under any Senior Credit Agreement, including any extension, replacement or refinancing of any Senior Credit Agreement, or any agreements, documents, instruments or notes entered into in connection with any of the foregoing, whether direct or indirect, absolute or contingent, liquidated or unliquidated, now existing or hereafter arising, whether due or to become due, without limitation, including all principal, premium, interest, fees, attorneys’ fees, costs, charges, expenses, reimbursement obligations, indemnities, guarantees, and any other amounts payable thereunder (including, in each case, all amounts accruing on or after the commencement of any Insolvency Proceeding relating to the Corporation or any of its Subsidiaries, or that would have accrued or become due under the terms of any Senior Credit Agreement but for the commencement of any Insolvency Proceeding with respect to the Corporation or any of its Subsidiaries and irrespective of whether a claim for all or any portion of such amounts is allowable or allowed in such Insolvency Proceeding).

“Special Distribution” has the meaning set forth in Section 4.02(c).

“Subordination Agreement” means the subordination agreement dated effective as of the date of this Debenture made among each of the Holder, each of the Senior Creditors and the Corporation.

“Subsidiary” means any Person of which more than 50% of the outstanding Voting Securities or other interest having ordinary voting power for the election of the board directors or other governing body (other than securities or interests having power only by reason of the happening of a contingent) are at the time owned, or the management of which is otherwise controlled, directly or indirectly, through one or more intermediaries, or both, by a Person, and includes any legal entity in like relationship to a Subsidiary.

“Successor” has the meaning set forth in Section 5.05.

“**Taxes**” means all taxes, levies, imposts, stamp taxes, duties, deductions, withholdings and similar impositions payable, levied, collected, withheld or assessed as of the Issue Date or at any time in the future under applicable Laws, save and except for taxes on the overall income of the Holder, and “**Tax**” shall have a corresponding meaning.

“**Trading Day**” means, with respect to the TSX-V or other market for securities, any day on which such exchange or market is open for trading or quotation.

“**TSX-V**” means the TSX Venture Exchange or its successor or successors.

“**Total Amount**” means the amount of \$15,000,000.

“**Voting Securities**” means securities of capital stock of any class of any corporation, partnership units in the case of a partnership, trust units in the case of a trust, or other evidence of ownership serving similar purposes, carrying voting rights under all circumstances, provided that, for the purposes of this definition, shares which only carry the right to vote conditionally on the happening of an event will not be considered Voting Securities, whether or not such event will have occurred, nor will any securities be deemed to cease to be Voting Securities solely by reason of a right to vote accruing to securities of another class or classes by reason of the happening of such event.

“**VWAP**” means the volume weighted average trading price of the Common Shares on the TSX-V or such other principal stock exchange on which the Common Shares are trading, calculated by dividing the total value by the total volume of Common Shares traded for the relevant period.

Section 1.02 Extended Meanings. In this Debenture, unless otherwise expressly provided herein or the context otherwise requires:

- (f) words importing the singular number include the plural and vice-versa;
- (g) references to any gender include all genders;
- (h) all references to Sections refer to sections, subsections or clauses of this Debenture;
- (i) words and terms denoting inclusiveness (such as “**include**” or “**includes**” or “**including**”), whether or not so stated, are not limited by and do not imply limitation of their context or the words and phrases that precede or succeed them; and
- (j) references to “**this Debenture**”, “**hereto**”, “**herein**”, “**hereby**”, “**hereunder**”, “**hereof**” and similar expressions refer to this Debenture and not to any particular Article, Section or other subdivision and include all Schedules and amendments hereto, modifications, replacements or restatements hereof.

Section 1.03 Interpretation Not Affected by Headings, etc. The division of this Debenture into Articles, Sections and other subdivisions and the provision of headings and a table of contents are for convenience of reference only and shall not affect the interpretation of this Debenture.

Section 1.04 Statutory References. In this Debenture, unless something in the subject matter or context is inconsistent therewith or unless otherwise provided, a reference to any statute is to that statute as now enacted or as the same may from time to time be amended, re-enacted or replaced, and includes any regulations, rules, policies or directions made thereunder.

Section 1.05 Monetary References. Unless otherwise specified in this Debenture, all references in this Debenture to “Dollars”, “dollars” or the “\$” are to lawful money of Canada.

Section 1.06 Day Not a Business Day. Except as otherwise provided herein, if any day on which an amount is to be determined or any other action is required to be taken under this Debenture is not a Business Day, then such amount shall be determined on or such action shall be taken at or before the requisite time on the next succeeding day that is a Business Day.

Section 1.07 Time Periods. Unless otherwise provided herein, time periods within which a payment is to be made or any other action is required to be taken hereunder shall be calculated by including the day on which the period commences and excluding the day on which the period ends.

ARTICLE II TERMS

Section 2.01 Payment of Principal Amount on Maturity Date. For value received, the Corporation hereby acknowledges itself indebted, and subject to the provisions of this Debenture, promises to pay to the Holder, on the Maturity Date and in the manner set forth in Section 3.03, the outstanding Principal Amount of this Debenture, together with all accrued and unpaid interest, fees and other amounts owing hereunder.

Section 2.02 Interest.

- (a) This Debenture will bear interest on the outstanding Principal Amount in respect of each Interest Period at the rate of 8% per annum, payable month in arrears on last day of each of each month commencing on March 31, 2022 by the Corporation to the Holder on each Interest Payment Date in the manner set forth in Section 3.03.
- (b) The first Interest Payment Date will fall due on March 31, 2022 and will include interest accrued from and including the Issue Date to but excluding March 31, 2022 and the last Interest Payment Date will fall due on the Maturity Date and will include interest accrued from and including the last Interest Payment Date to but excluding the Maturity Date. All other Interest Periods will include interest accrued from and including the last Interest Payment Date to but excluding the current Interest Payment Date.
- (c) If the Corporation fails to make any payment due to Holder under this Debenture by the due date for payment, then the Corporation shall pay interest on the overdue amount at the rate of 10% per annum from time to time. Such interest shall accrue on a daily basis from the due date until actual payment of the overdue amount, whether before or after judgment. The Corporation shall pay the interest together with the overdue amount.

- (d) For purposes of the *Interest Act* (Canada), whenever interest is computed on the basis of a year (the "**deemed year**") which contains fewer days than the actual number of days in the calendar year of calculation, such rate of interest shall be expressed as a yearly rate by multiplying such rate of interest by the actual number of days in the calendar year of calculation and dividing it by the number of days in the deemed year.

Section 2.03 Conversion. Upon and subject to the provisions of ARTICLE IV, each Holder may, at its option, at any time and from time to time until the close of business on the Business Day immediately preceding the earlier of (i) the Change of Control Payment Date, and (ii) the Maturity Date, convert all or any portion of the outstanding Principal Amount into a number of Common Shares equal to the quotient obtained by dividing the Principal Amount being converted by the Conversion Price. The Conversion Price is subject to adjustment in accordance with the provisions of ARTICLE IV.

Section 2.04 Change of Control.

- (e) Within 10 days following the occurrence of a Change of Control, the Corporation shall be obligated to offer to purchase this Debenture on the following terms:
 - (i) Within 10 days following the occurrence of a Change of Control, the Corporation shall deliver to each Holder a notice (the "**Change of Control Notice**") in writing stating that there has been a Change of Control and specifying the date on which such Change of Control occurred and the circumstances and events giving rise to such Change of Control together with an offer (the "**Change of Control Offer**") in writing to purchase the Debenture on a date that is not more than 10 Business Days from the date of the Change of Control Notice (the "**Change of Control Payment Date**") at a price equal to 100% of the Principal Amount then outstanding, together with accrued and unpaid interest to but excluding the Change of Control Payment Date, plus any fees and other amounts owing hereunder; and
 - (ii) To accept the Change of Control Offer, a Holder must deliver written notice of such acceptance to the Corporation on or before the Change of Control Payment Date together with this Debenture.
- (f) The payment by the Corporation to a Holder under the terms of the Change of Control Offer will be made in the manner set forth in Section 3.03

Section 2.05 Security and Subordination.

- (a) The obligations of the Corporation owing to the Holder under this Debenture will be secured by the following (collectively, the "**Security**"), each in a form acceptable to the Holder, acting reasonably:
 - (i) a general security agreement containing (i) a security interest in all present and after acquired personal property of the Corporation and each of its

Subsidiaries, and (ii) a floating charge on all present and after acquired real property from the Corporation and each of its Subsidiaries, in case subordinate in priority only to the Senior Indebtedness;

- (ii) a guarantee from each Subsidiary of the Corporation; and
 - (iii) thereafter, all such other guarantees and all such other mortgages, debentures, assignments and other security agreements as may be required by the Holder, acting reasonably (each in form and substance satisfactory to the Holder, acting reasonably) in order to, or to more effectively, charge in favour of the Holder, or grant Liens in favour of the Holder on and against all of the undertaking, assets and property (real or personal, tangible or intangible, present or future and of whatsoever nature and kind) of the Corporation and each of its Subsidiaries.
- (b) Notwithstanding Section 2.05(a), the rights of the Holder pursuant to the Security shall be subject to the terms and conditions of the Subordination Agreement, in a form acceptable to the Holder, acting reasonably.

Section 2.06 Exclusivity of Remedies. Nothing herein contained or in the Security now held or hereafter acquired by the Holder, nor any act or omission of the Holder with respect to any such Security, will in any way prejudice or affect the rights, remedies or powers of the Holder with respect to any other security at any time held by the Holder.

Section 2.07. Form of Security The Security will, at the Corporation's expense, be in such form or forms as will be required by the Holder, acting reasonably, and will, at the Corporation's expense, be registered in such offices in Canada or any province thereof, and the United States of America or any state thereof, as the Holder, acting reasonably, may from time to time require to protect the Liens created thereby; provided that unless a Material Adverse Effect has occurred or a Default or Event of Default has occurred and is continuing, the Security which encumbers the Corporation's assets, will not be registered at any land titles office or similar registry in Canada and no serial number specific registrations will be made against any the Corporation's assets. Should the Holder determine at any time and from time to time, acting reasonably, that the form and nature of the then existing Security is deficient in any way or does not fully provide the Holder with the Liens and priority to which each is entitled hereunder, the Corporation will forthwith execute and deliver or cause to be executed and delivered to the Holder, at the Corporation's expense, such amendments to the Security or provide such new security as the Holder may reasonably request.

Section 2.08 After Acquired Property All property acquired by or on behalf of the Corporation or any Subsidiary thereof which forms part of the property of the Corporation or any Subsidiary thereof (hereafter collectively referred to as "**After Acquired Property**") will be subject to the Security without any further conveyance, mortgage, pledge, charge, assignment or other act on the part of the parties to the Documents. Without limiting the effect of the preceding sentence, the Corporation will, or will cause its Subsidiaries to, from time to time execute and deliver and the Holder will register or cause to be registered, all at the Corporation's expense, such instruments supplemental to the Security, in form and substance satisfactory to the Holder, acting

reasonably, as may be necessary or desirable to ensure that the Security as amended and supplemented constitutes in favour of the Holder, an effective Lien to the extent created by the Security over such After Acquired Property as required hereunder, subject only to Permitted Encumbrances which under applicable Law rank in priority thereto.

Section 2.09 Undertaking to Grant Fixed Charge Security. If a Material Adverse Effect, Default or Event of Default has occurred and is continuing, the Corporation, at the written request of the Holder, will forthwith grant or cause to be granted to the Holder a fixed charge in all or any of the property (including any After Acquired Property) of the Corporation and its Subsidiaries which is intended by the terms of the Documents to be subject to a fixed charge pursuant to Section 2.05.

Section 2.10 Further Assurances. The Corporation will, and will cause each of its Subsidiaries to, in connection with the provision of any amended, new or replacement Security referred to in Section 2.07, 2.08 and 2.09, at the Corporation's expense:

- (a) do, make, execute and deliver, or cause to be done, made, executed and delivered, all such further documents, financing statements, assignments, acts, matters and things which may be reasonably required by the Holder to give effect to any provision of the amended, new or replacement Security;
- (b) provide the Holder with such information as is reasonably required by the Holder to identify the property to be charged;
- (c) do all such things as are reasonably required to grant the Liens to be granted pursuant to the amended, new or replacement Security;
- (d) provide the Holder with all corporate, partnership or other organizational resolutions and other action required for the Corporation to grant the amended, new or replacement Security;
- (e) provide the Holder with an opinion of the Corporation's legal counsel confirming the due authorization, execution and delivery by the Corporation and each of its Subsidiaries of all such agreements and instruments comprising the amended, new or replacement Security in form and content satisfactory to the Holder, acting reasonably; and
- (f) assist the Holder in the registration or recording of such agreements and instruments in such public registry offices in all such jurisdictions as the Holder, acting reasonably, deems necessary to give full force and effect to the amended, new or replacement Security

Section 2.11 Administration Fee: In addition to the payment of the Principal Amount and interest owing hereunder, the Corporation will pay to the Holder, on an annual basis in advance commencing on the Issue Date, an aggregate administrative fee equal to the lesser of (i) [Redacted as sensitive commercial information] and (ii) [Redacted as sensitive commercial information] .

ARTICLE III

REGISTRATION, TRANSFER, PAYMENT AND EXCHANGE OF DEBENTURE

Section 3.01 Register. The Corporation shall, at all times while this Debenture is outstanding, cause to be kept by and at the principal office of the Corporation a register in which shall be entered the name and address of the Holder and particulars of this Debenture. The register referred to in Section 3.01 shall at all reasonable times be open for inspection by the Holder.

Section 3.02 Transfer. This Debenture (or any portion thereof) may be assigned, pledged as security or otherwise transferred by the Holder to any other Person without the prior written consent of the Corporation.

Section 3.03 Payment. Any payment or distribution to be made to the Holder by the Corporation under the terms of this Debenture, whether for Principal Amount, interest or otherwise, shall be made:

- (a) by certified cheque, bank draft or wire transfer in immediately available funds to each Holder's designated account or at the address of each Holder as set forth in Section 8.01; and
- (b) free and clear of, and without deduction or withholding for any and all taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, imposed by the Government of Canada (or any of the provinces and territories thereof).

Section 3.04 Mutilation, Loss, Theft or Destruction. If this Debenture becomes mutilated or is lost, stolen or destroyed, the Corporation will issue and deliver to the Holder a replacement Debenture upon surrender and cancellation of the mutilated Debenture, or in the case of a lost, stolen or destroyed Debenture, in lieu of and in substitution for such Debenture. In the case of loss, theft or destruction, the Holder shall furnish to the Corporation such evidence of the loss, theft or destruction of the Debenture, as shall be satisfactory to the Corporation, acting reasonably, accompanied by a statutory declaration as to loss, theft or destruction executed by the Holder, and if required by the Corporation a surety bond satisfactory to the Corporation and an indemnity to the Corporation, all in a form acceptable to the Corporation, acting reasonably. All expenses and reasonable charges associated with procuring such surety bond and such indemnity shall be borne by the Holder. In the instance where the Debenture becomes mutilated or is lost, stolen or destroyed, any Conversion shall be conditional upon the of such statutory declaration as to loss, surety bond and indemnity, as applicable.

ARTICLE IV

CONVERSION OF DEBENTURE

Section 4.01 Exercise of Conversion Right.

- (a) A Holder may exercise the conversion right by completing and signing the notice of conversion ("**Conversion Notice**") substantially in the form set out in **Schedule A** to this Debenture and delivering the Conversion Notice and this Debenture to the Corporation. Notwithstanding the foregoing and any other provision of this Debenture, any Holder shall not be permitted to convert any portion of this Debenture at any time that will cause the Holder (and any person acting in concert with the Holder), directly or indirectly, to become: (i) an Insider (as such term is defined in Policy 1.1 of the TSX-V Corporate Finance Manual) of the Corporation unless and until the TSX-V has approved the Holder to become an Insider of the Corporation. If such TSX-V approval has not been obtained by the Issue Date, the Corporation covenants to use all commercially reasonable efforts to obtain such approval as soon as practicable following the Issue Date; or (ii) a Control Person (as such term is defined in Policy 1.1 of the TSX-V Corporate Finance Manual) of the Corporation unless and until the TSX-V and the shareholders of the Corporation (at the next special meeting of the shareholders of the Corporation) have approved the Holder to become a Control Person of the Corporation. Notwithstanding the foregoing, the Corporation covenants to use all commercially reasonable efforts to obtain a waiver from the TSX-V, as soon as practicable, of the foregoing Control Person requirements by providing evidence to the TSX-V that upon conversion of the Convertible Debenture that the Holder will not materially affect the control of the Corporation.
- (b) On the date that the Corporation has received the Conversion Notice and the surrendered Debenture (the "**Date of Conversion**"), such Holder will be entitled to be entered in the books of the Corporation as the holder of the number of Common Shares into which the Principal Amount of this Debenture is converted and, as soon as practicable thereafter, the Corporation will:
 - (i) deliver or cause to be delivered to such Holder a certificate or certificates (or such other instruments) for the number of Common Shares deliverable upon the exercise of the conversion right; and
 - (ii) pay to such Holder in the manner set forth in Section 3.03 an amount equal to any accrued and unpaid interest to but excluding the Date of Conversion, plus any fees and other amounts owing hereunder.
- (c) The Corporation will not be required to issue fractional Common Shares upon conversion of this Debenture. Any fractional Common Shares will be rounded down to the nearest whole number without payment of compensation in lieu thereof.
- (d) The certificates representing Common Shares issued upon conversion of this Debenture will bear the following legend:

"UNLESS PERMITTED UNDER APPLICABLE SECURITIES LEGISLATION IN CANADA, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE JULY 8, 2022."

"WITHOUT PRIOR WRITTEN APPROVAL OF TSX VENTURE EXCHANGE AND COMPLIANCE WITH ALL APPLICABLE SECURITIES LEGISLATION, THE SECURITIES REPRESENTED BY THIS CERTIFICATE MAY NOT BE SOLD, TRANSFERRED, HYPOTHECATED OR OTHERWISE TRADED ON OR THROUGH THE FACILITIES OF TSX VENTURE EXCHANGE OR OTHERWISE IN CANADA OR TO OR FOR THE BENEFIT OF A CANADIAN RESIDENT UNTIL JULY 8, 2022."

provided that: (i) such legend shall not be required on Common Share certificates issued at any time subsequent to the date which is four months plus one day after the Issue Date, and (ii) at any time subsequent to the date which is four months and one day after the Issue Date, any certificate representing such Common Shares may be exchanged for a certificate bearing no such legends.

- (e) If less than all of the Principal Amount of this Debenture is converted upon exercise of the conversion right, the Holder shall be entitled to receive a new Debenture in an aggregate Principal Amount representing the balance of the Principal Amount not converted.
- (f) The conversion of all or any portion of the Principal Amount of this Debenture into Common Shares in accordance with the provisions of this Section 4.01 will constitute a full settlement of the debt obligation to the extent of the Principal Amount so converted in consideration for the issuance by the Corporation of such Common Shares.

Section 4.02 Adjustments.

- (g) If, at any time prior to the Maturity Date, the Corporation shall:
 - (i) subdivide, redivide or change its then outstanding Common Shares into a greater number of Common Shares;
 - (ii) consolidate, reduce or combine its then outstanding Common Shares into a lesser number of Common Shares; or
 - (iii) issue Common Shares or Convertible Securities to all or substantially all of the holders of Common Shares as a stock dividend or other distribution (other than the issue of Common Shares to holders of Common Shares who have elected to receive dividends in the form of Common Shares in lieu of a cash dividend paid in the ordinary course on the Common Shares);

(any such event being referred to as a "**Common Share Reorganization**"), the Conversion Price shall be adjusted, effective immediately after the effective date of a Common Share Reorganization referred to in Section 4.02(a)(i) or Section

4.02(a)(ii) or the record date at which holders of Common Shares are determined for purposes of the Common Share Reorganization referred to in Section 4.02(a)(iii), by multiplying the Conversion Price in effect immediately prior to such effective date or record date, as the case may be, by a fraction of which:

- (A) the numerator shall be the total number of Common Shares outstanding on such date before giving effect to such Common Share Reorganization; and
- (B) the denominator shall be the number of Common Shares outstanding immediately after giving effect to such Common Share Reorganization (including, in the case of a distribution of Convertible Securities, the number of Common Shares that would have been outstanding if such Convertible Securities had been exchanged for or converted into Common Shares on such date).

To the extent that any adjustment in the Conversion Price occurs pursuant to Section 4.02(a)(iii) as a result of the distribution of Convertible Securities, the Conversion Price shall be readjusted after the expiration of any relevant exchange or conversion right to the number of Common Shares which would then be in effect based upon the number of Common Shares actually issued and remaining issuable after such expiration.

- (h) If, at any time prior to the Maturity Date, the Corporation fixes a record date for the issuance of rights, options or warrants to all or substantially all the holders of Common Shares pursuant to which those holders are entitled to subscribe for, purchase or otherwise acquire Common Shares or Convertible Securities within a period of not more than 45 days from such record date at a price per share (or at a conversion price per share) of less than 95% of the Current Market Price on such record date (any of such issuance being referred to as a “**Rights Offering**” and the Common Shares that may be acquired under the Rights Offering, or upon exchange or conversion of Convertible Securities acquired under the Rights Offering, being referred to as the “**Offered Shares**”), the Conversion Price shall be adjusted, effective immediately after such record date, by multiplying the Conversion Price in effect on such record date by a fraction:

- (i) the numerator of which shall be the sum of:
 - (A) the total number of Common Shares outstanding as of the record date for the Rights Offering; and
 - (B) a number equal to the quotient obtained by dividing the aggregate price of the Offered Shares (consisting of the product of either (1) the number of Offered Shares and the subscription or purchase price for each Offered Share, or (2) the maximum number of Offered Shares for or into which Convertible Securities may be exchanged or converted and the conversion price for each Offered

Share) by the Current Market Price of the Common Shares on the record date; and

- (ii) the denominator of which shall be the number of Common Shares which would be outstanding after giving effect to the Rights Offering (assuming the exercise of all of the rights, options or warrants under the Rights Offering and assuming the exchange or conversion into Common Shares of all Convertible Securities issued upon exercise of such rights, options or warrants, if any).

To the extent that any adjustment in the Conversion Price occurs pursuant to Section 4.02(b) as a result of the Corporation fixing a record date for a Rights Offering, the Conversion Price shall be readjusted based on the number of Offered Shares (or Convertible Securities that are convertible into Offered Shares) actually issued and delivered upon the exercise of the rights, options or warrants, as the case may be, but subject to any other adjustment required hereunder by reason of any other event arising after such record date. Any Offered Shares owned by or held for the account of the Corporation shall be deemed not to be outstanding for the purpose of any computation made pursuant to Section 4.02(b).

- (i) If, at any time prior to the Maturity Date, the Corporation issues or distributes to all or substantially all the holders of its outstanding Common Shares:
 - (i) shares of the Corporation of any class other than Common Shares;
 - (ii) rights, options or warrants (excluding rights, options or warrants subject to Section 4.02(b);
 - (iii) evidences of indebtedness; or
 - (iv) any other cash, securities or other property or assets;

and such issuance or distribution does not constitute a dividend paid in the ordinary course or does not result in an adjustment pursuant to Section 4.02(a) or Section 4.02(b) (any such event being referred to as a “**Special Distribution**”), the Conversion Price shall be adjusted, effective immediately after the record date on which the holders of Common Shares are determined for purposes of the Special Distribution, by multiplying the Conversion Price in effect on the record date by a fraction:

- (A) the numerator of which shall be the difference between: (1) the product of the number of Common Shares outstanding on the record date and the Current Market Price on such record date, and (2) the aggregate fair market value, as determined by the Directors acting reasonably and in good faith (whose determination shall be conclusive absent manifest error) of the shares, rights, options, warrants, evidences of indebtedness or other assets issued or distributed in the Special Distribution; and

- (B) the denominator of which shall be the product of the number of Common Shares outstanding on the record date and the Current Market Price on such record date.

To the extent that any adjustment in the Conversion Price occurs pursuant to Section 4.02(c) as a result of the Corporation fixing a record date for a Special Distribution, the Conversion Price shall be readjusted based on the shares, rights, options, warrants, evidences of indebtedness or other assets actually distributed or the number of Common Shares or Convertible Securities actually delivered upon the exercise of rights, options and warrants, as the case may be, but subject to any other adjustment required hereunder by reason of any other event arising after such record date. Any Common Shares owned by or held for the account of the Corporation shall be deemed not to be outstanding for the purpose of any computation made pursuant to Section 4.02(c).

- (j) If, at any time prior to the Maturity Date, there is any:
- (i) reclassification or redesignation of the Common Shares or a change, exchange or conversion of the Common Shares into or for other shares or securities or property or any other capital reorganization (other than a Common Share Reorganization);
 - (ii) a consolidation, amalgamation, arrangement or merger of the Corporation with or into any other Person or a compulsory acquisition under applicable law following the successful completion of a take-over bid which results in the cancellation, reclassification or redesignation of the Common Shares or a change, exchange or conversion of the Common Shares into or for other shares or securities or property; or
 - (iii) the transfer of all or substantially all the property and assets of the Corporation, directly or indirectly, to another Person (other than a directly or indirectly wholly-owned subsidiary of the Corporation);

(any of such events being herein referred to as “**Capital Reorganization**”), the Holder shall be entitled to receive and shall accept, upon the conversion of this Debenture at any time after the effective date of the Capital Reorganization, in lieu of the number of Common Shares to which the Holder was theretofore entitled upon such conversion, the kind and aggregate number of shares or other securities or property resulting from such Capital Reorganization that the Holder would have been entitled to receive as a result of the Capital Reorganization if, on the effective date thereof, the Holder had been the registered holder of the number of Common Shares to which the Holder was theretofore entitled upon conversion. If necessary, appropriate adjustments shall be made as a result of any such Capital Reorganization in the application of the provisions of this Debenture with respect to the rights and interests thereafter of the Holder to the end that the provisions set forth in this Debenture shall thereafter correspondingly be made applicable, as

nearly as may be reasonably possible, with respect to any shares, other securities or property to which the Holder is entitled on the conversion of the Debenture.

Section 4.03 Adjustment Rules and Procedures. The following rules and procedures shall be applicable to adjustments made pursuant to Section 4.02:

- (a) The adjustments provided in Section 4.02 shall be cumulative and such adjustments shall be made successively whenever an event referred to Section 4.02 shall occur. No adjustment of the Conversion Price shall be required under Section 4.02(a), Section 4.02(b) or Section 4.02(c) unless such adjustment would result in a change of at least 1% in the Conversion Price then in effect; provided that, any adjustments which by reason of this Section 4.03(a) are not required to be made shall be carried forward and taken into account in any subsequent adjustment.
- (b) No adjustment shall be made pursuant to Section 4.02 if the issue of Common Shares, rights, options, warrants or Convertible Securities is being made pursuant to this Debenture or any stock option plan, stock purchase, restricted share plan or other equity compensation plan in force as at the date hereof for directors, officers, employees, consultants or other service providers of the Corporation or to satisfy the terms of existing securities or other instruments issued and outstanding as at the Issue Date.
- (c) No adjustment shall be made pursuant to Section 4.02 if the Holder is entitled to participate in any event described in Section 4.02 on the same terms *mutatis mutandi* as if the Holder had converted the entire Principal Amount of this Debenture prior to or on the effective date or record date, as the case may be, of such event, subject to the prior consent of the TSX-V or any other stock exchange on which the Corporation's securities are then listed.
- (d) If the Corporation, after the date hereof, shall take any action affecting the Common Shares other than the actions described in Section 4.02 which, in the opinion of the Directors, acting reasonably, would materially affect the conversion rights of the Holder, the Conversion Price shall be adjusted in such manner, at such time and by such action of the Directors, in their discretion as they may reasonably determine to be equitable to the Holder in such circumstances; provided that, no such action shall be taken unless and until the Holder has been provided with notice of such proposed action and the consequences thereof.
- (e) If the Corporation shall set a record date to determine holders of Common Shares for the purpose of entitling such holders to receive any dividend or distribution or any subscription or purchase rights and shall, thereafter and before the distribution to such holders of any such dividend, distribution or subscription or purchase rights, legally abandon its plan to pay or deliver such dividend, distribution or subscription or purchase rights, then no adjustment to the Conversion Price shall be required by reason of the setting of such record date.

- (f) In any case in which Section 4.02 shall require that an adjustment shall be made effective immediately after a record date for an event referred to in Section 4.02, the Corporation may defer, until the occurrence of such event: (A) issuing to the Holder, to the extent that the Debenture is converted after such record date and before the occurrence of such event, the additional Common Shares or other securities issuable upon such conversion by reason of the adjustment required by such event, and (B) delivering to such Holder any distribution declared with respect to such additional Common Shares or other securities after such conversion and before such event; provided, however that, upon request by the Holder, the Corporation shall deliver to such Holder an appropriate instrument evidencing the right of such Holder upon the occurrence of the event requiring the adjustment to the additional Common Shares or other securities issuable upon such conversion by reason of the adjustment and to any distributions declared with respect to such additional Common Shares or other securities after such conversion and before such event.
- (g) At least 10 days prior to the earlier of the record date or effective date of any event which requires or might require an adjustment as provided under Section 4.02, the Corporation shall deliver to each Holder a certificate specifying the particulars of such event and, if determinable, the required adjustment and the calculation of such adjustment. If the notice has been provided and the adjustment is not then determinable, the Corporation shall promptly, after the adjustment is determinable, deliver to each Holder a certificate providing the calculation of the adjustment.
- (h) In the event of any question relating to the adjustments provided for in Section 4.02, such question shall be conclusively determined by a nationally recognized accounting firm chosen by the Corporation and acceptable to the Holder, acting reasonably and such determination shall be binding upon the Corporation and the Holder, absent manifest error.

ARTICLE V

COVENANTS OF THE CORPORATION

Section 5.01 Affirmative Covenants. The Corporation covenants and agrees that so long as the Debenture remains outstanding:

- (a) Punctual Payment: The Corporation shall pay the Principal Amount, interest and all other amounts payable by the Corporation under the terms of this Debenture promptly when due on the dates and in the manner specified in this Debenture.
- (b) Legal Existence; Wholly-Owned Subsidiaries:
 - (i) The Corporation will, and will cause each of its Subsidiaries to, maintain its corporate existence and qualify and remain qualified to carry on business in each jurisdiction where the character of the properties owned by it or the nature of the business transacted by it makes such qualification necessary.

- (ii) Further, each direct Subsidiary will be a direct or indirect wholly owned Subsidiary of the Corporation and to the extent any Subsidiary is indirectly owned, all such ownership interests will be held by the Corporation or another Subsidiary.
- (c) Notice of Default: The Corporation will give notice in writing to each Holder of the occurrence of any Default or Event of Default that is continuing forthwith upon becoming aware thereof.
- (d) Exchange Listing; Compliance with Securities Laws: The Corporation will use commercially reasonable efforts to maintain: (i) the listing of the Common Shares on the TSX-V, and (ii) the Corporation's status as a reporting issuer not in default under Applicable Securities Laws; provided that, nothing in this Section 5.01(d) shall prevent the Corporation from completing any transaction which would result in the Common Shares ceasing to be listed on the TSX-V or the Corporation ceasing to be a reporting issuer under Applicable Securities Laws so long as the holders of securities of the Corporation receive securities of an entity which is listed on a recognized Canadian or U.S. stock exchange or cash or the holders of securities of the Corporation have approved the transaction in accordance with the requirements of applicable corporate law and Applicable Securities Laws.
- (e) Authorized Shares: The Corporation covenants that it will at all times reserve and keep available out of its authorized Common Shares (if the number thereof is or otherwise becomes limited) for the purpose of issue and delivery, and shall issue to the Holder, such number of Common Shares as shall then be issuable under the terms of this Debenture upon conversion as provided in Section 2.03 and ARTICLE IV, and such Common Shares which shall be so issuable shall be duly and validly issued as fully paid and non-assessable shares in the capital of the Corporation.
- (f) Use of Proceeds: The Corporation shall as soon as practicable and in any event no later than the next Business Day after the Issue Date apply the full Principal Amount as a payment of the revolving line of credit under the HSBC Facility.
- (g) Insurance: The Corporation will, and will cause each of its Subsidiaries to, maintain adequate insurance in respect of its property as is customary in the case of businesses of established reputation engaged in the same or similar businesses and to the extent available on commercially reasonable terms, with reputable insurance companies and will provide each Holder with copies of all insurance policies or certificates relating thereto if so requested.
- (h) Subsidiary Guarantees and Security. Within 60 days of a Subsidiary of the Corporation being formed or acquired, the Corporation will cause such Subsidiary to provide joinder agreements to the Security listed in Section 2.05, in form and substance acceptable to the Holder, acting reasonably, together with such other supporting documentation and legal opinions as the Holder may reasonably require.

- (i) Inspection of Property; Books and Records; Discussions. The Corporation will, and will cause each of its Subsidiaries to, maintain books and records of account in accordance with IFRS and applicable Law; and (i) provided no Default or Event of Default exists, not more than twice per year at the Corporation's expense and at any additional time at the Holder' expense, and (ii) at any time while a Default or Event of Default exists at the Corporation's expense, permit representatives of the Holder at any time at the Corporation's expense to visit and inspect any property of any of the Corporation or its Subsidiaries and to examine and make abstracts from any books and records of each of the Corporation and its Subsidiaries, in each case at any reasonable time during normal business hours and upon reasonable request and notice, and subject to compliance with the Corporation's health and safety requirements, and to discuss the business, property, condition (financial or otherwise) and prospects of the Corporation and its Subsidiaries with their senior officers and (in the presence of such representatives, if any, as it may designate) with its independent chartered accountants.

Section 5.02 Reporting Covenants

- (a) Information Provided to Senior Creditors: The Corporation shall comply with all reporting covenants under any Senior Credit Agreement and shall provide to the Holder any and all information and documentation that it provides to its Senior Creditors pursuant to the terms of any Senior Credit Agreement at the same time, and in the same format, that it provides such information and documentation to its Senior Creditors. Further, upon delivery thereof, the Corporation shall be deemed to have represented and warranted to the Holder that all of such information and documentation so delivered is true and accurate in all material respects at the time of delivery thereof (except those representations and warranties that address matters only as of a specified date, the accuracy of which shall be determined as of that specified date in all material respects).
- (b) Other Information. Upon the reasonable request of the Holder, provided that such request can only be made once per annum at least 120 days after the fiscal year end of the Corporation, the Corporation will also provide the Holder with:
 - (i) Serial Number Goods: A list of the serial number goods of the Corporation and its Subsidiaries, such list to include the serial number, year of manufacture, type of good, make and model of each serial numbered good and otherwise be in form and substance satisfactory to the Holder, acting reasonably;
 - (ii) Intellectual Property. All reasonably requested information in respect of any material Intellectual Property of the Corporation and its Subsidiaries, including the creation or acquisition of any new material Intellectual Property; and

- (iii) Business Operations Information. Such other documentation and information concerning its business operations as may be requested by the Holder, acting reasonably.

Section 5.03 Financial Covenants. While any Indebtedness under this Debenture is outstanding, the Corporation covenants with the Holder that it will comply with any and all financial covenants under its Senior Credit Agreements.

Section 5.04 Negative Covenants. While any Indebtedness under this Debenture is outstanding, without the prior written consent of the Holder:

- (a) Limitation on Indebtedness. The Corporation will not, and will not permit any of its Subsidiaries to, incur any Indebtedness that is Senior Indebtedness other than Permitted Indebtedness.
- (b) Limitation on Liens. The Corporation will not, and will not permit any of its Subsidiaries to, provide or permit a Lien over any of its property, except for Permitted Encumbrances.
- (c) Limitation on Financial Instruments. The Corporation will not, and will not permit any of its Subsidiaries to, will enter into or maintain any hedging contract, forward contract, swap agreement, futures contract, or other foreign exchange protection agreement or option with respect to any such transaction, in each case designed to hedge against fluctuations in foreign exchange rates, any contract for a rate swap, rate cap, rate floor, rate collar, forward rate agreement, futures or other rate protection agreement or option with respect to any such transaction, designed to hedge against fluctuations in interest rates, any contract for a commodity swap or other production agreement or option designed to protect against fluctuations in commodity prices (which, for greater certainty, includes both physically and financially settled hedges) and any other derivative agreement or other similar agreement or arrangements (collectively, the “**Financial Instruments**”), unless such Financial Instrument is entered into for risk management and hedging purposes only in the ordinary course of business and not for speculative purposes.
- (d) Change in Business, Name, Location. Except as otherwise expressly permitted under this Agreement, the Corporation will not, and will not permit any Subsidiary thereof to: (i) materially change the nature of the business or operations carried on by the Corporation and its Subsidiaries, taken as a whole, from the business or operations that the Corporation and its Subsidiaries, taken as a whole, carry on as of the Issue Date; or (ii) change its name, trade name, or locations of business from those set forth in Schedule B without giving the Holder 15 days’ prior notice thereof; or
- (e) Changes to Constatting Documents. The Corporation will not, and will not permit any Subsidiary thereof to, amend the terms of its constating documents or its by-laws, any applicable partnership agreement or any similar document or instrument

if, in each case, to do so could reasonably be expected to materially and adversely affect the rights of the Holder under the Documents.

- (f) *Financial Assistance.* The Corporation will not, and will not permit any Subsidiary thereof to, make any contributions of capital or any other forms of equity investment in any Person (other than another Subsidiary) or provide any Financial Assistance to any Person (other than another Subsidiary) exceeding 2,000,000 in the aggregate in any fiscal year.

Section 5.05 Restrictions on Mergers and Dispositions. Notwithstanding anything to the contrary herein, the Corporation shall not enter into any transaction or series of transactions in which all or substantially all of its properties and assets would become the property of any other Person (any such Person being referred to herein as a “Successor”), whether by way of reorganization, consolidation, amalgamation, arrangement, merger, transfer, sale or otherwise, unless:

- (i) the Successor is a Person that is organized and validly existing under the laws of Canada or the United States or a province, state or territory thereof;
- (ii) the Successor expressly assumes the obligations of the Corporation under this Debenture pursuant to an instrument in form and substance satisfactory to the Holder, acting reasonably;
- (iii) no Default or Event of Default shall have occurred or be continuing immediately prior to such transaction or will occur as a result of such transaction;
- (iv) the provisions of ARTICLE IV, as applicable, have been complied with; and
- (v) each of the Corporation and the Successor has delivered to the Holder a certificate stating that the conditions precedent in this Section 5.05(a) have been satisfied.

For purposes of the foregoing, the sale, conveyance, transfer or lease (in a single transaction or series of transactions) of the properties or assets of one or more of the subsidiaries of the Corporation (other than to the Corporation or another direct or indirect wholly-owned subsidiary of the Corporation) which, if such properties or assets were directly owned by the Corporation, would constitute all or substantially all of the properties and assets of the Corporation on a consolidated basis, shall be deemed to be a sale, conveyance, transfer or lease of all or substantially all of the properties and assets of the Corporation.

ARTICLE VI DEFAULT AND REMEDIES

Section 6.01 Events of Default. Each of the following events shall be an Event of Default under this Debenture:

- (a) Failure to Pay Principal Amount: The Corporation fails to pay the Principal Amount when due whether on the Maturity Date, upon a Change of Control (in accordance with the terms of this Debenture), by declaration or otherwise;
- (b) Failure to Pay Interest: The Corporation fails to pay interest on the Debenture when due;
- (c) Failure to Issue Shares: The Corporation fails to deliver, when due, all Common Shares, cash or other consideration, deliverable upon conversion of the Debenture;
- (d) Breach of Other Covenants: The Corporation, or any of its Subsidiaries, fails to perform or observe any other covenant, agreement or condition in this Debenture or in any other Document for a period of 5 Business Days after receipt by the Corporation of a notice in writing from the Holder specifying such default and requiring the Corporation or the applicable Subsidiary to remedy such default, provided that, such notice shall be deemed ineffective if the Corporation or the applicable Subsidiary remedies such failure with 5 Business Days after receipt by the Corporation of such notice or the Corporation or the applicable Subsidiary commences remedying such failure within a longer period of time that is agreed to in writing by the Holder;
- (e) Wind-Up Proceedings: Proceedings are commenced for the winding-up, liquidation or dissolution of the Corporation or any material Subsidiary, a decree or order of a court of competent jurisdiction is entered adjudging the Corporation or any material Subsidiary a bankrupt or insolvent, or an application seeking reorganization, arrangement or adjustment of or in respect of the Corporation or any material Subsidiary is approved, under applicable law relating to bankruptcy, insolvency or relief of debtors, unless such proceedings, decrees, orders or approvals are actively and diligently contested by the Corporation in good faith and are dismissed or stayed within 30 days of commencement;
- (f) Insolvency Proceedings: The Corporation makes an assignment for the benefit of its creditors, or petitions or applies to any court or tribunal for the appointment of a receiver or trustee for itself or any substantial part of its property, or commences for itself or acquiesces in any proceeding under any bankruptcy, insolvency, reorganization, arrangement or readjustment of debt law or statute or any proceeding for the appointment of a receiver or trustee for itself or any substantial part of its property, or suffers any such receivership or trusteeship and allows such receivership or trusteeship to remain undischarged or unstayed for 30 days;
- (g) Resolution to Wind-Up: A resolution is passed for the dissolution, winding-up or liquidation of the Corporation except in the course of carrying out or pursuant to a transaction in respect of which the conditions in Section 4.02(d) and Section 5.05 are duly observed and performed;

- (h) Material Adverse Effect. In the opinion of the Holder, acting reasonably, a Material Adverse Effect has occurred and is continuing.
- (i) Incorrect Representations. If (i) any representation or warranty made by the Corporation or any Subsidiary thereof in any Document or deemed to have been repeated as herein provided; or (ii) any documentation or information provided in accordance with Section 5.02 proves to have been materially incorrect when so made (or in the case of third parties, to the knowledge of the Corporation, was materially incorrect when so made), except to the extent that the circumstances giving rise to this Event of Default are cured within 5 days after written notice thereof is given to the Corporation by the Holder.
- (j) Other Indebtedness. The Corporation or any Subsidiary thereof:
 - (i) fails to make any payment of principal, interest or other amount in regard to any Indebtedness, which for the purpose of this Section 6.01(j) includes obligations and liabilities under any Financial Instrument, whatsoever owed by it after the expiry of any applicable grace period in respect thereof, to any Person other than the Holder, or
 - (ii) defaults in the observance or performance of any non-monetary obligation, covenant or condition to be observed or performed by it pursuant to any agreement to which it is a party or by which any of its property is bound such that the counterparty thereto is permitted to accelerate the maturity of the Indebtedness thereunder, in each case, where the outstanding principal amount of such Indebtedness is more than Cdn. \$2,000,000, in aggregate.
- (k) Enforceability of Documents. If any material provision of any Document shall at any time cease to be in full force and effect, be declared to be void or voidable or shall be repudiated, or the validity or enforceability thereof shall at any time be contested by the Corporation or any Subsidiary thereof or if any Lien constituted pursuant to the Security ceases to have the priority contemplated in the Documents without the concurrence of the Holder.

Section 6.02 Acceleration. Upon the occurrence of an Event of Default that is not remedied within the applicable cure period by the Corporation after receipt of written notice and at any time thereafter during the continuance of the Event of Default, the Holder may, at their option, by written notice to the Corporation, declare the entire unpaid Principal Amount of this Debenture outstanding at that time, together with all accrued and unpaid interest and all other amounts payable under this Debenture, immediately due and payable and exercise any and all of its rights, powers and remedies available under this Debenture or at law or in equity; provided, however that, if an Event of Default described in Section 6.01(e) or Section 6.01(f) shall occur, the entire unpaid Principal Amount of this Debenture outstanding at that time, together with all accrued and unpaid interest and all other amounts payable under this Debenture, shall become immediately due and payable without any notice, declaration or other act on the part of the Holder.

Section 6.03 Remedies Not Exclusive. No right, power or remedy herein conferred upon or reserved to the Holder is intended to be exclusive of any other right, power or remedy and each and every right, power and remedy shall, to the extent permitted by applicable law, be cumulative and shall be in addition to every other right, power or remedy given hereunder or now or hereafter existing at law, in equity or by statute. The Holder shall have the power to waive any Event of Default; provided that, such waiver is obtained in accordance with Section 8.03 and such waiver shall not constitute a waiver of any other or subsequent Event of Default. No delay or omission of the Holder in exercising any right, power or remedy accruing upon the occurrence of an Event of Default shall impair any such right, power or remedy or shall be construed as a waiver of such Event of Default or acquiescence in the Event of Default. Every right, power and remedy given to the Holder by this Debenture or under applicable law may be exercised from time to time and as often as may be deemed expedient by the Holder.

Section 6.04 Attorney in Fact. The Corporation hereby irrevocably constitutes and appoints the Holder and any officer or agent thereof, with full power of substitution, as its true and lawful attorney in fact with full irrevocable power and authority in the place and stead of the Corporation and in the name of the Corporation or in its own name, from time to time in the Holder's discretion, for the purpose of carrying out the terms of the Documents, to take any and all appropriate action and to execute any and all documents and instruments which may be necessary or desirable to accomplish the purposes of the Documents and which the Corporation being required by the terms thereof to take or execute has failed to take or execute; provided that this power of attorney will not be effective until the occurrence and during the continuance of any Event of Default where such Event of Default has not been cured within the applicable cure period. The Corporation hereby ratifies all that said attorneys will lawfully do or cause to be done by virtue hereof. This power of attorney is a power coupled with an interest and will be irrevocable until all of the Obligations under the Documents have been unconditionally and irrevocably paid and performed in full. The Corporation also authorizes the Holder, at any time and from time to time following the occurrence and during the continuance of any Event of Default where such Event of Default has not been cured within the applicable cure period, to execute any endorsements, assignments or other instruments of conveyance or transfer pursuant to the Security. If requested by the Holder, the Corporation will cause each of its Subsidiaries to constitute and appoint the Holder and any officer or agent thereof, with full power of substitution, as its true and lawful attorney in fact in accordance with the foregoing provisions of this Section 6.04.

Section 6.05 Application of Proceeds. Except as otherwise agreed to by the Holder in their sole discretion, all (i) payments made by or on behalf of the Corporation or any of its Subsidiaries under the Documents after acceleration pursuant to Section 6.02, and (ii) proceeds resulting from any realization or enforcement of the Security, including by way of foreclosure, will be applied and distributed by the Holder or any nominee thereof in the following manner:

- (a) first, in full and final payment of any amounts due and payable by way of recoverable expenses, including all out-of-pocket realization and enforcement costs and all legal costs and disbursements (on a solicitor and his own client full indemnity basis);

- (b) second, in full and final payment of all accrued and unpaid interest and fees owing pursuant to the Documents;
- (c) third, in full and final payment of the Principal Amount owing under the Debenture;
- (d) fourth, in full and final payment of all other Obligations owing under the Documents, *pro rated* in accordance with the provisions hereof; and
- (e) finally, if there are any amounts remaining, in accordance with applicable Law.

ARTICLE VII REPRESENTATIONS AND WARRANTIES

Section 7.01 Representations and Warranties. The Corporation hereby represents and warrants, on its own behalf and on behalf of each of its Subsidiaries, to the Holder that:

- (a) Formation, Organization and Power. The Corporation and each of its Subsidiaries has been duly created, and is validly existing under the Laws of its jurisdiction of its creation, and is duly registered to carry on business in each jurisdiction in which the nature of any material business carried on by it or the character of any material property owned or leased by it makes such registration necessary, except for jurisdictions where the failure to be so registered could not reasonably be expected to have a Material Adverse Effect, and the Corporation and each of its Subsidiaries has full power and capacity to enter into and perform its obligations under the Documents to which it is a party, and to carry on its business as currently conducted by it.
- (b) Authorization and Status of Agreements. Each Document to which the Corporation or any of its Subsidiaries is a party delivered pursuant hereto has been duly authorized, executed and delivered by it and does not conflict with or contravene or constitute a default, under:
 - (i) its constating documents, by laws, any resolution of the directors or partners or any shareholders' or partnership agreement in respect thereof;
 - (ii) any material agreement or document to which it is a party or by which any of its material assets or properties are bound; or
 - (iii) any applicable Law.
- (c) Enforceability. Each of the Documents constitutes a valid and binding obligation of the Corporation and each of its Subsidiaries that it is a party thereto, and is enforceable against such entity in accordance with the terms thereof, except to the extent that enforceability may be limited by applicable bankruptcy, insolvency, reorganization, or similar statutes affecting the enforcement of creditors' rights generally and by general principles of equity.

- (d) *Litigation*. There are no actions, suits or proceedings at Law or before or by any Governmental Authority existing or pending, or to the knowledge of the Corporation threatened, to which the Corporation or any of its Subsidiaries is, or to the Corporation's knowledge is threatened to be made, a party and the result of which would, if successful against it, result in the Corporation or any of its Subsidiaries having to pay an amount of \$500,000 or more or otherwise could reasonably be expected to have a Material Adverse Effect.
- (e) *Environmental Law*. To the knowledge of the Corporation, the Corporation and each Subsidiary thereof:
- (i) has obtained all permits, licenses and other authorizations which are required under Environmental Law, the absence of which could reasonably be expected to have a Material Adverse Effect; and
 - (ii) is in all material respects in compliance with Environmental Law and with the terms and conditions of all such permits, licenses and authorizations.
- (f) *Environmental Condition of Property*. To the knowledge of the Corporation, the property or any part thereof owned, operated or controlled by the Corporation and each of its Subsidiaries, either directly or indirectly:
- (i) is not the subject of any outstanding claim, charge or order from a Governmental Authority alleging violation of Environmental Law or, if subject to any such claim, charge or order, the Corporation or applicable Subsidiary is taking all such remedial, corrective or other action required under the claim, charge or order or such claim, charge or order is being contested by a Permitted Contest; and
 - (ii) complies in all material respects with respect to each of its use and operation, with Environmental Law and with the terms and conditions of all permits, licenses and other authorizations which are required to be obtained under applicable Environmental Law, except to the extent that any such claim, charge, order or non-compliance could not reasonably be expected to result in a claim, loss or other liability in excess of Cdn. \$500,000.
- (g) *Title to Properties*. The Corporation and each of its Subsidiaries has good and valid title to its property, subject only to Permitted Encumbrances. The Corporation and each of its Subsidiaries is entitled to charge or pledge its interests in its property in favour of the Holder as provided in this Agreement without the need to obtain any consent of or release from any other Person which has not been obtained and such property is not held in trust by the Corporation or any of its Subsidiaries for any Person other than the Corporation and its Subsidiaries.
- (h) *Financial Condition*. The most recent consolidated financial statements of the Corporation heretofore or contemporaneously delivered to the Holder were

prepared in accordance with IFRS and such financial statements present fairly in all material respects the Corporation's consolidated financial position as at the date thereof. Since the date of such financial statements, there has been no occurrence of any event or circumstance which could reasonably be expected to have a Material Adverse Effect.

- (i) TSX Venture Exchange: The Common Shares of the Corporation are listed for trading on the TSX-V and the Corporation is in compliance in all material respects with the applicable rules of the TSX-V and shall continue to use commercially reasonable efforts to maintain its listing in good standing in compliance in all material respects with the applicable rules of the TSX-V. All necessary steps will be taken by the Corporation to ensure that, subject to fulfilling any listing conditions, the Common Shares of the Corporation that may be issued to the Holder pursuant to this Debenture will be listed and posted for trading on the TSX-V, or such other exchange upon which the Common Shares of the Corporation may be listed for trading at the time of conversion, as soon as possible following their due and valid issuance;
- (j) Continuous Disclosure: The Corporation is in compliance in all material respects with its timely and continuous disclosure obligations under applicable securities laws and the rules and regulations of the TSX-V and, without limitation, there has not occurred any Material Adverse Effect, financial or otherwise, in the assets, liabilities (contingent or otherwise), business, financial condition or capital of the Corporation on a consolidated basis that has not been disclosed in accordance with Applicable Securities Laws on a non-confidential basis. All statements set forth in all documents publicly filed by or on behalf of the Corporation under Applicable Securities Laws were accurate and complete in all material respects and did not contain any misrepresentation as of the date of those statements and the Corporation has not filed any confidential material change report since the date of those statements that remains confidential as at the date hereof;
- (k) Information. As at the date hereof, all factual information heretofore or contemporaneously furnished by or on behalf of the Corporation or any of its Subsidiaries to the Holder in connection with the Corporation, its Subsidiaries or the Documents, and in the case of third parties, to the knowledge of the Corporation, was true and accurate in all material respects at the time given and the Corporation has no knowledge of any omission of any material fact which renders such factual information incomplete or misleading in any material way at the time given.
- (l) No Breach of Orders, Licences or Statutes. None of the Corporation or any of its Subsidiaries is in breach of:
 - (i) any order, approval or mandatory requirement or directive of any Governmental Authority;
 - (ii) any governmental licence or permit; or

(iii) any applicable Law,

which breach could reasonably be expected to have a Material Adverse Effect.

- (m) No Default. No Default or Event of Default has occurred and is continuing.
- (n) Insurance. The Corporation and each of its Subsidiaries has in full force and effect such policies of insurance in such amounts issued by such insurers of recognized standing covering the property of the Corporation and each of its Subsidiaries as required by Section 5.01(g).
- (o) Approvals. All regulatory and other approvals, consents, permits and licenses necessary for the Corporation and each of its Subsidiaries to carry on its business, as currently carried on, and all approvals, consents, permits and licenses necessary for the Corporation and each of its Subsidiaries to enter into the Documents to which it is a party and perform its obligations thereunder have, in each case, been obtained and are in good standing, except in each case to the extent that to failure to obtain or maintain in good standing such approvals, consents, permits and licenses could not reasonably be expected to have a Material Adverse Effect or result in a Default by the Corporation of its obligations to the Holder under this Debenture or the other Documents.
- (p) Payment of Taxes. The Corporation and each of its Subsidiaries has filed all tax returns which are required to be filed and have paid all material Taxes (including interest and penalties) which are due and payable, unless such payment is subject to a Permitted Contest.
- (q) Remittances. All of the remittances required to be made by the Corporation and each of its Subsidiaries to the applicable federal, provincial or municipal governments have been made and are currently up to date, and there are no outstanding arrears in respect of such remittances, unless any such remittance is subject to a Permitted Contest.
- (r) Subsidiaries and Disclosure Information. As at the date hereof, the Corporation has no Material Subsidiaries other than as set out in Schedule B. For the Corporation and each of its Subsidiaries, the respective jurisdiction of formation, the location of its respective businesses and assets and its trade names, if any, used in such locations are as set forth in Schedule B. As at the date hereof, the legal and beneficial owners of the issued and outstanding Voting Securities of each Subsidiary of the Corporation are as set out in Schedule B.
- (s) Fiscal Year. The fiscal year end of the Corporation and each of its Subsidiaries, both for accounting and tax purposes, is December 31.
- (t) Liens. Neither the Corporation nor any of its Subsidiaries have any Liens on its property, other than Permitted Encumbrances, nor will the entering into and

performance by Corporation or any of its Subsidiaries of the Documents create a Lien, other than a Permitted Encumbrance, under:

- (i) its constating documents, by laws, any resolution of the directors or partners or any shareholders' or partnership agreement in respect thereof;
 - (ii) any material agreement or document to which it is a party or by which any of its material property is bound; or
 - (iii) any applicable Law.
- (u) Indebtedness. Neither the Corporation nor any of its Subsidiaries has incurred or assumed any Senior Indebtedness, other than Permitted Indebtedness.
- (v) Labour Matters. Except as, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect, there are no strikes, lockouts or slowdowns against the Corporation or any of its Subsidiaries pending or, to the knowledge of the Corporation, threatened. Except as, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect, the Documents will not give rise to any right of termination or right of renegotiation on the part of any union under any collective bargaining agreement to which the Corporation or any of its Subsidiaries is bound.
- (w) Solvency. On the Issue Date:
- (i) the fair value of the assets of the Corporation and its Subsidiaries, on a consolidated basis, at a fair valuation, exceeds their debt and liabilities, subordinated, contingent or otherwise;
 - (ii) the present fair saleable value of the property of the Corporation and its Subsidiaries, on a consolidated basis, are greater than the amount that is required to pay the probable liability of their Indebtedness and other liabilities, subordinated, contingent or otherwise, as such Indebtedness and other liabilities become absolute and matured;
 - (iii) the Corporation and its Subsidiaries, on a consolidated basis, are able to pay their debts and liabilities, subordinated, contingent or otherwise, as such debts and liabilities become absolute and matured; and
 - (iv) the Corporation and its Subsidiaries, on a consolidated basis, have sufficient capital with which to conduct the business in which they are engaged as such business is now conducted and is proposed to be conducted hereafter.
- (x) Operation of Business and Properties. All property owned or operated by the Corporation and its Subsidiaries has been and will continue to be operated and maintained, as the case may be, in a good and workmanlike manner in accordance with good practice and industry standards and in accordance with all applicable Laws, except to the extent that the failure to do so could not reasonably be

expected to have a Material Adverse Effect. The Corporation and each of its Subsidiaries have operated its business in accordance with good practice and industry standards except to the extent that the failure to do so could not reasonably be expected to have a Material Adverse Effect.

(y) Security. The Liens created by the Security granted by the Corporation and each of its Subsidiaries to the Holder rank as Liens in priority to all other Liens over the assets of each such entity, subject only to Permitted Encumbrances.

(z) Sanctions, etc.

- (i) No part of the Principal Amount will be used, directly or, to the knowledge of the Corporation or any Subsidiary, indirectly, to fund any operations in, finance any investments or activities in, or make any payments to, a Sanctioned Person in any manner that would result in any violation by any person (including the Holder) of (A) any Sanctions, or (B) applicable regulations, rules and executive orders administered by any Sanctions Authority.
- (ii) None of the Corporation nor any of its Subsidiaries (A) is, or will become a Sanctioned Person, or (B) knowingly, after due inquiry, engages or will engage in any dealings or transactions, or is or will be otherwise knowingly, after due inquiry, associated, with any Sanctioned Person that would result in any violation of (x) any Sanctions, or (y) applicable regulations, rules and executive orders administered by any Sanctions Authority.
- (iii) Each of the Corporation and its Subsidiaries is, and has conducted its business, in compliance in all material respects with all Sanctions and all applicable regulations, rules and executive orders administered by any Sanctions Authority.
- (iv) To its knowledge, each of the Corporation and its Subsidiaries is, and has conducted its business, in compliance in all material respects with all Anti-Money Laundering/ Anti-Terrorist Financing Laws.
- (v) The Corporation and its Subsidiaries, to the Corporation's knowledge, are not the subject of any investigation, inquiry or enforcement proceedings by any Governmental Authority regarding any offense or alleged offense under any Anti-Corruption Laws or Anti-Money Laundering/Anti- Terrorist Financing Laws in which there is a reasonable possibility of an adverse decision and, to the Corporation's knowledge, no such investigation, inquiry or proceeding is pending or has been threatened.
- (vi) To its knowledge, each of the Corporation and its Subsidiaries is, and has conducted its business, in compliance in all material respects with all Anti-Corruption Laws. No part of the Principal Amount has been used or will be used, directly or, to the knowledge of the Corporation or any Subsidiary,

indirectly, for any payments to any governmental official or employee, political party, official of a political party, candidate for political office, or anyone else acting in a governmental capacity, in order to obtain, retain or direct business or obtain any improper advantage, in violation of any Anti-Corruption Laws.

- (vii) The Corporation and its Subsidiaries have policies and procedures in place to ensure that each of the foregoing representations and warranties in this Section 7.01(x) are true and correct at all times.

Section 7.02 Survival and Inclusion. The representations and warranties in this Article 7 shall survive until the Debenture has been terminated and all amounts payable hereunder by the Corporation to the Holder have been paid in full. All statements, representations and warranties contained in any documents or instruments delivered by or on behalf of the Corporation or any of its Subsidiaries pursuant to this Debenture or the other Documents shall constitute statements, representations and warranties made by the Corporation to the Holder under this Debenture.

ARTICLE VIII GENERAL

Section 8.01 Notice. All notices, requests, consents, claims, demands, waivers and other communications hereunder shall be in writing and shall be deemed to have been given: (a) when delivered by hand (with written confirmation of receipt); (b) when received by the addressee if sent by a nationally recognized overnight courier (receipt requested); (c) on the date sent by facsimile or email of a PDF document (with confirmation of transmission) if sent during normal business hours of the recipient, and on the next Business Day if sent after normal business hours of the recipient; or (d) on the third day after the date mailed, by certified or registered mail, return receipt requested, postage prepaid. Such communications must be sent to the respective parties at the addresses indicated below (or at such other address for a party as shall be specified in a notice given in accordance with this Section 8.01).

If to the Corporation: VERTEX RESOURCE GROUP LTD.
121 – 2055 Premier Way
Sherwood Park, AB T8H 0G2

Facsimile: (780) 464-3731
Email: tstephenson@vertex.ca
Attention: Terry Stephenson, President and CEO

With a copy to: MLT Aikins LLP
Suite 2200, 10235 – 101st Street
Edmonton, AB T5J 3G1

Facsimile: (780) 969-3549
Email: SAmelio@mltaikins.com
Attention: Salvatore (Sam) N. Amelio

If to the Holder:

[Name redacted for privacy]
701, 421 7th Avenue SW
Calgary, AB T2P 0Z3

Facsimile: N/A

Email: [Email address redacted for privacy]

Attention: [Name redacted for privacy]

Section 8.02 Amendment. This Debenture may not be amended or otherwise modified except by an instrument in writing executed by the Corporation and the Holder. Any such amendment shall be subject to all required approvals of the TSX-V, any other stock exchange on which the Common Shares are listed and any applicable securities regulatory authorities.

Section 8.03 Waiver. The Holder shall not, by any act, delay, omission or otherwise, be deemed to have expressly or impliedly waived any of their rights, powers or remedies unless such waiver shall be in writing and executed by an authorized officer of each Holder. Any such waiver shall be enforceable only to the extent specifically set forth therein. A waiver by the Holder of any right, power or remedy on any one occasion shall not be construed as a bar to or waiver of any such right, power or remedy which the Holder would otherwise have on any future occasion, whether similar in kind or otherwise.

Section 8.04 Expenses. The Corporation agrees to reimburse the Holder on demand for all reasonable and documented out-of-pocket costs, expenses and fees (including reasonable expenses and fees of its external counsel on a substantial indemnity/solicitor-and-client basis) incurred by the Holder in connection with the enforcement of the Holder's rights hereunder.

Section 8.05 Release and Discharge. Upon: (a) payment of the entire Principal Amount outstanding under the terms of this Debenture, or (b) issuance and delivery of Common Shares upon conversion of the entire Principal Amount outstanding under the terms of this Debenture, together, in either circumstance, with payment of any other amounts due and payable to the Holder under the terms of this Debenture, this Debenture shall no longer be considered outstanding and the Corporation shall be deemed to have discharged all of its obligations under this Debenture.

Section 8.06 Enurement and Successors. This Debenture enures to the benefit of each Holder and its successors and permitted assigns and will be binding upon the Corporation and its successors and permitted assigns.

Section 8.07 Severability. If any term or provision of this Debenture is invalid, illegal or unenforceable in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other term or provision of this Debenture or invalidate or render unenforceable such term or provision in any other jurisdiction.

Section 8.08 Governing Law and Submission to Jurisdiction. This Debenture shall be governed by and construed in accordance with the laws of the Province of Alberta and the federal laws of Canada applicable therein. The Corporation and, by its acceptance hereof, the Holder hereby attorn and submit to the exclusive jurisdiction of the courts of the Province of Alberta in connection with this Debenture.

Section 8.09 Further Assurances. The Corporation shall promptly do, make, execute, deliver or cause to be done, made, executed or delivered, all such further acts, documents and things as the Holder may reasonably require from time to time for the purpose of giving effect to this Debenture and shall use reasonable efforts and take all such steps as may be reasonably within its power to implement to their full extent the provisions of this Debenture.

Section 8.10 Subordination. The parties hereto acknowledge that the Holder has entered into an amended and restated subordination and postponement agreement with the Senior Creditors and that there are subordination provisions and certain restrictions in such document which may limit the Corporation and/or its Subsidiaries' ability to make payments of interest and principal as set out therein, including Sections 2(b) and 12 therein.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, **VERTEX RESOURCE GROUP LTD.** has caused this Debenture to be duly executed by a duly authorized officer.

DATED this 7th day of MARCH, 2022.

VERTEX RESOURCE GROUP LTD.

By: _____

Name: Terry Stephenson

Title: Director / Officer

SCHEDULE A
CONVERSION NOTICE

TO: VERTEX RESOURCE GROUP LTD.

The undersigned registered holder (the "**Holder**") of the attached 8% Convertible Secured Debenture due March 7, 2027 (the "**Debenture**") hereby elects to convert \$_____ of the outstanding Principal Amount into _____ Common Shares of the Corporation in accordance with the terms of the Debenture.

Capitalized terms used in this Conversion Notice, have the meanings given to them in the Debenture.

The Holder irrevocably directs that such Common Shares be issued in the name of the Holder and that certificates representing such Common Shares be delivered and registered as follows:

Name: _____

Address: _____

City, Province and Postal Code: _____

DATED the _____ day of _____, 20____.

[•]

By: _____

Name:

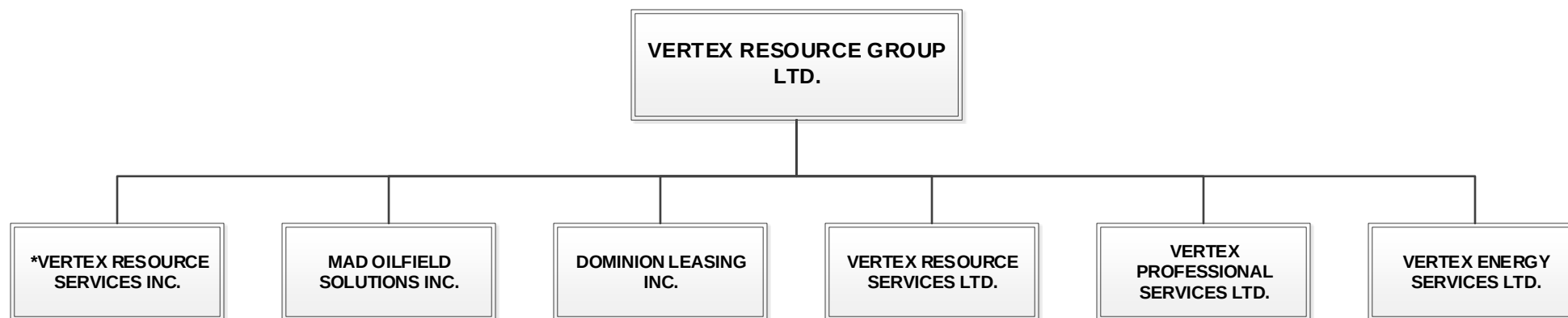
Title:

SCHEDULE B
DISCLOSURE INFORMATION



**VERTEX
CORPORATE STRUCTURE**
Bank Version

(all subsidiaries are wholly-owned)
(* denotes U.S. legal entities)



List of Property

[List of Property redacted for commercial reasons]

